



The Role of Liquidity and Profitability as a Tool for Effective Cash Management in Nigerian Commercial Banks

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To cite this article:

Marcus Garvey Orji, Sunday Alewo Omale, Chima Kate, Jeresa Solomon. The Role of Liquidity and Profitability as a Tool for Effective Cash Management in Nigerian Commercial Banks. *American Journal of Theoretical and Applied Business*. Vol. 2, No. 4, 2016, pp. 38-45. doi: 10.11648/j.ajtab.20160204.12

Received: October 31, 2016; **Accepted:** November 25, 2016; **Published:** December 29, 2016

Abstract: The main aim of managing cash effectively in banks is geared towards enhancing an optimal balance between liquidity and profitability. This is done through the provision of loans and advances in the investment of excess funds to generate income otherwise known as profit. This research study has the objective of assessing liquidity and profitability as a tool for an effective cash management of Nigerian commercial banks with emphasis on first bank of Nigeria plc. The study is a survey research. Primary and secondary data were applied and formulated hypotheses tested using Chi-square derived from Kendal coefficient of concordance. The findings of the study revealed that there is a relationship between effective cash management and profitability in Nigerian commercial Banks, There is also a relationship between effective cash management and liquidity in First Bank Plc, that First bank's technique of cash management reduces risks and First Bank's staff have adequate training in cash management because management of cash is very important to the bank The study recommends that in order to guide against unforeseen circumstances which would have adverse effect on a bank, Care must be taken in the employment of staff in the treasury department. Therefore qualified professionals would be most appropriate in order to carry out good bargaining, better portfolio measurement which makes proper proposal and hence strike acceptable level of cash.

Keywords: Liquidity, Profitability, Effective Cash Management, Nigerian Commercial Banks

1. Introduction

Financial institutions which in the Nigeria context include banks, Insurance companies, leasing companies, Pension fund and Provident institutions play important roles in the economic life of the country, To understand the concept of banking, we must understand the meaning of bank or banker, because banking is the set of activities which a bank or banker performs. Banking, according to Alabi, [1] is the business of providing services to consumers and businesses. The bank provides a wide large of services to both its customers and the economy. These services are; cheque accounts, which can be used like money to make payments and purchase goods and services; savings accounts and time deposits that can be used to save money for future use, loans that consumers and businesses can use to purchase goods and

services; and basic cash management services such as check cashing and foreign currency exchange. Falegan, [2] offers a broader definition of a bank as any financial institution that receives, collects, transfers, pays, exchanges, lends, invests, or safeguards money for its customers. This broader definition includes many other financial institutions that are not usually thought of as banks but which nevertheless provide one or more of these broadly defined banking services. These institutions include finance companies, investment companies, investment banks, insurance companies, pension funds, security brokers and dealers, mortgage companies, and real estate investment trust. There are several categories of bank, such as commercial banks, investment banks and merchant banks. Our emphasis is on money deposit banks otherwise called commercial banks. These are banks that are general purpose in status. They are opened for specific or restricted banking activities but

participate in a range of network of financial activities. According to Ofuani [3] commercial Bank mobilizes deposits and the extension of credits. They act as financial intermediaries, collecting money on deposits from one group and lending it out to another group. In order to maximize their earnings, every bank attempts to structure its assets and liabilities in such a way as to yield the highest returns. It is clearly evident that a large chunk of the bank's balance sheet is under the control of treasury and cash management skill which is required for effective control of the items in order to meet their operational targets, such as the case of liquidity and profitability. Therefore, the need for effective cash management cannot be overemphasized in the successful operation of a bank. The justification for effective cash operation is that more money will be earned. Cash management involves managing the moneys at a maximum cash availability and maximum interest income on idle funds. Maximum cash availability enhances the liquidity of a bank's obligation when they fall due, while maximum interest income on the other hand enhances the profitability of a bank. The concept of profit in the banking industry can be seen from the perspective of banks being able to increase revenue and minimize cost to stay afloat through the strategies of products innovation, penetration, positioning, low prices and charges, high sales volume, and ability to meet customers claims or demands when due. Thus Profitability is the difference between cost of the funds deposited by customers and the charges on loans to customers [4]. It is worth nothing at this point that for effective cash management, a bank needs a true professional cash manger (Treasurer) instead of a clerk. According to Ejiogu [4], a well instituted treasury department will be better off in improving a working capital by spending its precious time collecting receivables, taking cash discounts, stretching out payments and also playing the float difference between the business recorded and the amount credited to the business by the bank. It is in the light of this that this research work focused on the role of liquidity and profitability as a tool for effective cash management in Nigerian commercial banks with particular emphasis on First bank of Nigeria Plc.

1.1. Statement of the Problem

There is no doubt that an effective cash management in place to evaluate liquidity and profitability to their maximum has some problems facing that evaluation. Most problems encountered include default risk, Conflicting requirements of liquidity and profitability which can be viewed as resulting directly from the conflicting desires of the two groups who have provided the bank's financial resources, the shareholders and the depositors. There is also Interruption of cash flow, resulting from sudden shift in demand or economic recessions which cannot be predicted, and Inefficiency of the internal control system where it allows for resource waste and frauds. The task of this study is to investigate why banks do face liquidity problem and low profitability in spite of their apparent good cash management systems.

1.2. Research Questions

This research study will provide answer to the following pertinent questions;

- (1) To what extent is the relationship between effective cash management of banks and their liquidity and profit level in Nigerian commercial banks, especially First bank Nigerian plc?
- (2) Does First bank liquidity ratio and profit level influenced by its cash management style/policies?
- (3) How does the desire for high liquidity and profitability of banks affect cash management goals?
- (4) Does internal control system of First bank plc reduce risk, resource waste and frauds?

1.3. Objective of the Study

The main objective of this study is to assess the role of liquidity and profitability as a tool for effective cash management in Nigerian commercial banks with particular emphasis on First Bank Nigeria Plc. To achieve this, the following secondary objectives will also be considered;

- (1) To determine the relationship between effective cash management of Nigerian commercial banks and their liquidity and profit level especially First bank Nigerian plc
- (2) To examine whether First bank liquidity ratio and profit level is influenced by its cash management style/policies.
- (3) To assess whether First bank staff have adequate training in treasury management
- (4) To evaluate whether the internal control system of First bank plc reduce risk, waste and frauds

1.4. Research Hypotheses

A hypothesis is a conjectural statement of the relationship between two or more variables. Hypotheses are guides for the investigator in the entire process of research endeavour and they keep the researcher on the main line of his/her study. They tend to serve as assumed answer to his/her principal questions, the correctness of which he/she assesses in the course of the study.

Hence for the purpose of this research to be achieved, the following hypotheses will help in verifying the research statement.

H^o1: There is no significant relationship between effective cash management and profitability of Nigerian banks.

H^o2; There is no significant relationship between liquidity and profitability of First bank Nigerian plc.

H^o3: First bank staff have no adequate training in treasury management

H^o4: The internal control system of First bank Nigeria plc does not reduce risk, resource waste and frauds

1.5. Scope of the Study

Although the banking sector consists of the commercial banks and development banks, the study is limited to only

commercial banks (DMBs) in Nigeria with particular focus on First Bank Plc.

The study will only examine the cash operations and how this impacted on their profitability between 2010-2015 financial year.

2. Literature Review

2.1. Conceptual and Theoretical Framework

Concepts of Cash and Liquidity

According to Lemo [5] cash is defined as “the most liquid asset and the most yielding” Abdullahi & Aderento [6] defines liquidity as the ability to meet machinery obligation that is the position of an organization in such a way that is able to meet up obligation when it arises. This statement may be segmented into two (2)

1. Making funds available
2. Meeting obligations at all times

Liquidity is thus, a continuous process and it determines whether a bank would stay afloat or go under that is, it is a pre-requisite for a bank's survival. According to Orji et al [7] profit may be expressed as the proportion by which the price per unit sold exceeds its cost that is, as a rate on turnover. Profit as generally understood, is the difference between the total expenses incurred in producing or acquiring a commodity and the total revenue accruing from sales. This difference may be expressed in a return on capital, the total profit over a year being related to the amount of capital employed. Although profit is a reward to one of the factors of production, it differs in several respects from the income payable to the other factors. Profit is a residual reward payable to the entrepreneurs after all the other costs of the business have been met, where as labour can be certain of its weekly wage or monthly salary, and the debenture holder fairly certain of his interest, there is no guarantee that the ordinary shareholder will receive a dividend. Orji et al [7], maintained that although profit in accounting sense is a residual payment to capital, but the economists regard it as a cost that has to be met if the firm is to stay in business. While the firm may survive one year and perhaps two without making a profit, it will in the long run go out of business if it cannot pay a dividend to its shareholders. In the case of a bank it may be declared distressed and license withdrawn. Profit differs from other kinds of income in three ways [8]. Firstly, it may be negative. Neither wages, nor interest are ever likely to be negative but every year there are some firms which make a loss and there are few firms which do not make a loss at some time or another. Secondly, profit fluctuates more than any other kind both in boom and slump, there is comparatively change in wage – rates, in interest rates or in rents, the burnt of the change falls on profit. Profit responds immediately to a change in price, order incomes are adjusted more slowly and less violently. Thirdly, and this is the crucial distinction according to [8], profit is not like other kinds of income, a contractual and certain income agreed on in advance, but an uncertain residue determined by luck of

events. A man's wage, for example, is predetermined and certain in amount, but the income of his employer is not. The man is paid now for goods produced, in anticipation of further demands, and since the future can never be foreseen, with certainty, the goods which the employer obtains for a given wage payment are of uncertain value. If eventually the price which the goods realize exceeds the cost incurred in their production, the employer will make a profit. This is where the concept of profitability applies. If on the other hand the selling – price turns out to be lower than the cost which he has incurred, he will make a loss. But he does not, and cannot know in advance that he will be able to make a profit. He certainly expects to make a profit, but he may be unlucky

2.2. Liquidity and Liquidity Management in Bank

Ofuani [3] define liquidity as the ability of a company to meet its liabilities as at when they fall due. For the banking industry, liquidity refers to a bank's ability to meet its demand, savings and time deposits withdrawals, as at when such withdrawals are demanded or are due. In addition, it is the availability of facilities for discounting of financial claims to enhance liquidity plus avenues for raising additional funds promptly and cheaply by banks. For example, the availability of a Central bank's rediscount window enhances bank liquidity in the same way as the existence of an efficient inter-bank market for borrowing short-term funds. Liquidity management refers to bank's performance of strategies to be able to meet deposits and loan demands. Examples of such strategies includes holding of short-term funds. A portfolio of short-term financial securities held by a bank can be easily sold or rediscounted for cash. This approach plus inter-bank borrowing constitute the major source of liquidity for Nigeria banks [9]. Under the current regulations, banks are expected to meet specified liquidity and cash reserve ratio. The; present liquidity ratio prescribed by Central Bank of Nigeria is 40% for all commercial banks, which are required to hold at least 10% of liquid asset in treasury bills. Subject to the constraint imposed by the regulation, in determining the optimum level of liquidity, a good treasurer should guide himself with the three motives of holding or keeping cash. By way of recap from basic economics, the three motives are:-

- (1). Transaction motives: The bank needs to be fairly liquid to be able to meet its day-to- day transaction. In commercial banks for instance, customers cash drawing pattern should be determined in advance to ensure that their needs are met. From experience, customers draw heavier amounts towards festive season e.t.c. furthermore, the treasurer should maintain a close link with the departments/units that requires to be considered in cash management [7].
- (2). Speculative motives: cash may be temporarily built up for investment on profitable outlets that may arise in future. If interest rates are expected to rise in future, the bank can invest heavily in the same investment when the interest is low and then off load when

interest rises. Arbitrarily, a common phenomenon amongst money market dealers is one of the speculative activities that might require substantial cash.

- (3). Precautionary motives: Cash balances held to cover future contingencies is called precautionary balance. A bank might hold extra cash because cash flows cannot be predicted. Excess cash held by the bank to meet its variable cash requirements and future contingencies should be temporarily invested in the money market.

Having gone through the three motives for holding cash, it is expedient to examine the facets of cash management. A bank should evolve strategies regarding the following [10]:

- i. Managing the cash flow: the flow of cash budget should be properly managed. The inflow of cash should be accelerated while the outflows of cash should be decelerated.
- ii. Cash Planning: Cash inflows and outflows should be planned to project cash surplus or deficit for each period of the planning. The cash budget should be prepared for this purpose.
- iii. Investing surplus cash: the surplus cash balances should be properly invested to earn profits. The firm should make decision on the division of cash balances between bank deposit, marketable securities and inter-corporate lending.
- iv. Optimum cash level: the first should decide on the appropriate level of cash balances. The cost of excess cash and danger of cash deficiency should be matched to determine the optimum level of cash balances. The ideal cash management system will depend on the firm's product, organization, structure, competition, culture and options available. The task is complex and the decisions taken can affect important areas of the bank.

2.3. Investment of Excess Funds/Profit Management in Banks

Falegan [2] opined that a bank can invest its excess cash in money market investments. As the bank invests its temporary transaction balances and or precautionary balances, its primary criterion in selecting the investment will be its quickest convertibility to cash when the need arises. Besides the bank will be interested in the fact that, when it sells the instrument, the bank at least gets the amount of cash equal to the cost of the instrument; one should examine the basic features of security which are safety, maturity and marketability.

- a. Maturity: this refers to the time period over which interest and principal are to be made. The maturity profile of an investment determines the interest rate applicable.
- b. Safety: although banks would be interested in receiving high returns as one of its investments, it should be borne in mind that a higher return-yielding instrument is relatively more risky. The risk referred to here is default risk that is the possibility of default in the payment of

interest and/or principal on time and in the amount promised.

- c. For instance, other things being equal a 30 days instrument will attract a lower interest than a 90 days instrument because of the fall of secondary market in Nigeria. A short-term instrument is preferred by banks for the purpose of investing excess cash.
- d. Market ability: this is referred to as the convenience and speed with which a security can be converted into cash. The two important aspect of marketability are price and time. If the instrument can be sold quickly without loss of incomes, it is highly liquid or marketable. The CBN treasury bills fall under this category [2].

2.4. Specialized Methods of Cash Management

The specialized and sophisticated methods of cash management are grouped according to Orji et al [7] into:-

- (1) Balance sheet analysis;
- (2) Bank relationship;
- (3) Electronic funds transfer

An effective and efficient cash management will be reflected in the attainment of higher levels of service for the resources provided to the organization would be possible with poor cash management which will be reflected indirectly in high profits and better levels of service are otherwise attainable. Balance sheet analysis means the review and control of accounts payable. Once a cash budget has been prepared, one should begin to look at the account receivable and payable. Aggressive and more rigorous collection procedures are the best way to ensure adequate cash flow on the receivable side. On account payable, zero in liabilities taxes, dividend, payroll, and other expenditure over a Naira on amount that appears significant to the bank in order to manage the liability. By doing so, the bank can identify an extremely high percentage of their cash disbursement and minimize the number of activities and transaction to monitor. Another specialized method of cash management is to identify cash available for investment through inter-banks relationship. The type of relationship the bank has with other banks is probably the limiting factor which is the acceptable level of cash to be maintained in the bank's account with the other banks. Furthermore, effective cash management is also achieved through the techniques of electronic funds transfer. This is the process in which funds are moved between computer terminals without the use of cheques. In this method, plastics cards with magnetic coding are used to obtain cash, transfer funds from one account to another, to pay debts, to borrow and to do other things.

Liquidity versus profitability

Orji et al [7] advocated that there is positive linear relationship between risk and return. That is, saying that the higher the risk, the higher the reward and conversely. In the context of liquidity, the higher the liquidity position of a bank, the less risky the bank becomes. The table below explicitly analyses the components of bank assets and the return on them:

Assessment of the nature of Assets

Table 1. Assessment of nature of Assets.

ASSETS	LIQUIDITY	PROFITABILITY
Vault cash	Very high	Nil
Net inter-bank balance	High	Low
Balance with CBN	Very high	Nil
Net money at call	High	Low
Treasury bills	High	Average
Treasury certificate	High	Low
Fixed deposit	Average	High
Eligible Government stocks	Low	High
Loan and advances	Low	Very High

Source, CBN [9]

The table above shows that liquid assets has been assessed as having high profitability like vault cash, call money e.t.c. while relatively illiquid assets like loans and advanced are highly profitable due to the high return on them. If as a result of an unplanned pursuit of profit, loans are allowed to grow excessively, then the required liquidity ratio of 40% will not be met, the bank will become illiquid and CBN penalties will be imposed [5]. CBN actions such as a change in cash and liquidity ratio requirement on interest rates lead to a portfolio adjustment process on the part of individual banks in order to maintain the desired distribution of assets for the maximization of profits. It is absolutely essential for every bank to affect a careful balance between the maximization of liquidity to the lowest level consistent with safety. In Nigeria, as in most countries of the world, this task is to some extent, taken out of the banks hand by official controls.

According to Orji et al [7], the conflicting requirement of profitability and liquidity can be viewed as resulting directly from the conflicting desires of the two groups who have provided the banks financial resources, the shareholders and the depositors. The shareholders jointly own the bank and look to provide a return on their capital. While the depositors have provided the vast bulk of the funds used by the bank and require safety and the ability to get their money out at short notice. A successful bank must reconcile the interests of these two groups or it would lose either its depositors or its shareholders.

2.5. Evaluation of Liquidity in Nigerian Banks

In measuring liquidity, the qualities of an asset that enables it to be transformed with minimum delay into cash should be considered. According to the 1969 banking act as amended requires that the Central Bank of Nigeria shall from time to time stipulate minimum holdings of licensed bank cash reserves, liquid assets, special deposits and stabilization securities. In this regard each bank must ensure that its holdings of these items are not less than the amount prescribed by the Central bank of Nigeria. The major liquidity measures maintained by Nigerian banks are as follows:

1. The Liquidity Ratio (LR): this is a ratio of a bank's total liquid assets to total deposits liabilities, it is measured as follows:-

$$\text{Liquidity Ratio} = \frac{\text{Total liquid assets}}{\text{Total deposit liabilities}}$$

The assets are cash balances with CBN, net inter-bank balance, bills discounted e.t.c. on the other hand, and the total deposits liabilities are made up of demand, savings and time deposits liabilities of a bank. This will show whether the bank is liquid enough to meet its financial obligation when they fall due.

2. The loan-to loan deposit ration:- This is another measure that is based on the fact that loans and advances are the liquidity of a Bank's earning assets, such that a high loan-to-loan deposit ratio implies low liquidity position.

$$\text{Loan - to - loan deposit ratio} = \frac{\text{Total loans and advances}}{\text{Total deposits}}$$

A ratio in excess of 70% would indicate that the bank is over-trading and may not be able to meet the day-to-day cash requirement of depositor.

2.6. Evaluation of Profitability in Nigerian Banks

The profitability ratio to be evaluated will be determined on the basis of investment rather than sales. Relating the profit of a bank to its investment, we have three (3) concepts according to Orji et al [7]:

- i) Profit to assets
- ii) Profit to capital
- iii) Profit to shareholders equity

1. Return on assets ratio (ROA): This is used as profit. That is the net profit after tax is compared to the total of all assets. This is measured thus:

$$\text{ROA} = \frac{\text{Net profit after tax}}{\text{Total assets}}$$

It has been argued that the real return on asset is the net operating earnings including interest. There are many variations as regards the definition of net profit and total assets.

2. Return on Capital Employed (ROCE): this ratio compares the profit earned (usually before interest and taxes) to the funds used to generate that return (often the total assets minus current liabilities). It is expressed thus;

$$\text{ROCE} = \frac{\text{Profit before interest and tax}}{\text{Capital employed}}$$

The higher the ratio, the more profitable the resources of the bank have been used.

3. Return on Share Capital (ROSC): this is often used to compare performance between accounting periods, and it shows how profitable the shareholders investment in the bank has been used. It is computed thus:-

$$\text{ROSC} = \frac{\text{Profit before tax}}{\text{Share capital + reserves}}$$

3. Research Methodology

This study has been designed in line with survey research using data collected from both primary and secondary sources. The secondary sources comprises of mainly text

books, journals and periodicals, while primary source is only from questionnaires. Since every member of the population can not be reached, this study selected 100 respondents using judgmental random sampling, whereby the researcher uses his/her value judgment to select respondents from the population whose opinions the researcher feels relevant to make a valuable decision [11]. Questionnaires were administered randomly in different branches of first bank in Abuja city center, and its environs, and 78 were returned valid representing 78%, which is valid enough to form opinion. The techniques employed to analyse data for this study are the simple descriptive percentage method and Chi-square method derived from kendall coefficient of concordance. The percentage is for the comparisons of respondents that responded for or against a particular question in relation to the over all respondents expressed as a percentage in order to see the pattern of response. The kendall coefficient of concordance method is used in testing a hypothesis concerning the differences between a set of observed frequencies of a sample and a corresponding set of expected or theoretical frequencies. It is represented by the following formula:

$$W = \frac{12 \sum (R_i - \bar{R})^2}{K^2(N^3 - N)}$$

Where \bar{K} = Number of Respondents; N = Number of weighted questions; R= Mean; W = Kendal coefficient of

concordance.

$$X^2 = K(N - 1)W; X^2 = \text{Chi-square}$$

The Ninety – Five (95%) confidence level was used, Where computed value is greater than critical value at 0.05 level of significance, the null hypothesis was rejected and alternative accepted and vice versa [11]. Weights were assigned using likert scale as follows: Strongly Agree 4, Agree 3, Disagree 2, Strongly Disagree 1. The method used for analysis of this research is justified on the reason that, Kendal coefficient of concordance allows all relevant questions in the questionnaire to be part of the test and result. This position buttressed by Orji [11] is also statistically straight-forward.

4. Results / Findings

Table 2. Kendal coefficient of concordance table 1.

S/NO	strongly agree	Agree	Disagree	Strongly disagree
Weight	4	3	2	1
Question 7	42	30	4	2
Question 8	30	40	3	5
Question 9	40	30	5	3
Question 10	42	30	4	2
Question 11	28	30	15	5

Source: Field Survey, 2016
Each cell of Respondents was multiplied by the weight assigned e.g. 42 x 4 = 168.

Table 3. Kendal coefficient of concordance table 2.

S/NO	STRONGLY AGREE	AGREE	DISAGREE	STRONGLY DISAGREE	Ri	Ri – \bar{R}	(Ri – \bar{R}) ²
1	168	90	8	2	268	10.6	112.36
2	120	120	6	5	251	-6.4	40.96
3	160	90	10	3	263	5.6	31.36
4	168	90	8	2	268	10.6	112.36
5	112	90	30	5	237	-20.4	416.16
			TOTAL		1287		713.2

Source: Field Survey, 2016

Ri = Addition of Rows

$$R = \text{Mean} = \frac{\sum Ri}{N} = \frac{1287}{5} = 257.4$$

$$W = \frac{12 \sum (R_i - \bar{R})^2}{K^2(N^3 - N)}$$

$$W = \frac{12(713.2)}{4^2(5^3 - 5)} = \frac{8558.4}{16(125 - 5)} = \frac{8558.4}{1920} = 4.46$$

$$X^2 = \text{Chi - square} = K(N - 1)W = 4(5 - 1) \times 4.46 = 16 \times 4.46 = 71.36$$

Decision

Based on the above, the decision rule is to reject Null Hypotheses 1-4 (Ho) and accept the Alternative hypotheses, since the calculated x^2 (71.36) is greater than the tabulated

21.02. The tabulated x^2 was arrived at by determining the degree of freedom.

$$\text{The degree of freedom (df)} = (c - 1)(r - 1)$$

C = Column total of observed value

$$r = \text{Row total} = (4 - 1)(5 - 1) = 3 \times 4 = 12$$

df at specified level of significance at 0.05 = 21.02 (Fisher and Yates, 1974).

Therefore, we reject the Null Hypotheses at 95% confidence level and critical value of 0.05% level of significance.

5. Summary of Findings

The analysis index of this study assess liquidity and

profitability as a tool for effective cash management of Nigerian commercial banks, First bank as case study. The analysis revealed that there is a relationship between effective cash management and profitability in Nigerian commercial banks, especially First Bank Plc, There is also a relationship between effective cash management and liquidity in First Bank Plc, that First bank's technique of cash management reduces risks and First Bank's staff have adequate training in cash management because management of cash is very important to the bank. This development arose from the revelation made by the analysis above have confirm the validity of the hypothetical assumption of this research.

6. Conclusion

This research study draws its conclusion base on the findings that, a generalization can be made that the concept of liquidity and profitability can strike a balance if there is effective management of cash. This would apply mainly to commercial banking sector that deals with cash in their day-to-day transactions than any other financial institution. There is no specified yard stick in measuring the balance between liquidity and profitability, but banks aim at managing cash effectively in a way to keep cash balances at optimal (i.e not too high and not too low). The yardstick could be set by individual banks, as they deem it appropriate to meet their aims. Other criterion available is the combination of excess cash with cash deficiency to get the banks at this optimal level.

Recommendations

Based on the conclusions above, the following are the recommendations of the researchers.

1. In order to guide against unforeseen circumstances which would have adverse effect on a bank, Care must be taken in the employment of staff in the treasury department. Therefore qualified professionals would be most appropriate in order to carry out good bargaining, better portfolio measurement which makes proper proposal and hence strike acceptable level of cash.
2. The environment plays a vital role in shaping the operation of a bank, including its guidelines by both government and the Central Bank of Nigeria. It has helped in maintaining a bank's liquid stand and enhancing profitability. When liquidity is kept as specified, banks are likely to break even. There should be regular review and adjustments in line with changing economic conditions.
3. Specified penalties should be melted out to staff that failed to comply with liquidity policy of banks as directed by CBN.
4. Nigerian Banks should pay more attention and intensify their research efforts to provide timely information on treasury risk management as important areas of their operation.

Appendix

Questionnaire

Section One

Please mark "X" against your appropriate choice

1. Sex: Male [] Female []
2. Marital Status: single [] Married []
3. Qualification: Master Degree [] B.sc []
Diploma [] School cert. []
4. Age: (a) 20 – 30 years [] (b) 31-40 years []
(c) Above 40 years []
5. Length of service: (a) 1-5yrs [] (b) 6-10 years []
(c) 11-15 years [] (d) above 15 years []

Section Two

Please indicate the extent of your views by answering the following and selecting either of the alternatives.

Just mark "X" against your choice. Strongly Agree = SA, Agree = A, Undecided = UD, Disagree = D, Strongly disagree= SD

6. Is management of cash important to your Bank?
 - (a) Strongly agreed []
 - (b) Agreed []
 - (c) Disagreed []
 - (d) Strongly disagreed []
7. Is there a relationship between effective cash management and profitability of your bank?
 - (a) Strongly agreed []
 - (b) Agreed []
 - (c) Disagreed []
 - (d) Strongly disagreed []
8. Is there a relationship between effective cash management and liquidity of your bank?
 - (a) Strongly agreed []
 - (b) Agreed []
 - (c) Disagreed []
 - (d) Strongly disagreed []
9. Do your bank staff have adequate training in treasury management?
 - (a) Strongly agreed []
 - (b) Agreed []
 - (c) Disagreed []
 - (d) Strongly disagreed []
10. Does the internal control system of your bank reduces risks, resource waste and fraud?
 - (a) Strongly agreed []
 - (b) Agreed []
 - (c) Disagreed []
 - (d) Strongly disagreed []

11. Does your bank's electronic money transfer helps in effective cash management?

- (a) Strongly agreed []
 (b) Agreed []
 (c) Disagreed []
 (d) Strongly disagreed []

12. Suggest how best liquidity and profitability of First Bank Plc can be managed to achieve objective of profit maximization and increase in market share.

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