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# An Appraisal of Working Capital Management of the Banking Industry in Nigeria

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**Abstract:** This study evaluates banking working capital management at the UBA Gusau Branch in Zamfara State, using the case study method. The research aims to provide some possible solutions to the many problems commercial banks face in managing their working capital, to determine and assess the relationship between working capital management and bank performance, to find out the relationship between working capital policy and performance, and to examine various working capital strategies that could improve bank efficiency. The sample includes 15 of 25 United Bank for Africa (UBA) employees. The primary data was collected using a two-scale questionnaire. Data were provided in row-based tables. The data was analysed using a percentage line and the research questions. The inability to meet consumers' cash withdrawal requests and the excessive credit offered to customers indicate liquidity and capital issues. The findings also showed that its present assets are insufficient to cover its current liabilities with a reasonable margin of safety. Working capital management involves managing the firm's current assets and obligations to maintain an appropriate working capital level. Management should educate bank workers about the relevance of working capital management to a firm. The bank should also recognise that when its operations or business grow, its working capital must increase to fulfil its daily needs.

**Keywords:** Appraisal and Working Capital; Capital Management; Bank Operations; Liquidity Problems; Financial Efficiency; Business Expansion; Current Assets; Data Analysis; Capital Strategies; Commercial Banks.

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## 1. Introduction

### 1.1. Background of the Study

A company's ability to remain in business for an extended period is largely dependent on the efficient management of its working capital. Although profitability may be considered the governing factor of a business, if working capital is not effectively managed, the business may come to a halt, even if the business is otherwise a successful and profitable company. A business must always maintain a position of stable solvency at all times [1]. That is, in a position to pay its debt as at when due and take advantage of business opportunities as they come or meet contingencies that may be reasonably visualized, a business

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may have a large amount of supplying assets and liabilities but if such assets are fixed, there will probably be a great difficulty in finding them ready to meet their current liabilities without having recourse to borrowing on the security fixed asset [2]. Thus, in this regard, current assets and, consequently, working capital play a vital role [6]. Working capital management is a primary concern in a banking environment, and a working capital deficiency (i.e., an excess of current liabilities over current assets) has often been a trigger for bank failures. Working capital of a bank represents the operating liquidity available to run the bank [3]; [4].

Management of working capital is a crucial component of corporate financial management, as it directly impacts the profitability and liquidity of all firms, regardless of their size and scope. Working capital management refers to the management of current assets and current liabilities. Researchers have approached working capital management in numerous ways [5]. Still, there appears to be a consensus that working capital management has a significant impact on returns, profitability and firm value [24]. Thus, efficient working capital management is known to have many favorable effect; it speeds payment of short time commitments on firms, it facilitates owners financing; it reduces working capital as cause of failure among small business, it ensures a sound liquidity of assurance of long-term economic growth and attainment of profit generating process and it ensures acceptable relationship between the components of firms working capital of efficient mix which guarantee capital adequacy [20]. One of the main goals of working capital management for all businesses, whether they are in established or developing countries, is to make sure they have enough cash flow on a regular basis to pay for their activities [7]. This goal is especially important for banks and other financial institutions. In the banking business, being profitable and having cash on hand are not up for debate for at least two reasons:

- To follow the rules and make sure there is adequate cash on hand to cover customers' unexpected withdrawals [8].
- Banks can keep growing if they manage their working capital well. This leads to high profits and good liquidity, which means they can provide good customer service [9].

A bank is liquid when it has enough cash and cash-equivalent assets, such as investments in securities that can be sold quickly without losing money for the bank. It also needs to be able to quickly get money from other sources so that it can meet its payment and financial obligations on time [12]; [13]. A positive working capital is essential to ensure that a firm can continue its operations and has adequate finances to meet both maturing short-term debt and anticipated operational expenses. Current assets are things that the business will turn into cash during the current accounting period or during the next year as part of its normal activities. They are cash or things that are very close to cash. For banks, Treasury bills, money owed to other banks, and expenses that have already been paid. Current liabilities, on the other hand, are debts that a business has to pay off in the current accounting period or within the next year. These include customer deposits, money owed to other banks, current income tax, short-term loans, and dividends that are due [11].

One of the most important things that the Central Bank of Nigeria (CBN) does is control liquidity. The CBN Act of 1958 and its later changes say that the CBN is in charge of implementing monetary policies that are either restrictive or expansionary to keep prices stable, change interest rates, control credit growth in the domestic economy, and keep the local currency's value stable internationally [14]. It controls the liquidity of the banking industry by adding or taking away liquidity from the banking sector, which it thinks is in line with the intended level of short-term interest rates or reserve money [16]. It uses daily evaluations of how much liquidity is in the financial system to figure out how much liquidity it requires and how much liquidity should be added or taken out of the economy. In short, banking is a service industry run by people for the benefit of the public and to make money for its shareholders. Because of this, it's normal for the services offered by the industry not to be 100% effective. However, there is always an opportunity for development. This assertion is the starting point for our subsequent examination of this study [15].

The banking industry is a big part of Nigeria's economy. According to, Nigerian banks hold 90% of the country's financial assets and are the most important players in the stock market. Consequently, a well-capitalised banking sector is essential for sustaining financial system stability and fostering confidence in the economy. There is a lot of writing on working capital management and what makes banks liquid, such as advice from central banks, financial institutions, and risk management textbooks. In contrast, typical working capital/liquidity management entails the mapping, estimation, and simulation of cash inflows and outflows within a designated time frame, incorporating safety margins and contingency measures to mitigate extraordinary losses and expenditures. It is hard to objectively figure out how much cash is too much and how much is too little when the investment decision is separate from the cash flow. This makes it harder for banks to take advantage of good deals and increases the risk of losses that are higher than what is acceptable in exchange for higher returns on illiquid assets [21]. Consequently, there is a disparity between theoretical advancements in liquidity management and its practical implementation by commercial banks. So, the choice of the best liquidity level is more based on art and professional expertise than on science and clear decision-making processes.

The recent global financial crisis and its effects on the Nigerian banking sector have proven that the CBN's daily predictions of how much money banks need are not enough to figure out how much money the sector needs. The bank is still rather weak and can't handle sudden changes in cash flow. Ross [30] says that between December 2008 and December 2009, Nigerian banks wrote off loans worth 66% of their total capital. Most of these write-offs happened in the eight banks that got loans from the CBN. During this time, most banks also lost a lot of money, went bankrupt, and moved their money to safer places. This work is based on this argument to examine the working capital management of deposit money institutions in Nigeria.

### 1.2. Research Problem

As the global economy emerges from the credit crunch—a condition in which credit is either unavailable or expensive to attract—certain lessons need to be set aside. One of the most important key reasons advanced by experts is the lack of proper management of working capital, which consequently results in liquidity problems [23]. Eventually, banks and other financial institutions faced a liquidity problem; therefore, managers should ensure effective management of their working capital to maintain liquidity. Between 1991 and 2011, over 55 Nigerian banks were liquidated by the NDIC due to their prolonged financial distress [25]. According to Soyinbo, nearly 100 out of the 128 banks in Nigeria failed and collapsed due to inadequate capital bases, mismanagement of funds, overtrading, and a lack of sound regulation, as well as unfair competition from foreign banks [28]. How are Nigerian banks strategising to improve their working capital management? What are the existing working capital terms of Nigerian banks? What has been the result of working capital management in the Nigerian banking industry? The stated problems, along with the research questions below, are the focus of the researcher's investigation in this research topic, intending to provide answers throughout the research [29].

## 2. Literature Review

This paper explores the concept of working capital, its management, and the theoretical framework that underlies it. This paper will provide a comprehensive examination of working capital management, rather than focusing solely on the banking industry. In this paper, facts will be obtained and utilised from previously published works on the subject matter. As such, the researcher is using this opportunity to acknowledge the use of the works of other authors in the field of financial management and corporate finance, particularly in relation to working capital and its management [3].

Generally, working capital refers to a company’s investment in current assets – cash, short-term securities, accounts receivable and inventories. However, for the purposes of working capital management, the more descriptive term is net working capital, which refers to the difference between current assets and current liabilities, typically including accounts payable and other obligations due within one year. It is also explained as follows: “Current assets, commonly called working capital, represent the portion of investment that circulates from one form to another in the ordinary conduct of business.”. This idea encompasses the recurring transaction from cash to inventories, to receivables, and back to cash. As cash substitutes, marketable securities are considered part of working capital [4].

James [9] defined working capital management as follows: “It is the difference between resources in cash or readily convertible into cash (Current assets) and organisational commitments for which cash soon will be required (current liabilities). The importance of working capital is defined by Wild as follows: “It is important as a measure of liquid assets that provide a safety cushion to creditors. It is also important in measuring the liquid reserve available to meet contingencies and the uncertainties surrounding a company’s balance of cash and outflows.” In general, working capital management is a straightforward concept that ensures an organisation's ability to fund the difference between its short-term assets and liabilities. In practice, working capital management has become one of the most critical issues in organisations, where many financial executives struggle to identify the basic working capital drivers and the appropriate level of working capital.

Working capital, capital budget and capital structure are components of corporate finance. Capital budget and capital structure concerns are rising, as is management's long-term capital allocation. On the other hand, “Working capital, including current assets and current liabilities, is the source of short-term capital.”. Gitman defines current asset as:” Short-term assets that are expected to be converted into cash within one year or less.” While current liability is stated as follows: “Current liabilities are short-term liabilities that are expected to be paid within one year or less.” The conversion of current assets, such as inventory and receivables, into cash provides the source of cash used to pay current liabilities [5].

The cash outlays for current liabilities are relatively predictable. When an obligation is incurred, the firm generally knows when the corresponding payment will be due. What is difficult to predict are the cash inflows—the conversion of the current assets to more liquid forms. The more predictable its cash inflows, the less net working capital a firm needs. Because most firms are unable to match cash inflows with outflows with certainty, current assets that more than cover current liabilities are usually necessary. In general, the greater the margin by which a firm’s current assets cover its current liabilities, the better it will be to pay its bills as they come due [6].

### 2.1. Working Capital Ratios

According to James [9] and Bose [8], the following ratios are of interest to those managing working capital:

- Working capital ratio
- Liquid interval measure
- Stock turnover
- Debtors ratio
- Creditors ratio

#### 2.1.1. Working Capital/Current Ratio

$$\text{This ratio is } = \frac{\text{Current assets}}{\text{Current liabilities}}$$

The working Capital ratio, also known as the current ratio, attempts to measure the level of safety provided by the excess of current assets over current liabilities.

#### 2.1.2. Liquidity Interval Measure

$$\text{This is calculated as} = \frac{\text{liquid assets}}{\text{Average operating expense}}$$

This is another measure of liquidity. It examines the Number of days that liquid assets (e.g., inventory) can service daily operating expenses (including shares).

#### 2.1.3. Stock Turnover

$$\text{This is measured as} = \frac{\text{Cost of sales}}{\text{Average stock level}}$$

This ratio applies only to finished goods. It indicates the speed at which inventory is sold, or, to look at it from another angle, how long inventory items remain on the shelves. It can be used for the overall inventory balance, for classes of inventory, or for individual inventory items.

#### 2.1.4. Debt Ratio

The best way to explain this relationship is to express it as the Number of days that credit sales are carried on the books. That is:

$$\frac{\text{Credit sales per period X days per period}}{\text{Average debtors}}$$

### 2.2. Working Capital Management

Working capital management refers to the management of all aspects of current assets, specifically cash, marketable securities, accounts receivable (debtors), and inventories (stock). According to Van Horne [10], working capital management involves deciding upon the amount and composition of current assets and how to finance these assets. The greater the relative proportion of liquid assets, the less the risk of running out of cash, all other things being equal. Working capital management typically involves managing assets, including cash and marketable securities, accounts receivable, and inventory, as well as managing current liabilities. Bose [8] opined that working capital management involves the financing and management of a firm's current assets. The financial executive probably devotes more time to working capital management than to any other activity. Current assets, by their nature, are changing daily, if not hourly, and managerial decisions must be made; management must distinguish between those current assets that are easily converted to cash and those that are more permanent.

The financing of assets should be tied to the expected duration of the asset on the balance sheet. Long-term financing is usually more expensive than short-term financing based on the theory of the term structure of interest rates and risk, as well as profitability, which determines the financing plan for current assets. Empirical observation reveals that financial managers must allocate a substantial portion of their time to daily internal operations, particularly those related to their firms' current assets

and current liabilities. Since the largest portion of the financial manager's valuable time is devoted to working capital issues, it is essential to manage working capital in the most effective way to maximise benefits. Working capital management refers to the management of all aspects of current assets and current liabilities [26]. Working capital management is crucial for all firms, but especially for small businesses. A small firm may not have significant investment in fixed assets, but it must invest in current assets.

Furthermore, the rate of current liabilities in financing current assets is significantly higher for small firms, as they may face challenges in raising long-term financing, unlike large firms [27]. Working capital management encompasses all aspects of managing both current assets and current liabilities. Thus, a proper working capital management should ensure that current asset holdings are expanded to the point where marginal returns on an increase in such assets are just equal to the cost of capital required to finance the increase. In contrast, current liabilities should be used instead of long-term debt, which will lower the average cost of capital. The management of working capital is therefore concerned with the problems that arise in administering both current assets and current liabilities. In other words, working capital management involves deciding upon the amount and composition of current assets and how to finance these assets.

### 2.3. Management of Current Assets

By optimally managing cash, receivables and inventory, a company can maximise its rate of return and minimise liquidity and business risk. Current assets are managed carefully if funds tied up in an asset could be used more productively elsewhere, such as by financing the asset with debt and incurring interest expense. Additionally, large account balances indicate risk, as inventory may not be sellable and/or accounts receivable may not be collectable. On the other hand, inadequate current asset levels may be costly, e.g. when business is lost because the lack of inventory does not permit the timely fulfilment of customer orders. Current asset management is an extension of the concept of working capital management, which involves managing cash, marketable securities, accounts receivable, and inventory.

#### 2.3.1. Management of Cash

Van Horne [10] defines cash management as “managing the monies of the firm to maximise cash availability and interest income on any idle funds.” He also points out that the function of cash management starts with receiving payments from customers and ends with the firm making disbursements to its suppliers, employees, and creditors. All activities between the point of receiving and the point of making payments fall within the real cash management. Cash management involves managing both the inflows and outflows of cash to and from the firm, as well as managing cash within the firm. It also entails arranging to meet cash deficits or investing surplus funds in short-term, profitable, and liquid opportunities [18]. Cash management involves controlling the receipt and payment of cash to minimise the earning of cash balances.

#### 2.3.2. Management of Marketable Securities

According to Van Horne [10], marketable securities present an opportunity for a firm to invest excess cash realised through the acceleration of cash collection and the deceleration of cash disbursement. The securities include treasury bills that mature in ninety-one days, usually issued by the central bank. Treasury certificates whose maturity is longer than that of treasury bills and commercial papers, which are short-term, unsecured promissory notes issued by large operations that wish to raise funds. Management of marketable securities involves selecting between various short-term investments.

#### 2.3.3. Management of Accounts Receivable

Firms must devise means of managing accounts receivable, as they often extend credit to their customers. The level of amounts receivable is generally determined by the volume of credit sales and the average period between credit sales and the collection of payments. Investing funds in accounts receivable involves a trade-off between profitability and risk. The optimal investment is determined by comparing the benefits derived from a particular level of investment with the cost of maintaining that level [10].

#### 2.3.4. Inventory Management

Inventories consist of raw materials, work-in-progress, and finished goods. The level of raw materials maintained by a firm is influenced by anticipated production, seasonality of production, efficiency of scheduling purchases and production operations and the reliability of the sources of supply of the raw materials. A significant portion of the company's funds remains tied up in inventory. Inventories are thus costly to maintain; better management and control can significantly improve the firm's profitability. Therefore, an appropriate management of inventory should maintain an optimum inventory level at all times [19].

### 2.4. Management of Current Liabilities

The management of current liabilities requires consideration of the trade between risk and return. Long-term financing has less liquidity risk associated with it than short-term debt, but it also carries a higher cost. For example, when a company needs funds to purchase seasonal inventory, it typically uses short-term financing rather than long-term financing. The short-term debts give the firm the flexibility to meet its seasonal needs within its ability to repay the loan.

#### 2.4.1. Management of Amount Payable (Creditors)

Mwanza et al. [15] describe trade credit as the credit that sellers grant to their customers during the ordinary course of business. Most purchases do not require immediate payment, and this deferred payment is a short–term source of financing called trade credit that must be managed with a reasonable degree of care and efficiency. Creditors, or trade creditors as they are commonly called, are suppliers of goods who allow customers to receive the goods or deliver them without immediate payment of cash; various financial arrangements may be made. In this form of arrangement, the buyer does not pay any interest but may forfeit any trade discount that the supplier may offer. Thus, in managing amounts payable, the firm must balance the advantages of trade credit against the cost of foregoing a discount.

#### 2.4.2. Management of Bank Deposits

Bank deposits are typically of a current nature, as the customer can withdraw them within a stipulated period during the accounting year. As in Nigeria, a bank is required to meet its short-term obligations owed to depositors, such as withdrawals, within a given amount of money. The excess over the required balance is typically invested in short-term funds, which yield interest. This interest is then used to offset any interest that the depositor will pay. This interest from the invested excess deposits forms part of the bank's operating income.

#### 2.4.3. Management of Dividend Payable

Dividends are the returns on investment made by the company's owners. Upon declaration by the board of directors and approved by the members, during annual general meeting, a cash dividend or script dividend results and this reduces the retained earnings and usually brings about/creates a current liability, if there is an intention to pay the dividend in the coming financial period, the date of payment, however, the liability is eliminated/settled.

#### 2.4.4. Management of Accruals

There is an increasingly automated source of short-term funds than trade credit; this is referred to as accrual expenses or accruals, as they are alternatively called. Since, by definition, accruals permit the firm to receive some services before paying for them, accruals are a form of short-term funds supplied to the firm. If the liability requires immediate payment instead of a deferred one, the fund would have to be directed to pay off the liability. Accruals involved accrued expenses, such as interest, water bills, electricity, wages, rent, and rates, among others.

### 2.5. Empirical Framework

Deloof [24] investigated the relationship between working capital management and the profitability of non-financial firms over a five-year period, from 1992 to 1996. Using the cash conversion cycle, inventory policy, and trade credit policy as measures of working capital management, the conclusion was that if managers can reduce the Number of days of accounts receivable and the inventory conversion period, it would increase profit, proving a negative relationship between profitability and working capital management. In addition, research works by Mwanza et al. [15], Ibrahim et al. [22], and Agha [16] have all demonstrated a significant negative relationship between the cash conversion cycle and a firm’s profitability. A study by Agha [16] examined the impact of various components of working capital management, including average collection period, average payment period, cash conversion cycle, inventory turnover, and current ratio, on the net operating profit of firms in Pakistan. The findings indicated a negative relationship between the various components of working capital and profit. Also, Saadu et al. [2] researched manufacturing firms in Turkey.

They demonstrated that the accounts receivable period and inventory conversion period have a significant negative impact on profitability. However, the research revealed that the cash conversion cycle has no significant effect on a firm’s profit. Mwanza et al. [15] analysed the effect of working capital management on the profitability of 172 firms over a five-year period (2003-2007) listed on Bursa Malaysia. They found a negative relationship between working capital management components (cash conversion cycle, current liabilities to total assets ratio, current assets to current liabilities ratio, and profitability, as captured by return on equity (ROE) and return on total assets (ROA). On the other hand, they also concluded that there is a significant

positive relationship between the current assets-to-total assets ratio and the firm's profit. Fatima [4] concluded that there is no significant relationship between the inventory conversion period and a firm's profit.

They were of the view that the collection period of accounts receivable is the most influential factor among the components of cash conversion. Thus, managers can generate value for shareholders by reducing the average collection period, as observed in a study on manufacturing firms. Stanley and Block [7] examined the impact of cash conversion cycle on non-financial Japanese firms listed on the Tokyo Stock Exchange from 1990 to 2004. The results showed that, except for the consumer goods and service sector, there is a negative relationship between the cash conversion cycle and the return on equity. Generally, the literature indicates that efficient working capital management leads to higher profitability. This research provides empirical evidence of the relationship between working capital management and a firm's profitability, based on a sample of selected manufacturing firms listed on the Ghana Stock Exchange.

## 3. Research Methodology

The process of this research is to analyse the working capital management in the banking industry in Nigeria. Research, according to Balsley and Clover [17], "is the answer to significant and pertinent questions by use of the scientific method of gathering and interpreting information". On the other hand, methodology refers to the method used in a specific study process. Research methodology, therefore, is a systematic process adopted in scientific investigations to discover new knowledge. The methodology employed is both descriptive and analytical in nature, facilitating the easy combination of ideas, enhancing understanding, and aligning with the research objectives. This paper outlines the research methodology, research design, study population, sample size, and sampling techniques, as well as the methods of data collection used in the study, along with the justification for choosing these methods.

### 3.1. Population of the Study

The population of the study comprises all commercial banks in Nigeria, which stands at 22 banks as of June 2018, as the researcher intends to appraise the working capital management in Nigerian banks. However, due to the nature of the research situation and the relevant circumstances, the researcher specifically chose United Bank for Africa as the case study. Therefore, the population consists of the entire staff of the United Bank for Africa Gusau branch. The total Number of staff at the bank who make up the population of the study stands at 32 as of June 2018.

### 3.2. Sample Size and Sampling Procedure

Since the researcher cannot study the entire population of the study in this case, he has resorted to using a sample size of fifteen (15). This is because information is only obtained from those who are knowledgeable and can influence decisions regarding the management of working capital. Consequently, a sample size of fifteen (15) persons was drawn from the population using a simple random sampling method. Additionally, questions related to the study's subject were asked. Respondents were required to tick right against the letters they felt were correct and to give opinions where required.

### 3.3. Method of Data Collection

The sources of data collection used for this research work are both primary and secondary sources. Both primary and secondary data are to be used in this study. The primary data collection instrument is the questionnaire, while secondary data will be obtained from the works of other researchers. The primary data were obtained by the researcher from the senior staff and other personnel of the bank where the research was conducted, through the administration of a questionnaire. The secondary data were collected from published textbooks, journals, and other reference materials.

### 3.4. Primary Sources of Data Collection

These are data or materials collected from its row and source. The data collected in the present research are in their original form. The methods used to collect the data include questionnaires, interviews, and observation. For this research, the method to be used is a questionnaire. The questionnaire will be used to obtain quantitative data to test the hypothesis stated in this paper.

### 3.5. Secondary Sources of Data Collection

This refers to published works, that is, data already existing in the form of textbooks, journals, newspapers, periodicals, bulletins, and other similar publications that contain relevant data on the research topic from which data have been collected for this research.

### 3.6. Method of Data Analysis

A simple percentage was used in analysing the data; the technique is very simple, less cumbersome and accurate than other techniques. It involves statistical calculations performed using raw data to provide answers to the research questions. The data were analysed with simple percentages in line with the research questions. A two (2) scale was used to award points to each specific question answered by the respondents. The favourable statements are stated as follows:

- Yes
- No

The scales were analysed using the simple percentage formula.

$$\frac{NR}{NS} \times \frac{100}{1}$$

Where,

NR = Number of Respondents
NS = Number of samples
100/1 = Constant

## 4. Data Presentation and Analyses

This paper presents the opinions of respondents in tabular form. This data is classified, analysed, and interpreted to reflect the respondents' views on various questions of the questionnaire schedule, as indicated in the research methodology. Thus, the data are further simplified into a percentage for easier analysis and manipulation. The purpose of this paper is to give an analysis of the responses to the questions asked in the questionnaire, as well as to test the hypotheses set earlier in paper one, to determine their validity or otherwise. Subsequently, the researcher will summarise the major findings from the research questions.

### 4.1. Analyses of Responses to the Research

**Question 1:** The primary purpose of this exercise is to enable the researcher to achieve the study's objective. Questionnaires were administered to fifteen (15) respondents, out of which twelve (12) responses were received.

**Table 1:** Pattern of received questionnaires

| Bank | No. of Questionnaire issued | No. of Questionnaires received | Percentage (%) |
|---|---|---|---|
| (U. B. A.) | 15 | 12 | 80% |

***Sources:*** *Field survey, 2018*

From Table 1 above, 80% of the questionnaires were received from the staff of United Bank for Africa.

#### 4.1.1. Analysis of questions

**Question 1:** Sex of the respondent (Table 2).

**Table 2:** Sex of the respondent

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Male | 9 | 75 |
| Female | 3 | 25 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

The above analysis shows that 9 of the respondents, representing 75% are male, while 3 of the respondents, representing 25% are female.

**Question 2**: Educational qualification (Table 3).

**Table 3:** Educational qualification

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| SSCE | 0 | 0 |
| DIPLOMA/NCE | 3 | 25 |
| BSC. | 6 | 50 |
| Others | 3 | 25 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

The above analysis shows that, in terms of qualification, three respondents, representing 25%, hold a Diploma/NCE, six respondents, representing 50%, hold a B.Sc., and three respondents, representing 25%, hold a qualification above a B.Sc.

**Question 3:** Years of experience (Table 4).

**Table 4:** Years of experience

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| 1-3 years | 2 | 16.67 |
| 4-5 years | 4 | 33.33 |
| Above 5 years | 6 | 50 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

The above analysis shows that two respondents, representing 16.67%, have 1 to 3 years of experience, four respondents, representing 33.33%, have 4 to 5 years of experience, and six respondents, representing 50%, have more than 5 years of working experience.

**Question 4:** Level (Table 5).

**Table 5:** Level

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Lower | 2 | 16.67 |
| Middle | 4 | 33.33 |
| Top | 6 | 50 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

The above analysis shows that two respondents, representing 16.67%, are at the lower level, four respondents, representing 33.33%, are at the middle level, and six respondents, representing 50%, are at the top level.

**Question 5**: Do you think there is adequate understanding of working capital in the banking industry? (Table 6).

**Table 6:** Respondents' opinion on awareness of the subject matter

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 12 | 100 |
| No | - | - |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

All the respondents said that there is an adequate understanding of working capital management in the banking industry.

**Question 6**: Do the numerous problems faced by your bank in the management of its working capital affect the bank's performance? (Table 7).

**Table 7:** Respondents' opinion on acceptance of the concept

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 12 | 100 |
| No | - | - |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

All respondents stated that the numerous problems faced by the bank in managing working capital impact the bank's performance.

**Question 7:** Do you agree that the nature and size of the bank determine the amount of working capital required? (Table 8).

**Table 8:** Respondents' opinion on acceptance of the concept Respondents' opinion on acceptance of the concept

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 10 | 83.33 |
| No | 2 | 16.67 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

Ten respondents, representing 83.33% of the total, stated that the nature and size of the bank determine the amount of working capital it requires, while two respondents, representing 16.67%, disagreed.

**Question 8:** If your scale of operation is larger than it is now, will you need more working capital? (Table 9).

**Table 9:** Respondents' opinion on knowledge of benefits

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 12 | 100 |
| No | - | - |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

All respondents from the bank stated that they would need more working capital as the scale of the operation increases.

**Question 9:** Do you think that the effective and efficient management of working capital, utilising working capital tools and techniques, will significantly impact the bank's performance? (Table 10).

**Table 10:** Respondents' opinion on knowledge of benefits

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 10 | 83.33 |
| No | 2 | 16.67 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

Ten respondents, representing 83.33% of the total, stated that effective and efficient management of working capital through the use of working capital tools and techniques can improve the bank's performance. In comparison, two respondents, representing 16.67%, disagreed.

**Question 10:** Does the bank have a debt recovery section or department? (Table 11).

**Table 11:** Respondents' willingness to adopt the concept

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 12 | 100 |
| No | - | - |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

All respondents stated that their bank has a debt recovery section.

**Question 11:** Is the debt recovery drive effective? (Table 12).

**Table 12:** Respondents' opinion on challenges and constraints

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 12 | 100 |
| No | - | - |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

All respondents at the bank stated that the debt recovery drives within the bank are effective.

**Question 12:** Do the working capital strategies adopted by the bank enhance its performance and liquidity? (Table 13).

**Table 13:** Respondents' opinion on the effectiveness of the practice

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 9 | 75 |
| No | 3 | 25 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

Nine respondents, representing 75%, said that the working capital strategies adopted by the bank improve the bank's performance and liquidity. In comparison, three respondents, representing 25%, said that these strategies do not improve the bank's performance and liquidity.

**Question 13:** Does the working capital policy used by the bank determine the volume of the bank's working capital and liquidity? (Table 14).

**Table 14:** Respondents' opinion on future utilisation

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 11 | 91.67 |
| No | 1 | 8.33 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

Eleven respondents, representing 91.67%, stated that the working capital policy employed by the bank influences the bank's liquidity. In contrast, one respondent, representing 8.33%, stated that the bank's working capital policy does not determine its liquidity.

**Question 14:** Does the bank receive credit from other banks/financial institutions? (Table 15).

**Table 15:** Respondents' opinion on acceptance of the proposed approach

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 9 | 75 |
| No | 3 | 25 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

Nine respondents, representing 75% of the total, stated that the bank had received credit from other banks and financial institutions. In comparison, three respondents, representing 25% of the total, reported that they did not receive credit from other banks.

**Question 15:** Does it use such credit to its advantage? (Table 16).

**Table 16:** Respondents' overall perception and impact assessment

| Alternative | No. of respondents | Percentage (%) |
|---|---|---|
| Yes | 9 | 75 |
| No | 3 | 25 |
| Total | 12 | 100 |

***Sources:*** *Field survey, 2018*

Nine respondents, representing 75% of the total, stated that the bank's credits were used to its advantage, while three respondents, representing 25% of the total, disagreed.

## 5. Conclusion

Based on the data collected, it was concluded that the management of working capital should be utilised as a tool to attract more customers through the proper management of cash liquidity requirements and debtors in the banking system. From the analysis carried out, it is therefore clear that working capital analysis and certain financial ratio analysis can be used as tools for managerial decision-making regarding working capital management, as well as for evaluating a bank's performance. Thus, the application of financial ratios will help bank management ascertain its performance and make informed decisions based on the results of previous years during a particular period. The strengths and weaknesses of such a bank will be pointed out, which, of course, will help prompt corrective measures. By so doing, working capital management will be enhanced. Similarly, the researcher concludes that the numerous problems banks face in managing working capital typically affect their performance. There is a significant relationship between the working capital policy and the bank's performance, as the working capital policy adopted by the bank typically determines the amount of working capital maintained by the bank and its liquidity position. However, based on the data collected, it was also concluded that there is an adequate understanding of working capital in the banking industry. Additionally, the numerous problems banks face in managing working capital often impact their performance. Similarly, the researcher also concludes that the efficiency and effectiveness of the bank in managing its working capital, utilising working capital tools and techniques, typically improve the bank's performance, and there is no discernible relationship between the working capital strategy and bank performance.

### 5.1. Recommendations

The recommendations are made based on the results of the data collected, analysed, and interpreted, with the hope that they will contribute significantly to the effective management of working capital in the banking industry if adopted. The study revealed some weaknesses that require urgent attention due to the challenges banks face in this regard. Since there are no clear-cut steps to rectify such situations, banks are encouraged to plan proactively, accommodate these shortcomings, and work towards adopting comprehensive strategies. To improve the services provided to customers, a more effective portfolio management system should be implemented, alongside efforts to reduce excessive credit granted to customers while simultaneously adopting more aggressive marketing procedures. Banks should also establish a strategic plan that encompasses short-term, medium-term, and long-term objectives, along with contingency plans, to recover short-term loans extended to customers and prepare adequately for uncertain economic conditions. It is further recommended that banks invest in educating their staff about the importance of effective working capital management to business sustainability. Employees should be made to understand that effective working capital management is central to financial health, as no business can operate efficiently without adequate working capital. As banks expand their operations and business portfolios, they must ensure that working

capital is increased proportionately to meet the demands of day-to-day activities. They should also strive to maintain high standards and adopt policies aimed at continuously improving working capital requirements. Additionally, when banks repay long-term loans, they should either obtain new loans to cover the cash outflow or explore alternative financial resources to replace the repaid loans, ensuring that liquidity is not compromised.

Customer retention should also be a priority for banks. This can be achieved by improving customer relations, offering attractive incentive rates to investors, and designing service packages that stimulate greater investment. Banks should also provide sound financial advice to their customers, fostering stronger trust and long-term loyalty. In managing the individual components of working capital, banks should adopt techniques and strategies, such as ratio analysis, which enable effective monitoring of overall working capital and identification of areas requiring management attention. Accountants play a pivotal role in all aspects of working capital management through internal control procedures and accurate reporting processes, ensuring that resources are used efficiently. Finally, careful consideration must be given to the selection of the working capital policy that banks will adopt. By choosing the most suitable policy that aligns with their financial needs and complexities, banks can ensure both stability and sustainable growth in the dynamic financial environment.

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