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WORKING CAPITAL MANAGEMENT AND PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study investigated the impact of working capital management on the performance of deposit money banks in Nigeria from 2010 to 2021. The study utilized secondary data of eight (8) deposit money banks in Nigeria sourced from their audited financial statement and the Central Bank of Nigeria (CBN) Statistical Bulletin. Return on asset was used as index of bank performance and the study proxy working capital management using cash conversion cycle, current asset and current liability. The econometric methods employed in analysing the data were pooled ordinary least square, fixed effect and random effect estimators. The Hausman test revealed that fixed effect estimator is the best method in examining the relationship between monetary policy and bank performance. The result of the fixed effect model reveals a negative and insignificant relationship between cash conversion cycle and return on asset. Also, current asset had positive and significant effect on return on asset. In addition, the result reveals that current liability dampened the performance of the deposit money banks. The study concludes that, working capital management can enhance the performance of deposit money banks Nigeria. By this, the study recommends that management of the deposit money banks should increase their current asset by raising their liquid assets through prompt collection of borrowed funds.

KEYWORDS: *Working Capital Management, Bank Performance, Cash Conversion Cycle, Current Asset, Current Liability.*

1. INTRODUCTION

Deposit money banks undertake the role of providing financial services to private individuals and the economy, at large. In carrying out this intermediary role, deposit money banks act as channel for the transmission of monetary policy in the economy and intermediate between the surplus and deficit units of the economy.

The survival of deposit money banks depends, among other things, on the return they get from invested capital or use of their assets. This makes profitability a major driver of the activities of commercial banks. Due to this, deposit money banks engage in a number of activities in order to be profitable. One of these important activities is giving out loans to borrowers who are in need of capital for consumption and investment expenditure. By doing this, the banks receive interest on the loan disburse to the public and these interests form the bedrock of profitability in the banking industry (Ariyibi, Yunusa and Williams, 2020).

Currently, the business environment in which deposit money banks operate in is highly competitive, underscoring the importance of working capital management. As noted by Brigham and Houston (2003), the profitability of deposit money banks largely depends on how they manage their working capital. This is because working capital, a major component of corporate finance, has direct link with liquidity and profitability of companies. According to Ikpefan, Osuma, Ahire, Evbuomwan, Kazeem and Chimezie (2021), the impact of an inadequate working capital does not extend just to the affecting the profitability of banks, but also extends to bringing about instability of banks and the entire financial system in Nigeria. An undercapitalized bank can create liquidity problem in the banking system, when they are unable to meet the short term demands of their customers. Deposit money banks (DMBs) are important institution that play critical role in economic development of a country. By engaging deposit acceptance from

customers, the inability of deposit money banks to honour the withdrawal request of their customers when needed could threaten the resilience and stability of the Nigerian financial system and cause unprecedented economic disasters. Hence, it becomes imperative for deposit money banks to efficiently maintain and management working capital, as their operations could be affected because of inadequate working capital. As noted by Peprah and Riziki (2019), efficient working capital management encompasses the planning and controlling of the current asset and liabilities of the banks in a manner that reduces the risk of defaulting on the short-term obligations of the banks and ensuring investment in assets are not excessive.

The connection between working capital management and profitability has been an area of interest to scholars. The argument of some scholars is that, working capital management is essential, as a company could face bankruptcy due to inaccurate working capital management, even though considerable profits have been made over time.

Past studies have examined the determinants of performance of banks, identifying certain banks variables and macroeconomic variables as factors that affect profitability of banks. Some of these studies include Yakubu and Egopija (2021), Ariyibi, Yunusa and Williams (2020) Bhattarai (2018), Kassem and Sakr (2018) Katırcıoglu, Ozatac and Taspınar (2020), Bekhet, Alsmadi and Khudari (2020). Horobet, Radulescu, Belascu and Dita (2021), Garcia and Trindade (2019), Batten and Vo (2019), among others. What these studies failed to do is provide empirical evidence on the impact of working capital management on performance of deposit money banks in Nigeria. Hence, the need to examine how working capital management affect the profitability of deposit money banks in Nigeria, which this study does.

2. LITERATURE REVIEW

2.1 Theoretical Foundation

One of the theoretical foundations for this study is the trade-off theory. Assuming perfect competition in the capital market, it is possible that funds can be raised through the capital market without recompense or transaction cost. The trade-off theory holds that, firms usual target an optimal level of liquidity in order to ensure equality between the cost and benefit of holding cash (Yahya and Bala, 2015). The associated cost with holding cash is reflected in low rate of return on the assets and the tax disadvantage associated with it. On the other hand, the benefit of holding cash is in two folds. First, the transaction cost associated with raising cash is saved by the firm and the process and time of liquidating assets to meet certain obligations are saved. Second, the liquid assets can be employed to fund the activities of the firm when alternative sources of funding are unavailable or expensive. The relationship between working capital management and performance of deposit money banks is also rooted in the defensive and aggressive working capital management theories. Taani (2012) and Adamu (2016) noted that, the defensive working capital management theory suggests that, companies in trying to reduce their risk exposure, will reduce current liabilities and/or ensure they maintain excess working capital so as to aid them in meeting certain unforeseen contingencies. The aggressive working capital management theory argues that the financing of current assets and partly fixed assets should be undertaken using short term financing sources (Adamu, 2016).

2.2 Concept of Working Capital Management

According to Nurein (2014), working capital refers to the excess of current assets over and above current liabilities of a company. According to Le, Vu, Du and Tran (2018), working capital is critical to the business and her performance primarily due to it use in the day-to-day operations of the businesses, such as purchase of input materials, payment of salary and wages of employees and meeting of credit obligations of the business. It is for this purpose that, working capital is defined as the amount of money available in financing the short-term obligations of an organization, and is availability is a function of excess current assets over and above current liabilities (Nurein, 2014). According to Iqbal and Zhuquan (2015), working capital management refers to the day-to-day function of management regarding the planning, organizing and controlling of the various components of working capital which include cash, payables, bank balance, receivables, short term loans and overdraft. Also, working capital management also entails determining the optimal amount of working capital for the business in order to avoid over accumulation of account receivables or excessive inventory buildup, which could result in inefficient deployment of resources and decline in profitability (Ibrahim and Isiaka, 2021).

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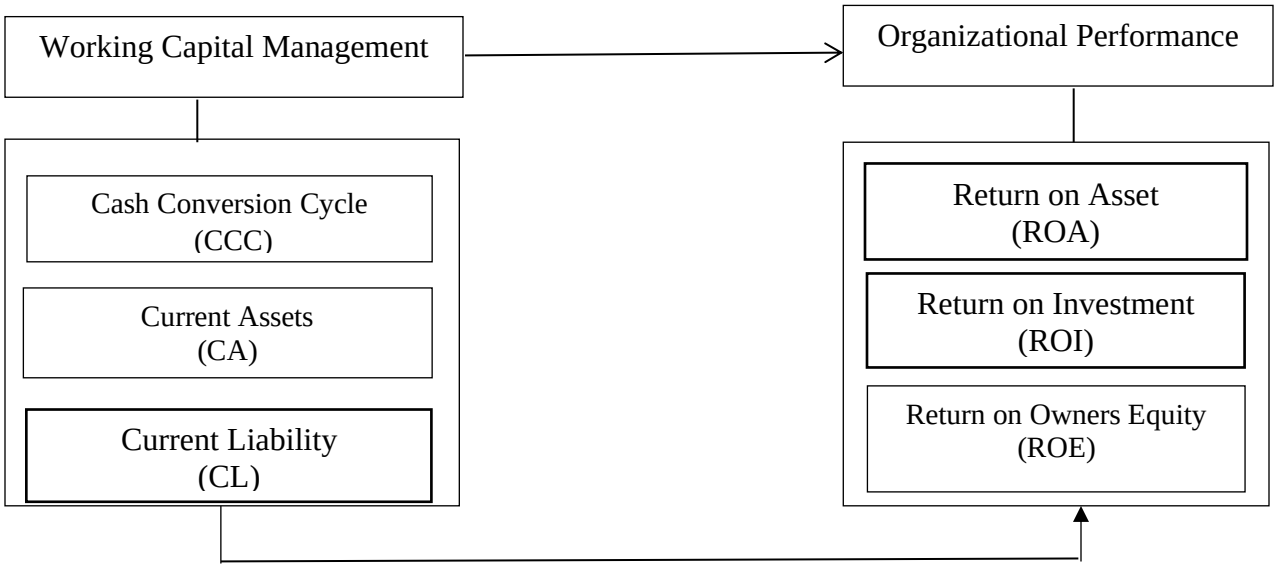
2.3 Organizational Performance

According to Lebans & Euske (2006), performance is a set of financial and non-financial indices that explains information on the extent of achievement of results. On the other hand, organizational performance is defined as an organization's ability to attain its objectives by using resources at its disposal in an efficient and effective way. Lebans & Euske (2006) went on to define organizational performance as the ability of an enterprise to achieve objectives that reflects high profit, quality of product, large market share, good financial results, and survival at predetermined time using relevant strategies and actions.

A major objective of oil and gas firms' management is profit maximization and shareholders' maximization epitomizing corporate performance. Corporate performance refers to how well or badly organizations are functioning in order to achieve its aim and objectives. It generally implies the ability of oil and gas companies to realize its predetermined objectives within a given period of time (Abanewe et al., 2013). Corporate performance is the ability of any organization to meet its targeted financial and non-financial performance. Lebans & Euske (2006) defined it as a set of financial and non-financial indicators that offer information on the level of accomplishment of objectives and results of firms. Arokodare (2018) defined it as continuous growth in sales, market share and firm profitability which serves as yardstick for firm performance achievement.

Conceptual Framework



Source: Research Desk, 2023; Yakubu and Egopija (2021), Ariyibi, Yunusa and Williams (2020).

Fig 1.1: Conceptual Framework of the Research

2.4 Empirical Review

Ikpefan, Osuma, Ahire, Evbuomwan, Kazeem and Chimezie (2021) utilized a regression analysis wherein data of six (6) deposit money banks in Nigeria, pooled from 2010 to 2017, were used in analysing the impact of working capital management on performance. The banks surveyed were First bank, United Bank for Africa, Access Bank, GT Bank, Zenith bank and Sterling Bank. Return on asset was used as a measure of performance, while working capital was proxy using three indices of capital adequacy ratio, liquidity ratio and loan-to-deposit ratio. The pooled ordinary least square result indicated that all three variables had significant impact on performance and increase in capital adequacy ratio, liquidity ratio and loan-to-deposit ratio will improve the performance of the deposit money banks.

Yahya and Bala (2015) examined the correlation between working capital management and financial performance of deposit money banks in Nigeria. The study sampled thirteen deposit money banks listed on the Nigerian Stock Exchange for a period of six years from 2007 to 2013. As a measure of performance, the return on asset index was

used and working capital management was proxy using current ratio, quick ratio and cash ratio, while controlling for firm size. They noted using the fixed and random effect models that working capital management guarantees improve performance of DMBs as both current ratio and quick ratio had significant positive impact on return on asset. In contrast, it was found that performance of the DMBs reduces significantly when there is an increase in cash ratio.

Godswill, Ailemen, Osabohien, Chisom and Pascal (2018) in a panel framework used data covering from 2010 to 2016 to examine if profitability of ten (10) deposit money banks can be enhanced through the working capital management. For this study, two models were specified to reflect the two measures of profitability, which includes return on asset and return on equity. The indices of profitability were regressed on the predictor variables of profit after tax, net interest income, current ratio, and monetary policy rate. Result from the estimation performed using the fixed effect, random effect and pooled ordinary least square methods indicated that the profitability of deposit money banks is influenced by working capital management, noting that return on asset is a better measure of bank profitability.

Peprah and Riziki (2019) examined the nexus between working capital management and profitability by studying 25 commercial banks in Ghana from 2016 to 2018, using the Pearson correlation method. In probing the correlation between working capital and bank profitability, working capital was measured using cash ratio and current ratio and return on asset used to index profitability. The study found that working capital management did not enhance profitability of banks in Nigeria, as the correlation between working capital management and profitability index was negative and significant.

Abdulazeez, Baba, Fatima and Abdulrahaman (2018) investigated if the working capital management of six (6) conglomerate companies in Nigeria affect their financial performance. The study spanned ten (10) years from 2005 to 2014 and the ordinary least square (OLS) method employed in analysing the pooled data. The measures of working capital management used were debtors' collection period, cash conversion cycle and creditors' payment period. Firm size was also considered as a control variable that could affect financial performance, to which return on investment was used as proxy. Their research revealed that debtors' collection period and creditors' payment period negatively affected the financial performance of the conglomerate companies, as they showed that cash conversion cycle was positively related to return on investment. However, it was revealed that none of the measures of capital management significantly predicted financial performance. On the other hand, firm size significantly affected financial performance, but result indicated that the conglomerate companies can only improve their financial performance by reducing their firm size.

Senan, Anagreh, Al-Dalaien, Almugari, Khaled and Al-Homaidi (2021) employed the panel methodology in studying the effect of working capital management on the performance of 98 Indians banks. The estimation technique used in estimating the model and data spanning from 2008 to 2018 were the generalized method of moments (GMM), fixed effect, random effect and panel ordinary least square methods. Return on assets and return on equity, the two indicators of performance, were made to depend on working capital cycle, current ratio, profit after tax, assets size, financial leverage, quick ratio, return on capital employed, net profit margin, return on total assets and monetary policy rate. Regarding the determinants of profitability measured using return on asset, the study revealed the variables to be working capital cycle, profit after tax, net profit margin and monetary policy rate. For return on equity, the result showed that current ratio, return on capital employed, size of the assets and net profit margin ratio are positive and significant determinants of profitability.

Ariyibi, Yunusa and Williams (2020) examined the impact of bank specific factors on the performance of deposit money banks in Nigeria from 2014 to 2018. Ten banks were selected for the study and performance of the banks was measured using return on asset. The bank specific factors were asset quality, loan to deposit ratio, board size and capital adequacy. The relationship between the bank specific factors and return on asset was examined in a panel framework using the random effect model, following the outcome of the Hausman test. The random effect result revealed that the performance level of the banks in Nigeria depend positively and significantly on capital adequacy and negatively on asset quality.

Assfaw (2018) investigated the determinants of performance of private banks in Ethiopia from 2011 to 2017. Six (6) private commercial banks were selected for the study and data was obtained from the audited annual financial reports of the banks. Three models were estimated using return on equity, return on asset and net interest margin as dependent variables. The method employed in estimating the models was multiple linear regression method, correlation coefficient and descriptive statistics. The regression results revealed that capital adequacy, size of banks and management efficiency have positive and significant effect on performance of private banks in Ethiopia when measured using return on asset, return on equity and net interest margin. Liquidity management negatively affect financial performance of the banks when return on equity was used as index of performance.

Bhattarai (2018) used data 17 commercial banks in Nepal from 2011 to 2016 to x-ray the effect of bank specific and macroeconomic variables on performance of commercial banks. The bank specific variables used were default risk, capital adequacy ratio and cost per loan assets. The macroeconomic variables were exchange rate, gross domestic product growth rate and inflation rate. Performance of the banks were measured using return on asset. The results of the study analyzed using the pooled ordinary least squares method indicated that, profitability of commercial banks in Nepal is influenced by cost per loan assets. There were no evidence suggesting the macroeconomic variables had significant effect on the profitability of the commercial banks.

Yakubu and Egopija (2021) used the fixed effect least squares dummy variable (LSDV) method to investigate the impact of bank specific factors on the profitability of five deposit money banks in Nigeria. In the study, profitability was measured using return on asset and return on equity and the bank specific factors included credit risk, capital adequacy ratio, liquidity ratio, bank size and management quality. A total of five deposit money banks were studied and the least square dummy variable result showed that capital adequacy, credit risk and liquidity ratio have positive and significant effect on return on asset. Only liquidity ratio had significant effect on return on equity and the effect is positive.

A set of bank specific factors which include capital adequacy, deposit, bank size, assets quality, operating efficiency, assets management, liquidity, leverage and number of bank branches was used by Al-Homaidi, Tabash, Farhan and Almaqtari (2018) to examine if they affect performance of commercial banks in India. The data of 60 used commercial banks were analysed using the pooled, fixed and random effect methods and the generalized method of moments (GMM) method for the period of 10 years. Also taken into account were the influence of macroeconomic variables that affect profitability of commercial banks such as exchange rate, interest rate, gross domestic product, and inflation rate. Three measures of profitability were used and they include return on assets, return on equity and net interest margin. The result showed that the macroeconomic variables negatively affect the performance of the commercial banks. In terms of bank specific factors, leverage ratio, bank size, assets management and number of branches were highly significant factors of bank performance as measured using return on asset. When measured using net interest margin, all bank variables except number of branches significantly affect bank profitability.

Yakubu (2016) used the pooled ordinary least squares method to analyse the bank specific and macroeconomic factors that affect the profitability of commercial banks in Ghana. The investigation covered the period from 2010 to 2015 and used data of five commercial banks. The research work focused on bank factors such as bank size, capital adequacy, expense management, liquidity, asset management and macroeconomic factors which include gross domestic product growth rate, inflation rate and interest rate, analysing their impact on return on asset. The regression result revealed that profitability of banks in Ghana is largely influenced by bank factors and not macroeconomic factors. Bank size, liquidity and expense management all had positive and significant impact on return on asset.

Gabriel, Victor and Innocent (2019) used the ordinary least squares (OLS) method to analyse the effect of non-performing loans on the financial performance of deposit money banks in Nigeria from 1985 to 2016. The work examined the impact of non-performing loans, cash reserve ratio and inflation on return on asset. From the regression result, neither non-performing loans, cash reserve ratio nor inflation had significant effect on return on asset during the duration for the study.

Kassem and Sakr (2018) examined the banks factors that determine profitability of banks in Egypt from 2007 to 2016. A total of nineteen (19) Egyptian banks was used for the study and the data of these banks was analysed in a pooled

regression model. Three models were estimated using the pooled ordinary least squares method corresponding to return on equity, return on asset and net interest margin as dependent variables. The independent variables used in the study were bank size, capital ratio, loan ratio, deposit ratio and loan loss provision ratio. The pooled OLS result indicated that bank size and loan loss provision ratio are the main determinants of bank profitability in Egypt. Bank size was found to have a positive and significant effect on bank profitability, while loan loss provision loss had negative and significant effect on profitability as measured by the three proxies of bank performance.

The determinants of deposit money banks' profitability in Nigeria were investigated by Olalere, Omar and Kamil (2017). Data of sixteen (16) commercial banks from 2010 to 2015 were used and analysed using panel fixed and random method. Two measures of profitability were used for the study and they include return on asset and return on equity. These measures were analysed using bank specific independent variables such as deposits, asset size, capital adequacy, liquidity and asset quality. The result of the study indicated that deposit money banks in Nigeria can increase their profitability by increasing their capital and liquidity, while decreasing the operating cost. Also, the result showed that a good economic environment measured by increase in gross domestic product can further increase the profitability of banks in Nigeria.

Al-Homaidi, Almaqtari, Yahya and Khaled (2020) investigated the internal and external factors affecting the profitability of banks in India. Data of 37 commercial banks listed on Bombay stock exchange and spanning from 2008 to 2017 was used. Static model method such as pooled, fixed and random effects were used and the dynamic method of generalized method of moments was also used. The internal factors considered in the study were bank size, capital adequacy, asset quality, liquidity, deposits, assets management, operating efficiency, net interest margin and non-interest income. As opposed, the external factors included gross domestic product and inflation rate. The result of the study revealed that bank size, liquidity ratio, assets quality, net interest margin and assets management ratio were internal factors affecting the profitability of banks in India. GDP and inflation rate were found to have a significant negative impact on return on equity.

Dao and Nguyen (2020) used a panel approach to investigate the determinants of commercial banks' profitability in Vietnam, Malaysia and Thailand from 2012 to 2016. Ten banks were selected from Vietnam; nine from Thailand and eight banks from Malaysia. The independent variables were bank specifics and they included non-performing loans, capital adequacy, and liquidity ratio and bank size. Macroeconomic variables were included and consist of gross domestic product (GDP) growth and inflation. Using panel regression, the result showed operational risk had negative and significant effect on profitability in the three countries. Bank size was found to have a negative and significant effect on profitability in Vietnam and Thailand only. In Malaysia, the effect of bank size was insignificant. In addition, capital adequacy negatively affects profitability of banks in the three countries.

Muraina (2018) used data of 14 listed deposit money banks in Nigeria from 2008 to 2016 to investigate the factors that affect their profitability. Panel tools of fixed and random effect was employed in analysing the data, but the relationship between capital adequacy, credit risk, inflation and return on asset was based on the random effect model, following the result of the Hausman test. The feasible generalized least square (FGLS) result revealed that a positive and significant relationship exist between capital adequacy and return on asset. On the other hand, the found that credit risk had significant negative impact on bank profitability. Also, the result revealed that the profitability of deposit money banks in Nigeria is not affected significantly by the level of inflation in the country.

3. METHODOLOGY

3.1 Data and Source

Secondary data was used in examining the relationship between working capital management and performance of deposit money banks in Nigeria. The data used for the study covered from 2010 to 2021 and sourced from the audited financial statements of the eight (8) deposit money banks and the Central Bank of Nigeria (CBN) Statistical Bulletin. The table below contain the a priori expectation and sources for the variables used for this study.

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Table 1: Variable, Measurement and Source

Variable	Measurement	A priori expectation	Source
roa_{it}	This measures the return on asset employed by the bank. It is arrived at by dividing profit after tax by total asset. The employed this as a measure of performance of the DMBs and is the dependent variable.		Audited Financial Statements
CC_{it}	Cash conversion cycle is employed as a proxy of working capital management. It is arrived at by subtracting the creditors' payment period from the debtors' collection period.	-	Audited Financial Statements
CA_{it}	This is a measure of the total current assets of deposit money banks (DMBs). It defines the short-term assets of the DMBs that can be converted to cash within a year.	+	Audited Financial Statements
CL_{it}	The study employed current liabilities of the DMBs as a proxy of working capital management. It measures the obligations or debts of the DMBs payable within a year.	-	Audited Financial Statements

Source: Author's computation

3.2 Model Specification

This study which focused on the impact of working capital management on performance of deposit money banks in Nigeria used four variables. The data for this study was secondary in nature and sourced from the audited financial statement of eight (8) banks in Nigeria and the Central Bank of Nigeria (CBN) Statistical Bulletin. The banks selected for this study were banks designated by the Central Bank of Nigeria as domestic systematically important banks (SIBs) and include Access Bank, Union Bank, GT Bank, FCMB, United Bank for Africa, Zenith Bank, Fidelity Bank and First Bank. The study measured performance using return on asset (ROA) and other variables in the model include cash conversion cycle, current assets and current liabilities.

The model for the study is derived from the works of Abdulazeez, Baba, Fatima and Abdulrahaman (2018). These studies did not answer the question of how current assets and current liabilities of the deposit money banks affect the performance of deposit money banks in Nigeria. This study answers this question by examining the effect of cash conversion cycle, current assets and current liabilities on the profitability of banks. This study's model is a modification to the previous studies and it is expressed as:

$$roa_{it} = f(cc_{it}, ca_{it}, cl_{it}) \qquad (1)$$

Where:
roa_{it} = return on asset (measure of DMBs profitability);
cc_{it} = cash conversion cycle;
ca_{it} = current asset; and
cl_{it} = current liability.
The study model of equation (1) is specified in both pooled and static form. In the pooled model, there is homogeneity among the deposit money banks. The static model is expressed in fixed effect and random effect form and both take into consideration possible heterogeneity among the deposit money banks. The pooled model was estimated using the pooled ordinary least square method, while the fixed and random effect models by the fixed effect estimator and feasible generalized least squares (GLS) methods, respectively. The Hausman test was used in deciding between the fixed effect model and random effect model.

Pooled Regression Model

$$Y_{it} = \alpha + \beta X'_{it} + \mu_{it} \qquad (2)$$

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Where;
$Y_{i,t}$ = dependent variable
$X'_{i,t}$ = vector of independent variables
α = intercept which is homogenous across banks; and
μ_{it} = stochastic term.

Fixed Effect Model
Equation (3) is the specification for the fixed effect model;

$$Y_{it} = \alpha_i + \beta X'_{it} + \mu_{it} \qquad (3)$$

Where;
$\alpha_i =$ bank specific effects.

Random Effect Model
The random effect model differs from the fixed effect model as it assumes that the bank specific effects are random and not fixed. The random model is specified as:

$$Y_{it} = \beta X'_{it} + \epsilon_i \qquad (4)$$
$$\epsilon_i = \alpha + \varepsilon_i \qquad (5)$$

4. RESULTS AND DISCUSSION

Table 1: Regression Result

	Pooled OLS (I)		FE-Model (II)		RE-Model (III)	
Variable	Coeff.	Std. Error	Coeff.	Std. Error	Coeff.	Std. Error
cc_{it}	-0.0004	0.0006	-0.0007	0.0009	-0.0076	0.0132
ca_{it}	0.0108	0.0134	0.0027**	0.0011	0.0027**	0.0011
cl_{it}	-0.1816***	0.0280	-0.0887**	0.0339	-0.0876**	0.0340
C	0.1480	0.0973	0.0385	0.0318	0.0382	0.02789
Model Diagnosis						
R^2	0.1310		0.6783		0.1310	
F-Statistics	3.13[0.0190]		14.57[0.0000]		12.72[0.0127]	
Hausman				9.91[0.0420]		
observations	96		96		96	
Units	8		8		8	

Note: *, ** and *** denote significance at 10%, 5% and 1% respectively.
Source: Authors' computation (2023)

The result of the estimated pool, fixed and random effect models are presented in Table 1. The table is divided into three panels – A, B and C. The result of the pooled model estimated using the pooled ordinary least square method is presented in panel A. The fixed effect result is contained in panel B and that of the random effect model is presented in panel C. The study used the Hausman test in deciding between the fixed and random model. The Hausman test has a null hypothesis that the nature of relationship between working capital management and performance of the deposit money banks should be based on the random effect model. The alternative hypothesis is that, the relationship should be examined using the fixed effect model. From the results of the test, the probability value of the Hausman statistics is less than 0.05. Table 1 shows that, the Hausman statistics of 9.91 has a probability value of 0.0420. Therefore, the study rejected the null hypothesis and rely on the fixed effect result in understanding the relationship between return on asset and the independent variables.

From the pooled result, that is, panel A, cash conversion cycle had a negative and insignificant impact on return on asset. The study found that current asset had a positive and insignificant impact on profitability of deposit money banks. Current liability had a negative and significant effect on return on asset in the pooled model.

In the fixed effect static model, the observe that a coefficient of determination of 0.67. This means that, about 67 percent of the variation in the dependent variable (return on asset) is explained by the regressors (cash conversion cycle, current asset and current liabilities) and the residual of 33 percent explained by other variables not included in the model. From the result of the estimated static model, the found that current asset had positive and significant effect on performance of deposit money banks as an increase in current asset by 1 percent increases return on asset by 0.0027 percent. Further analysis showed that, current liabilities shrink return on asset of deposit money banks by 0.0887 percent when current liabilities increase by 1 percent, indicating that the accumulation of liabilities has severe implication for the performance of banks in Nigeria.

5. CONCLUSION AND RECOMMENDATION

The financial performance of a company has far-reaching influence on its growth and survival. Corporate entities are in the business of maximizing their shareholders fund and a such have to ensure balance between liquidity and profitability. Working capital management is fundamental in corporate finance as it has far-reaching impact on profitability and liquidity. On the basis of this, the study examined the impact of working capital management on financial performance of deposit money banks (DMBs) quoted on the Nigerian Stock Exchange. It was observed that cash conversion cycle related negatively with performance of deposit money banks. Current assets significantly enhanced the financial performance of deposit money banks, while current liability related negatively and significantly with financial performance of the panels considered. The study concludes that, working capital management can enhance the performance of deposit money banks Nigeria.

The following recommendations are proposed on the backdrop of the results of our estimation. They include the following:

i. The management of the deposit money banks should strengthen their internal control to guard against theft and fraud.
ii. Management of the deposit money banks should increase their current asset. This could be done by raising their liquid assets through prompt collection of borrowed funds.
iii. In order to improve financial performance of the deposit money banks, the study recommends that the DMBs consider relaxation of credit and collection policy but ensure appropriate profiling of customers.

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