

**EFFECT OF WORKING CAPITAL MANAGEMENT
ON THE PERFORMANCE OF BANKS IN NIGERIA**

**A CASE STUDY OF FIRST BANK OF NIGERIA PLC KUTA
BRANCH**

BY

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**BEING A RESEARCH PROJECT SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENT OF POST GRADUATE
DIPLOMA IN BUSINESS MANAGEMENT TECHNOLOGY**

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CERTIFICATION

This is to certify that this research work was carried out by Adamu Garba Aliyu (PGD/GST/47/2001) under my supervision in fulfillment of the requirement for the award of Post Graduate Diploma (PGD) in Business Management Technology of Federal University of Technology, Minna and approved for its contribution to knowledge.

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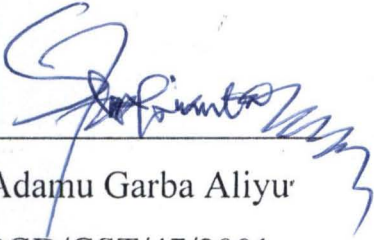
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DECLARATION

I Adamu Garba Aliyu hereby declared that this work is written solely by me, under the supervision of Dr. (Mrs.) Glory A.N. Chike Okoli of Science Education Department, Federal University of Technology Minna.



Adamu Garba Aliyu

PGD/GST/47/2001

DEDICATION

This project is dedicated to the memory of my Sister and brothers:
Maimuna Adamu Zango, Ishaq Adamu Zango, and Suleman Adamu Zango,
May their Gentle soul continue to rest in Perfect peace (Amin).

ACKNOWLEDGEMENT

Whosoever is not grateful to people is not grateful to Allah, for the development and production of this project I feel a deep sense of gratitude: -

- My wife Aisha Dauda

- My little children Aishah (Ummi) Hajarrah and Rahmah Aliyu Zango

- To my aged parents, Alh. Adamu Zango and Aisha Maikole, I say thank you more sincerely.

- To Mr. James' Bature of Government House Minna and Garba Muhammad Bala of State Independent Electoral Commission, thank you so much.

ABSTRACT

The study is directed towards assessing the effect of working capital management in the banking industry and First Bank Plc, as a case and to offer suggestion on the way forward. The chapter one covers the Background, aim and objectives of the study, as the Banking system is a first on which the wheel of the economic growth and development and due to recent reforms in the capital based on the Banking industry it is highly necessary to eradicate the industry in respect to working capital management. The chapter two reviews some literature. The brief history of the Bank chosen First Bank among the twenty-five Banks we have in Nigeria is discussed, chapter three discussed the research methodology while chapter four is designed to provide insight into the study and findings equally analyze from, the questionnaires. Chapter five summarizes the study and necessary recommendations were stated.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

This research project focuses on corporate financial management. Managers must direct, plan, coordinate and organize the affairs of the firm in order to achieve the set corporate goals and objectives. The problems of business finance are of interest to everyone.

The banking system is a pivot on which the wheel of the economic growth and development rotate. As the topic of the project suggests the work is carried out to access the effect of working capital management on the performance of First Bank of Nigeria Plc Kuta Branch.

The expansion in public and professional interest in finance in recent years is due to a variety of factors from the regulatory agencies and the public point of view which have produced shareholders in almost every community. The on-going banking industry reforms have continually drawn the attention of people to business finance for corporate planning. The questions of business size, financial power and profitably seeing in many areas of business and reflected in stock market activity and prices have all combined to stimulate the interest of more people. Financial management is defined as the aspect of management which focuses on planning and controlling of the financial resources of the firm. To start a business the first transaction is the injection of capital into the business, a limited company sells its shares in order to obtain the necessary capital with which to start trading. The working capital increases as firm makes profits. It decreases when profits are taken out of the business as drawings or dividends. An issue of shares or a new loan will also increase working capital while repayment of redeemable shares and loans will reduced it. It will fall when fixed assets

are bought and rise when they are sold. Working capital is the life-blood of any business. A business that has too little capital is likely to get into difficulties. A business trying to manage with too little working capital is said to be overtrading.

A financial manager will be a problem of how much to invest in asset and how to raise the required finance needed. The financial manager will decide on best ways to manage the capital that would give him the optimum value to improve the wealth of the firm. This necessitates the study on working capital management in a growing establishment like First Bank of Nigeria Plc, Kuta Branch.

1.2 STATEMENT OF THE PROBLEM

Organizations such as banking industry by their nature need money (Cash) in order to carry out their business activities. Such money required is termed working capital, unless a business has sufficient working capital, its financial position will be harassed. The major challenge before the financial manager is the sourcing for fund and best way to make optimum use of the available resources.

Banking industry is the most paramount element towards economic development with various functions. It is one of the most important organs of modern economy. As a result of new banking reforms towards raising of additional capital it is highly important to study the effect of this capital injection.

The researcher has decided to look unto "The management of the working capital component of First Bank"

1.3 AIMS AND OBJECTIVE OF THE STUDY

The objectives of the study are highlighted below:

1. To evaluate the working capital management of First Bank Plc.
2. To actually determine the effect of working capital management procedure on the Bank's performance.
3. To offer suggestion on the way forward.

1.4 HYPOTHESIS

HYPOTHESIS ONE

NULL HYPOTHESIS (H₀)

H₀: The working capital management has no effect on First Bank business performance.

Alternative Hypothesis (H_i)

H_i: The working capital management has great effect on First Bank business performance.

HYPOTHESIS TWO

NULL HYPOTHESIS (H₀)

H₀: Working capital management does not reduce cost of production and improves efficiency.

ALTERNATIVE HYPOTHESIS (H_i)

H_i: Working capital management reduces cost of production and improves high efficiency.

1.5 SIGNIFICANCE OF THE STUDY

The significant of the study is to appraise the management of working capital on Bank performance. The policies and practices as regard the management of working capital studied. The practices would then be compared with the theoretical and recommending ways to improve the management of working capital in the firm for better output.

The importance of studying working capital management procedure in a banking firm like First Bank Plc is to assist the management in her determination of various levels of each components of working capital to be held at any particular time. To avoid a situation of shortage in working capital which is an indication of technical insolvency and surplus which is uneconomical. It is also hoped that the outcome of this research work will be beneficial to the following persons: student, lectures and practitioners in business.

1.6 SCOPE OF THE STUDY

The scope of the research work is limited to some items in line with the situation or structure of the firm, under current asset such as cash and short term funds, short term investments, loans and advances, other liquid assets e.t.c while other liabilities, tax payable, dividend payable under liabilities. Secondly, it was possible to analyse the final account of the firm and the balance sheet of the bank and also the net working capital ratio was calculated these were compared with theory and recommendation made.

1.7 LIMITATION OF STUDY

In carrying out this project one of the greatest problems encountered is data collection. The techniques used for the study includes: - Interview, examination of materials from books, articles journals newspaper and weekly news magazine. Data were collected from the records of the firms and oral interview conducted with the branch manager and some of the staff. The data collected were made to be as recent as possible and cover mostly the financial period. A survey of literature was undertaken to provide the basis for a sound comparison between the theory and practice.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviews the theories as well as empirical studies that have been conducted. Among these are meanings of working capital, brief history of First Bank Plc.

2.1 MEANING OF WORKING CAPITAL

Working capital is a term applied to the assets, which are converted into cash within a year of normal business operation, that is, the assets which are bought and sold in everyday operation of the organization. We must make clear diction between fixed capital which is the amount of long-term investment in an organization and net working capital which is the excess of current assets over current liabilities.

Hussery (1982) postulated that the company that has a surplus of funds often wasteful in its use of working capital. When it gets to the stage of having to borrow (particularly in times of credit squeeze or when interest rates are high) it tends to look inwards to see how it can be more springiest use of money. It will also have the effect of increasing the percentage return on capital, and also assist in meeting the company's goals in another way. Working capital may be reduced by decreasing or increasing the amount of trade credit given or applying more stringent control.

Naturally, these areas are not the sole responsibility of financial managers. Every operations manager has a duty to consider this aspect of company policy and the questioning aspect of planning, for examples the corporate appraisal may be expected to take an interest in the problem but it is frequently the financial side of the business which focuses full attention

on this policy. It is likely to be the financial manager who is aware that the cost of money has risen and that last year it was economical to buy material, under current conditions, the cost of financing the extra inventories may exceed the discount gained. Similarly, it is the financial manager who is best fitted to see whom trade debtor is, if too high what actions should be taken to reduce amount of credit given.

Ajayi (1998) defined working capital as asset held for current use of a business less the amount due to those awaiting settlement in short term. It is the effective blood of any business organization.

Although profitability may be considered the governing factor of a business never the less the mismanagement of working capital may effectively bring it to a halt or to its ultimate downfall. Working capital on the other hand may be defined as constituting those assets held for current use within a business, less the amount due to those who await settlement in the short term for value in whatever form.

Howard, (1971) asserted that, it is necessary to stress the value in whatever form because even when settlement is awaited for the supply of fixed assets it would come in to the realm of working capital. Moreover, in the content of the management of working capital, the gross working capital would be taken into account. In efficient financing of current assets by short term liabilities comes with the scope of working capital management would refer to all aspects of the administration of both current assets and current liabilities.

The component items of working capital would be the different items under current assets and current liabilities.

These are:

Current Assets:	Cash and short term fund
	Short-term investment.
	Loans and advances other liquid assts.
	Other liquid assts
	Advance under financial lease.
Current Liabilities:	Deposit and other Accounts
	Other liabilities
	Tax payable
	Divided payable
	Deferred taxation.

All these items vary in their importance from industry to industry. In a Banking firm for instance, a lot of emphasis is placed on current Assets.

This is important in order to have it in excess over current liabilities because this excess determines the level of working capital available to such a banking firm.

2.2 BRIEF HISTORY OF FIRST BANK

First Bank of Nigeria Plc for over a century has distinguished itself as a leading financial institution and a major contributor to the economic advancement and development of Nigeria.

The Bank was incorporated as a limited liability company on March 31, 1894, with Head Office in Liverpool by Sir Alfred Jones, a shipping magnate. It started business in the office of Elder Dempster and Company in Lagos under the corporate name of the Bank for British West Africa (BBWA) with a paidup capital of 12,000 pounds sterling, after absorbing its predecessor, the African Banking Corporation, which was established

earlier in 1892. In its early years of operations, the Bank recorded an impressive growth and worked closely with the Colonial Government in performing the traditional functions of a Central Bank, such as issue of specie in the West African sub-region.

To justify its West African coverage, a branch was opened in Accra, Ghana in 1896 and another in Freetown, Sierra Leone in 1898. These marked the genesis of the Bank's international banking operations. The second branch of the Bank in Nigeria was in the old Calabar in 1900 and two years later, services were extended to Northern Nigeria.

To reposition and take advantage of opportunities in the changing environment, the Bank had at various times embarked on restructuring initiatives. In 1957, it changed its name from Bank of British West Africa to Bank of West Africa. In 1969, the Bank was incorporated locally as the Standard Bank of Nigeria Limited in line with the Companies Decree of 1968. Changes in the name of the Bank also occurred in 1979 and 1991, to First Bank of Nigeria Limited and First Bank of Nigeria Plc, respectively. In 1985, the Bank introduced a decentralized structure with five regional administrations.

To further enhance the Bank's operational efficiency, this was reconfigured into sixteen Area Offices in 2003. In view of the foregoing, it was therefore, a natural progression when in 2001, the Bank began the process of transforming its corporate identity to reflect its rejuvenated focus. The transformation process which began in earnest in 2001 gained momentum in 2003 and was launched on Tuesday, April 27, 2004 with the introduction of a new corporate identity.

First Bank got listed on the Nigerian Stock Exchange (NSE) in March 1971 and has won the NSE President's Merit Award eleven times for the best financial report in the banking sector.

In line with the Bank's mission statement "Remain true to our name by providing the best financial services possible" and its brand essence, "Dependably dynamic", the Bank will consistently transform itself as it forges ahead in its second century of qualitative banking to the nation.

2.3 CONCEPTUALIZATION OF WORKING CAPITAL

Brockinton (1978) highlighted that there are two concepts of working capital. These are gross concept and Net concept.

The gross working capital simply called working capital, which refers to the firm's investment in current assets which can be converted into cash quickly or within an accounting year. This is possible because they are in liquid form and they are also known as liquid assets. They include asset such as cash and short term investment and so on.

The net working capital on the other hand refers to the excess of current asset over current liability. Current liabilities which are the claims of outsiders against the fund or assets available to firms include the following: Deposit and other account, other liabilities. Tax payable and other deferred taxes and charges, dividend payable within in the period, outstanding expenses and bills.

It must also be noted that the working capital of any banking firm can be either positive or negative. A net working capital is firm can be either positive or negative. A net working capital is said to be positive when current assets exceed current liabilities and it is negative when current liabilities exceed current assets.

The Gross working capital concept focuses attention on two aspects of current assets management:

- (a) Optimum investment in current Asset
- (b) Financing the current

While considering the level of investment in current assets, there are two things that must be put into consideration for adequate curbing: These are excessive and inadequate investment in current asset. Investment in current asset should just be adequate no more or less, to the needs of banking operation.

Excessive investment in current asset should be avoided as these may lead to over capitalization. That is the capital of firm is logged up in the assets that can not be appropriately and adequately put into operation. In summary, such assets earn nothing.

In other words, inadequate investment in current assets is also harmful. This simply means unavailability of adequate working capital needed to tackle the operation of the firm. This should be seen as a threat to the solvency, going concern, and viability of the firm. This is so because, banking firm deals with public in the aspect which is crucial to every existing life and that is money.

The management should saddle with the responsibility of ensuring the adequacy and balancing of the equation. They should ensure that adequacy working capital are available to fund finance current assets whenever the need arises due to increasing level of business activities or for any other reasons.

Similarly if surplus funds arise suddenly, they should not be allowed to remain idle but should be invested in short term securities. Thus the

financial manager should have knowledge of the sources of working capital as well as the investment opportunities available to the fund if it is idle.

The net working capital being the excess of the current assets over current liabilities is a qualitative concept due to the following points.

- It indicates the liquidity position of the firm. A firm is said to be liquid when there are enough resources at its disposal to meet its obligation in short term and as at hand due. This is one of the concepts usually examined in credit worthiness of an organization.
- It suggests the extent to which working capital needs may be financed by permanent source funds.

2.4 THE NEED FOR WORKING CAPITAL

Oyinlola (1982) stated that the roles being played by working capital in the day to day running of banking, operations can not be over-emphasized. No organization can exist in operations can not be without making use of working capital though its requirement in different firm differs.

2.5 THE MANAGEMENT OF WORKING CAPITAL

Wald (1978) reported that this is known as liquidity management; and it is purely the work of managers. It should be thorough and efficient as it is the blood of any banking operations.

It allows the bank to meet her obligations to her various customers working capital management is important due to the following reasons:

- (i) Banking operations cannot be done without investment in current assets like cash as this is the main stay of the business.

- (ii) For most business outfit, current assets represents high percentage of the total assets held.
- (iii) One of the cheapest means of finance is trade credit and this coupled with other forms of financing should be needed as much as possible.
- (iv) Efficient management of working capital could guarantee the growing concern of the firm even in the stormy period.

2.6 DETERMINATION OF WORKING CAPITAL

Vanhorne (1988) stated that a large number of factors determine the working capital needs of the firms. All factors change over the time. Therefore an analysis of the relevant factors should be made in order to determine the total investment in working capital.

The major factor determining the level of working capital needed by a firm is largely the size of the firm. In banking business we have unit banking system and branch system. Once a banking, it should be order to meet the need of the day.

Moreover, in examining the factors responsible for determining the level of working capital needed by a firm is another factors know as availability of asset both current and liabilities. The higher the current assets over liability, the higher the tendency for working capital to be available and vice versa.

2.7 IMPORTANCE OF EFFECTIVE WORKING CAPITAL MANAGEMENT TO CORPORATE SURVIVAL

- (a) The length of the working capital cycle affects the liquidity of an organization
- (b) Effective working capital management helps in the appraisal of each component of working capital and decision on which of the component to reduce mismanagement of working capital can bring business to a halt
- (c) Excessive working capital position is dangerous from the company's point of view.
 - (i) Inventory files up which lead to deterioration and pilferage.
 - (ii) Indication of defective credit policy and collection period.

2.8 CASH MANAGEMENT

Adaranijo (2001) stated that cash is the raw materials needed in the operation of banking business. Hence, it should be managed in an effective and efficient manner. Just like the raw materials to the manufacturing company which is usually termed inventory it is also highly important.

Even for firms outside banking operatives cash must still be well managed. The reason for this is that it is the most important among the items of current assets. It is the basic input needed to keep the business running on a continuous basis and it is also the basic output expanded to be realized by selling the products to the element that makes the profit.

However, cash in its ultimate state yield no return, the nearer assets are their being realized in liquid form, the les the return they render. The

main objective of managing cash is to trade-off between liquidity and profitable in order to maximize the long-run profit of the return.

There are reasons why firms hold cash. These reasons are also applicable to banking outlets.

They are analysed below:

2.9 TRANSACTIONARY REASONS

Transaction reasons or motive of holding cash by banks is to enable the bank to meet the needs of their numerous customers.

Every need that relates to each must be adequately met in the conduct of its ordinary business so far that the customer is having sufficient fund in the account. Being short of cash to tackle this problem could lead to desertification of customers; which has effect on Bank customer's relationship and growing concern of the business.

Even when the sufficient fund is not available in the customer account, it is still the responsibility of the bank to provide her customer with the needs fund but in an overdraft facility manner. This is possible as a result of the existing banker/customer relationship.

2.10 PRECAUTIONARY REASONS

This has to do with making provisions for unforeseen and unexpected circumstances that may strike any time. Adequate provisions must be made for circumstances that are disastrous to the ongoing existence of an organization. These may include shortage incurred inform of fraud, CBN sanction disaster relief and so on.

2.11 SPECULATIVE REASONS

This reason is based on assumptions that business opportunity or opportunities can exist at any time which needs cash to be utilized. That is, holding cash to be used to take advantage of profit marking opportunities. This might be in terms of buying raw materials at a reduce price, investment in a particular industry or sector, buying marketable securities that have an unusual high rate of interest.

2.12 OBJECTIVES OF CASH MANAGEMENT

Oluwi (1990) reported that “the main objective in managing cash is to trade-of liquidity and profitability in order to maximize long-run profits.

By keeping greater amount of current cash (liquidity) the firm is more able to meet its debts (both expected and unexpected) and thus creditors confidence is kept and the risk of technical insolvency reduced”.

Apart from liquidity in form of cash balances management can also invest resource in “near money” assets. These primary involve deposit account with the banks and money market and marketable securities in the form of stock and equity shares. The yet they can easily be converted into cash. The management of cash is usually vested in the accounting and finance executive of the company because of their knowledge of finance short term borrowings, short term investment opportunities and their responsibilities in preparing budgets.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 INTRODUCTION

This chapter has to do with the methods used and the strategies adopted during the course of the study. It deals with the research design methods adopted. The research methods or the techniques used for this study includes.

- (a) The Questionnaire
- (b) Interview/Discussion
- (c) Observation

3.1 INSTRUMENT FOR DATA COLLECTION

(a) QUESTIONNAIRE

This method provides major primary sources of data collection, which helps in answering the research problems as well as accepting or rejecting the hypothesis of the study. Questionnaire are used to obtained facts about past, present and anticipated events about prevailing conditions and practices and obtain information on attitude and opinion. The researcher adopted the use of questionnaires as it is easier to administer and cost effective.

(b) PERSONAL INTERVIEW TECHNIQUE

In order to improve on the short comings of the questionnaire the researcher decided to conduct personal or oral interviews mostly with business manager and from the staff of First Bank Plc Kuta Branch. This method involved personal interaction between the researcher and the interviewer in order to get necessary and adequate information on working

capital management. This method is aimed at finding out facts from the targets population without any bias mind.

(c) DESK RESEARCH

It is not easy to get all information from the primary sources hence: there is need for secondary source. The researcher also took time off to read various theories from relevant textbooks. Annual reports etc. these and many more enable me to establish the effect of working capital management on any organization.

The following are the data collected:

- (i) The curatorial background of first Bank Plc.
- (ii) Confidential information on working capital management was extracted from the banks annual report.

History of First bank Plc gave us useful information about the growth and strength of the Bank.

THE STUDY POPULATION AND SAMPLE

The study population involved a sample of first Bank Plc staff. The population size in respect of this study is about 136 people (branch) A questionnaire per branch (100) questionnaire were recovered which covers 74% of the Bank branches. A copy of the questionnaire was given to the operations manager of each branch. A total number One Hundred were used as a sample of the population (100) which covers 74% of the population.

METHOD OF DATA COLLECTION

The data collected were made to be as recent as possible and covers mostly three financial period. Questionnaire were distributed among the staff of bank through special couriers.

A survey of literature was finally undertaken to provide the basis for a sound comparison between theory and practices various libraries were also visited.

3.4 METHOD OF DATA ANALYSIS

Data were analysed and presented as they relate to the specific areas of study.

Table and percentage data were used in specific cases especially on the effect of working capital for illustration and observation in other to know the effectiveness and efficiency on the Bank performance.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.0 INTRODUCTION

This chapter is designed to provide into the study and findings and to equally analyze the questionnaires from respondents from to equally analyze the questionnaire from respondents from the research done. So many data and information have been gathered into sub-group through questionnaires interview, use of frequency counters converted into percentages by computations. It is from this that interpretations were made.

Table of computed results are presented for specific finding following by the interpretations.

4.1 PRESENTATION AND ANALYSIS OF DATA

TABLE 1: Working capital is the excess of current asset over liabilities.

RESPONSES	FREQUENCY	PERCENTAGE
Disagreed	9	9%
Agreed	90	90%
Undecided	100	100%

SOURCE-FIELDWORK

Table 2 shows that 95 respondents out of 100 respondents strongly agreed that working capital function can not be ignored in any banking business and 5 respondents disagreed. In essence it means that 95% strongly agreed. The researcher agreed that working capital function cannot be ignored in banking business; Oyinlola (1982) stated that the roles being played by working capital can be ignored in any business.

In conclusion current liabilities.

TABLE 5

What is the type of relationship that exists between current assets and current liabilities?

RESPONSES	FREQUENCY	PERCENTAGE
Mutual	100	100%
Non Mutual	Nil	90%
Total	100	100%

Sources – Field work

Table 5 above shows that 100 (100%) out of 100 respondents agreed that is mutual relationship between current assets and current liabilities. The researcher agreed that there is a mutual relationship between current assets and current liabilities.

TABLE 6

Working capital management contributes towards effectiveness and efficient of an organization.

RESPONSES	FREQUENCY	PERCENTAGE
Disagreed	8	8%
Agreed	92	92%
Total	100	100%

SOURCE – FIELD WORK

Table 6 shows that 8 (8%) respondents out of 100 respondents disagreed that working capital management contribute towards effeteness and efficiency of an organization and 92 (92%) respondents Agreed.

In conclusion efficient management of working capital could guarantee the growing concern of the firm. The researcher then concluded that working capital contribute towards efficiency and effectiveness of the organization.

RESPONSES	FREQUENCY	PERCENTAGE
Disagreed	6	6%
Agreed	94	94%
Total	100	100%

SOURCES-FIELD WORK

Table 7 shows that 6(6%) respondents out of 100 respondents disagreed with the statements that working capital make uses of idle cash and 94(94%) out of 100 respondents Agreed. The researcher then concluded that working capital makes use of idle cash for necessary business

TABLE 8

The effective and efficient management of cash result in the optimum level of cash resources.

RESPONSES	FREQUENCY	PERCENTAGE
Disagreed	69	69%
Agreed	31	31%
Total	100	100%

SOURCE-FIELD

Table 8 shows that 69(69%) respondents out of 100 respondents Agreed with the statement that effective and efficient management of cash result in the optimum level of cash resources and 31 (31%) out of 100 respondents disagreed.

The researcher then concluded that effective and efficient management of cash result in the optimum level of cash resources

TABLE 9

Working capital assists performance and progress in developing an organization.

RESPONSES	FREQUENCY	PERCENTAGE
Disagreed	100	100%
Agreed	Nil	0.0%
Total	100	100%

SOURCE-FIELD

Table 9 indicates that 100 (100%) respondents out of 100 respondents strongly agreed with the statement that working capital can assist performance and progress in developing an organization. In essence the researcher supports the notion that working capital assists performance and progress in developing an organization.

TABLE 10

Working capital management reduces cost of production and improves high efficiency.

RESPONSES	FREQUENCY	PERCENTAGE
Agreed	60	60%
Disagreed	24	24%
Undecided	16	16%
Total	100	100%

SOURCES-FIELD WORK

Table 10 shows that 60 (60%) respondents out of 100 respondents agreed that working capital management reduces service cost and improve efficiency 14 respondents are not in support of the motion and 12 respondents are undecided.

The researcher then concluded that working capital management reduces cost and improve efficiency.

TABLE 11

Does your organization face problem in the area of cash management?

RESPONSES	FREQUENCY	PERCENTAGE
Yes	54	54%
No	15	15%
Undecided	31	31%
Total	100	100%

SOURCE-FIELD

Table 11 shows that 54(54%) respondents out of 100 respondents agreed that their organization faces problems in the area of cash management, 10 disagreed and 20 respondents undecided.

The researcher then concluded that the organization faces problem in the area of cash management in support of 54% of the respondents and the remaining 46% were not in support as a result of branch differences.

TABLE 12

The working capital judgment and decision determine the plans and development of prospective business.

RESPONSES	FREQUENCY	PERCENTAGE
Agreed	56	56%
Disagreed	44	44%
Total	100	

SOURCE -FIELD

TABLE 12 shows that 56(56%) out of 100 respondents agreed and the remaining 44 or 44% respondent disagreed that working capital decisions and judgment determine the plans and development of prospective business.

The researcher then concluded that working capital judgment and decision determine the plans and development of prospective business which constitute 56% of the respondents.

4.2 TECHNIQUES APPLIED

Decision-making calls for the use of hypothesis, which suggested explanation of assumptions as basis of reasoning good or bad decision. Testing of hypothesis involves the use of statistical techniques namely the chi-square test to decide which hypothesis is to be accepted or rejected.

4.3 DECISION RULE

Hypothesis 'no 1 known as null hypothesis, has a correspondence alternative denoted by H_0 . The null hypothesis will be accepted if the chi-square value from the analyzed X^2 , is less than chi-square table value at our chosen 5% level of signification and a determined degree of freedom (DF). Here, we would conclude that the observed frequencies do not differ significantly from the expected frequencies.

If however the evaluated chi-square is higher than chi-square table value, we will reject the null-hypothesis and accept the alternative.

In this case we would conclude that the observed frequencies differ significantly from the expected frequencies.

The formula for calculating chi-square value.

$$X^2 = \frac{(O - E)^2}{E}$$

Where X^2 = Chi-square calculated

O = Observed frequency

E = Expected frequency

While for degree of freedom we have

$$Df = g - m$$

Where: DF = degree of freedom

G = member of components of the observed

M = member of know contract values

$$Df = 2 - 1 = 1$$

$$Df = 1$$

From the foregoing the general decision rule decision rule can be summarized as follows

Accept H_0 if $X^2 < 9.438$

Reject H_0 if $X^2 > 9.438$

Where the deference is significant

4.4 TEST OF HYPOTHESIS

HYPOTHESIS ONE

H_0 - Working capital management has no importance to the First Bank business performance.

H_1 - Working capital management has great importance to First Bank business performance.

QUESTION 2: Is used to test for hypothesis. Can working capital function be ignored in banking business?

FREQUENCY TABLE

Opinion	O,	%	E,	%	O-E,	(O-E,)	(O,-E)
Yes	5	5	35	5	-30	900	28.1
						X^2	55.3

From the above table, out of the administered questionnaires 95% or 100 respondents strongly disagreed with ignoring working capital in any banking business while remaining 5 respondents strongly agreed with it.

This is further established through the calculation of X^2 table.

Therefore applying the general value

Accept H_0 if $X^2 < 9.438$

The chi-square is significantly level of significant hence, given the decision table, the null (H_0) hypothesis which says working capital management has no importance to the First bank business be rejected where X^2 is > 9.438 . The null hypothesis that working capital management has great importance to Banking business is acceptance since $55.3 > 9.438$.

The above calculation shows that working capital function can not be ignored in any banking business as expressly state in chapter two

NOTE: Expected frequency = $(C - 1) \quad (R - 1)$

$(2-1) \quad (2- 1)$

Were R = Number of work

C = Number of column

1 degree of freedom

HYPOTHESIS TWO

QUESTION 10: Does working capital movement reduces costs of production and improves high efficiency?

H_0 – Working capital management does not reduce cost of production and improves high efficiency.

H_1 – Working capital management reduces cost production and improves high efficiency.

FREQUENCY TABLE

Opinion	O,	%	E,	%	O-E,	(O-E,)	(O,-E)
Yes	60	60	40	48	-20	400	10.0
						X^2	20.0

From the above table, out of the administered questionnaire 60% or 60 respondents strongly agreed that working capital management reduces cost of production and improve high efficiency. Which 24(24%) strongly disagreed with it.

This calculation X^2 is 20.0

Therefore applying the general value

Accept H_0 if $X^2 < 9.438$

The ch-square is significantly level of significant hence, given the decision table, the null (H_0) hypothesis which says working capital management does not reduce cost of prosecution and improves high efficiency be rejected where X^2 is > 9.438 . The null hypothesis that working capital management has great importance to the Banking business is accepted since $20.0 > 9.438$.

The above calculation shows that working capital function can not be ignored in any banking business as expressly state in chapter two

Note: Expected frequency = $(C-1) (R-1)$
 $(2-1) (2-1)$

Where R = Number of work

C = Number of column

1 degree of freedom

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 SUMMARY

This research work is carried out with a view to analyze the effect of working capital in the banking industry, as a result of the recent banking reformation in Nigeria. The research work has been focusing on the effect of working capital on First Banking PLC Kuta Branch study.

In order to achieve these aims, related literature and journals on the topics were reviewed from the analysis made in the previous chapters.

We will observe that working capital is the life blood of every business its importance can not be over-emphasized in establishing any business organization.

Moreover, the need for adequate management of working capital is also stressed which is attributed to the managers function. It would be observed that dangers of over and under capitalization were spoken of and on how to solve them.

5.1 CONCLUSION

In reaching soundly based conclusion some pertinent questions were asked in this chapter and answers were sought to these questions in order to evolve useful recommendations. They are:-

- (i) Is there any conscious management of working capital in the firm under review?

Answer is YES.

- (ii) Are the any stated policy guiding the management of working capital?

Answer is YES.

(iii) Are the specific hands saddled with the responsibility of working capital management?

Answer is: YES.

However, the foregoing conclusion can not be taken to be overall in application to the conceptualization of working capital because of some certain constraints encountered and also the study had been limited to one organization.

5.2 RECOMMENDATION

Understanding what working capital is, its management, conceptualizations and the need for such, the following recommendations are to be considered in relation to working capital when going to investment.

What should be the level of working capital need and how to source for it? This ensures availability of adequate and appropriate working capital and ways of resource of funds available to the investors.

It should be noted that having knowing the level of working capital need in respect of an investment this knowledge will guide us against excess or under capitalization.

Moreover, working capital management should be a responsibility to be discharged by specific hands. These hands should be knowledgeable in the aspect of financial management and also feedback reporting should be in place.

This will also protect the working capital from dwindling but keep on appreciate time to time

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Dear Sir/Ma,

**THE EFFECT OF WORKING CAPITAL MANAGEMENT ON
PERFORMANCE OF FIRST BANK OF NIGERIA PLC, KUTA
BRANCH**

I write to request your assistance in completing this questionnaires.
The questionnaires is purely for academic work.

I promise that any information given will be treated with utmost
confidentiality.

Yours faithfully,

Adamu Garba Aliyu

SECTION "A" (PERSONAL DATA)

1. Qualifications of staff filling the questionnaires.....
2. Years of working experience
(0-5) () (6-10) () (11-15) () (16-20) ()
3. Department/Section.....
4. Gender: Male () Female ()
5. Age in years (20-25) () (26-30) () (31-33) ()

SECTION "B" RESEARCH QUESTION

1. What is working capital in a real sense?
This is the excess of the current assets over the current liabilities.
Strongly disagree () Agreed () Disagree ()
Undefined () Strongly Agreed ()
2. Can working capital function be ignored in banking business?
Strongly disagreed () Agreed () Undefined ()
3. Is working capital function very essential in banking business?
Strongly disagreed () Agreed () Strongly Agreed ()
4. Can current Assets function without current liabilities?
Strongly disagreed () Agreed () Strongly Agreed Disagreed ()
5. What is the type of relationship that exist between current assets and current liabilities?
Mutual () None ()
6. Does working capital management contribute towards effectiveness and efficiency of an organization?
Strongly disagreed () Agreed () Strongly Disagreed ()
7. Does working capital make use of idle cash for necessary business?
Strongly disagreed () Agreed () Strongly Agreed ()

8. Does your bank derive any cost or benefit from efficient working capital?

Strongly Disagreed () Agreed () Strongly Agreed ()

9. Does effective and efficient management of cash result in the optimum level of cash resources?

Strongly Disagreed () Agreed () Strongly Agreed ()

10. Can working capital assist performance and progress in developing an organization?

Strongly Agreed () Agreed () Strongly Disagreed ()

11. Does working capital management reduces cost of production and improve high efficiency?

Strongly Agreed () Agreed () Strongly disagreed ()
Undefined ()

12. Does your organization face problem in the areas of cash management?

Strongly Agreed () Agreed () Strongly Disagreed ()
Undefined ()

13. Does working capital judgement and decision determine the plans and deveiopment of prospective business?

Strongly Agreed () Agreed () Strongly Disagreed ()

14. In what ways does working capital contribute towards effectiveness management of the Bank.....

If you have any other comments, contributions or suggestions as regards the topic please indicate

.....
.....