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Abstract
The centerpiece of working capital management is about striking a balance between profitability and liquidity. This research work assessed the working capital management’s effect on the financial performance of ten (10) listed banks between 2012 and 2021 in Nigeria. Specifically, the research investigated the effect of borrowers’ collection period, cash conversion circle, and creditors’ payment period on the banks’ financial performance. The study’s data were collated from the annual financial statements of the selected banks for 10 years (2012-2021). The data were analyzed using correlation analysis, descriptive statistics, and a random effect model. The study found that borrowers’ collection length and creditors’ payment time had positive and significant effect on the return on assets while cash conversion cycle had positive and insignificant effect on the return on assets of the sampled banks. The study based on the results however concluded that working capital management has a positive relationship with the money deposit banks’ financial performance in Nigeria. Meanwhile, the research recommended that the banks’ financial performance should be enhanced through effective management of working capital components having discovered its positive effect on the bank’s return on assets the proxy for financial performance.

Keywords: Bank’s cash conversion cycle, collection period, payment period, return on assets

1.0 Introduction
Banks play critical roles in economic development of nations. As financial institutions, they are regarded as the linchpin and cornerstones of an economy which ensure continuous flow of money and credit (Omankhanlen, 2012). Banks not only accept deposits from surplus sector and reallocate to deficit sector but also provide an efficient payment mechanism and; are indeed involved in borrowing, lending, and bills discounting (Olokoyo, Taiwo&Akinjare, 2016; Okechukwu& Nebo, 2016). The financial wellbeing of banks is, therefore, crucial to economy as well as other stakeholders: shareholders, creditors, debtors, regulators, tax authorities, just to mention a few.

Beyond the crucial roles of the banks to the economy, they owe special obligations to the shareholders and depositors as well as meeting their own operational expenses. The shareholders want a profitably run banks that would maximize their wealth and expect a good yield in terms of dividends. On the other hand, depositors desire banks that would continually meet their cash withdrawals without failing. Apart from these, banks need to be liquid enough to fund their day to day operations. Efficient working capital management is required to resolve the aforementioned conflicting obligations and strike a balance between profitability and liquidity.
Working capital refers to the liquidity position of a firm as an aftermath of the interplay between handling current assets and liabilities. It aims at healthy cash status by avoiding over-investment in current assets while meeting the day-to-day operating expenses (Le, Vu, Le, Du & Tran, 2018; Hassan, Mberia&Muturi, 2017; Yousaf& Bris, 2021). It is akin to the blood circulation in human system: thus, a firm’s life is at great danger if the circulating (working) capital is threatened.

Many scholars have conducted several studies into the nature of working capital that accounts for variations in financial performances of firms without consensus among them. For instance, Yahaya and Bala (2015), Osuma, Ailemen, Osabohien and Eriki (2017), Abdulazeez, Baba, Fatima and Abdulrahaman (2018), Le, Vu, Le, Du and Tran (2018), Yashim, Senzak, Gbegi and Bako (2020), Umenzekwe, Okoye, and Aggreh (2021), Yousaf and Bris (2021) and many other have extensively and inconclusively debated the nature of influence that working capital exacts on firm’s financial performance. In addition to the conflicting results identified above, the time horizon covered by most of the studies is not long enough so as to make the various models developed by the researchers useful for predicting of the long term effects of these factors on firm’s performance. The main thrust of this research, therefore, is to examine the effect of working capital management indicators such as cash conversion cycle, borrowers’ collection length, and creditors’ payment length on the corporate performance of listed deposit money banks in Nigeria.

2.0 Literature Review

Working Capital Management (WCM)

Working capital management is an accounting strategy that focuses on the efficient maintenance of working capital components which include current liabilities and current assets (Robert, Mark & Rabih, 2011; Vedavinayagam, 2010). Effective management of the components of working capital is to ensure that a business possesses enough cash that will meet the short-term obligations of the company as well as its running expenses. Implementation of an effective system of WCM is a better way of improving a company’s earnings, (Erik & Herbert, 2010). The two major areas of managing working capital are its component management and ratio analysis. Analysis of financial ratios helps the firms’ managers to determine the focus areas like cash management, inventory management, payables management, and accounts receivable. The activities of working capital management may include the implementation of short-term decisions that cannot be carried over beyond a year (Padachi, 2006). Working capital management, according to Napompech(2012) is the administration of current assets and liabilities relating to marketable securities, cash, staff advances, receivables, and inventories. Efficient working capital management ensures the acceptability of the relationship among its different components to make an appropriate capital mix that will guarantee capital adequacy (Adina, 2010).

Cash Conversion Cycle (CCC)

Cash conversion cycle refers to the stages which begin from the payment of cash for the purchase of inventory and end with the collection of cash from sale proceeds. Cash conversion cycle is the difference in times between the operating cycle and the cash payment period (Ross, Westerfield& Jordan, 2008). Also, it can described as the period from which cash is spent to the time when cash is received on the goods produced by the firm. Shortening this period implies that little amount of cash is expended on the production of a particular product. This can be achieved either by scaling down the average period the cash is in form of inventory or lengthening the payment time (Valahzaghard&Ghalhari, 2014). The change in cash conversion may lead to the alteration of turnover on assets and cause-effect on the profitability of an organization.

Borrowers’ Collection Period

The collection period is the length of time it takes the customers of a firm to pay their debts. During this period, firms’ resources are tied up as the firms are effectively financing their credit customers out of their funds. Borrowers’ collection period is, therefore, a factor that may have an impact on the firm’s cash flows and the success of a business (Zainudin&Regupathi, 2011). Borrowers’ collection period is a period a selling company takes to obtain cash from account receivables. However, it is real for a company to dispose of all its goods in
cash due to the benefits derivable from credit policy like overriding competitors’ pressure and improved sales volume. Optimizing the credit collection length is a desire to minimize the incidence of bad debts, maintain the receivables ledger and expenses, and maintenance of debt recovery expenses by the credit manager (Maina, Kinyariro, Muturi, &Muriithi, 2016).

**Creditor Payment Period**
The creditor payment period is the time it takes to pay the firm’s creditors. Delaying in the payments to suppliers will enable the company to evaluate the quality of the goods acquired and to let the company reverse some cash that has been used to settle the suppliers (Deloof, 2003). But at times, delaying payments to suppliers may be too costly with the existence of trade discounts while making a payment (Padachi, 2006). Also, creditor payment period is a short-term liquidity measurement that discloses the rate at which a firm off paid to its suppliers (Afeef, 2011). It is an independent variable proxy and payment policy which is estimated as accounts payable divided by purchase figure multiplied by 365. More so, creditor payment period is the average days between the date of credit sale and the date money are received (Afza&Nazir, 2008). It also means the day sales are in the form of accounts receivable.

**Deposit Money Banks (DMBs)**
Deposit money banks have global recognition because of the roles they have played in driving the economic growth and development of every economy. The role the sector already played has served as a vehicle for the nation’s economic growth as most of the invested funds are being mobilized from the surplus sectors to the deficit sectors in an economy (Kolapo, Ayeni&Oke, 2012). Generally, deposit money banks have provided financial services to their customers through deposits and give out credits to needy individual, companies, and government to invest in profitable projects. The efficient and effective performance of the banking industry has served as a good foundation for the financial stability of every nation. The degree to which banks give out advance credit to the people in the public to accelerate productivity is a pace the world economic growth (Mohammed, 2012). They are the major financial intermediaries that accept deposits and make loans directly to borrowers (Quilym, 2012) and are the largest money-depositing financial institutions in Nigeria. They possess the ability to transform deposits into credit facilities for businesses, individuals, and the government for making developmental investments and activities that will aid economic growth in the country (Olokoyo, 2011).

**Financial Performance (FP)**
Financial performance of a business focused on measuring the management’s success in the value creation of a company. It deals with the way the financial resources are made available to the firm and are judiciously applied to attain the overall firm’s objective; ensure the continuity of a business and create prospects and opportunities for a firm’s future. The debates are about whether or not all resources were effectively used and whether or not all the revenue was received or whether or not a business exceeded expectations and whether or not the financing modes were prudently made (Adekunle&Asaolu, 2013). Performance is the ability of a business to manage its resources in several ways to gain a competitive advantage over rivalry (Iswatia, 2007). There are two types of performance, financial performance, and non-financial performance, but financial performance emphasizes those variables that are directly related to the component of the financial report.

**Financial Performance Measurement**
There are measurements of financial performance like return on equity, and earnings per share among others but this study covers only the return on assets explained below.

**Return on Assets (ROA)**
It measures the firm’s assets return used as the overall profitability index (Falope&Ajilore, 2009). Return on assets is usually employed to compare two or more similar firms or to compare firms’ previous performance. It is the choice of many researchers for measuring the firm’s financial performance.

### 2.2 Theoretical Review

**Cash Conversion Cycle (CCC) Theory**

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Richards and Laughlin (1980) worked on Cash conversion cycle (CCC) theory. The theory asserts that the constituents of cash conversion cycle model are inventories, receivables, and payables (Yusuf & Nasruddin, 2015). The main postulates of the theory are that efficient working capital management implies a short cash conversion cycle which ultimately shores up the firm’s liquidity, profitability and value. Conversely, inefficient working capital suggests a long cash conversion cycle which eventually brings about lower firm’s profitability and value.

According to the theory, the cycle starts from when payment is made for raw materials, through to production stage, and to when cash is received from buyers and possible debtors. The theory, however, recognizes the fact that working capital components display different life expectancy and different speed for transforming to liquidity (Richard & Laughlin, 2008). To maximize value for the shareholders, each firm is encouraged to map out the strategy that will scale down cash conversion cycle to the extent possible for enhanced profitability.

**The Operating Cycle Theory**

Walker (1964) developed the operating cycle theory. Operating cycle theory is concerned with measuring the efficiency of working capital management by evaluating the value of inventories and receivables in relation to working capital (Yusuf & Nasruddin, 2015). The traditional approach relies more on some ratios (current and acid test) because the indicators of solvency are defective if compared it with operating cycle approach where the accounts receivables and inventory are incorporated in liquidity management (Yusuf & Nasruddin, 2015). Thus, the average collection length, a proxy for firms' average receivables investment, is convertible to cash. One critical aspect to note is that changes in collection time and the credit policy have direct effects on the accounts receivable balances on the firm’s annual sales (Richards & Laughlin, 1980). According to the operating cycle theory, when companies offer their customers liberal credit terms, they tend to invest more in their operating cycle because inventory turnovers reflect the time it takes for companies to convert raw materials into products.

**The Risk-Return Trade Off Theory**

The basic idea behind risk-return tradeoff theory is that there exists a positive relationship between risk and return: thus, the higher the risk, the higher the return; and conversely, the lower the risk, the lower the return. Drawing strength from the theory, Zariyawati, Annuar, Taufiq, and Abdul Rahim (2009) posit that a firm with high liquidity content in working capital is exposed to low risk in meeting up her obligations but will end up with low profitability. The theory explains how firms manage the options and consequences working capital decisions along the inevitable trade-off to hit a desired target. The theory recognizes that the dominant business objectives: profitability and liquidity are conflicting in nature. Business survival in the long run rests on sufficient profit but lack of adequate liquidity is the surest path to insolvency or bankruptcy (Umenzekwe, Okoye, & Aggreh, 2021). Each firm must determine the trade off by ensuring enough investment in current assets which does not threaten profitability and maintaining appropriate level of liquidity to ward off insolvency or bankruptcy.

**2.3 Empirical Evidence**

Many scholars in Nigeria have focused their research lens on the possible association or relationship between management of working capital and financial performances of money deposit banks. Meanwhile, research findings have produced inconclusive results regarding the direction of this association.

For instance, Yahaya and Bala (2015) examined working capital management and financial performance of deposit money banks in Nigeria. They obtained data from the published financial statements of thirteen (13) selected money deposit banks for a period of six (6) years and made use Ordinary Least Square (OLS) regression for its analysis. It was established that current ratio and quick ratio maintained a strong positive association with return of assets. However, cash ratio was significantly related to returns on assets but inversely associated.

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In the same vein, Ademiju (2022) worked on how financial performance could be influenced by handling of working capital management. The work was based on a sampling of fifteen (15) listed commercial banks in Nigeria for a period of seven (7) years (2007-2013). Ordinary least squares (OLS) regression was employed to analyze the extracted from the published financial statements of the selected entities. The results showed that inventory turnover, payable turnover and receivable turnover positively influenced financial performance of the sampled firms. Although, cash conversion cycle was not only insignificant but its influence on financial performance was negative.

A study conducted by Oluitan (2017) uses First Bank, the largest and oldest bank in Nigeria to assess the impact of working capital on Nigerian banks’ profitability, relying on a time series analysis of 30 years (1981 to 2015). Collected data was analyzed using descriptive analysis, ADF and Philip Peron for unit root tests, vector error correction model (VECM). In the study, a single regression found that the cash conversion cycle was not related to bank profitability, such as creditor payments and collections.

Osuma, Ailemen, Osabohien, and Eriki (2017) studied how to enhance the “profitability of banks through effective working capital management. The general objective of the study was to study the profitability and working capital situation of several selected banks in Nigeria, using the pooled OLS, they selected variables such as current interest rates, net interest income, monetary policy stance, return on assets, after-tax earnings, and return on equity from 2010 to 2016. The study discovered that working capital management impacts banks’ profitability negatively. The study recommended regular reviews of the banking sector's minimum capital base to mitigate the effects of inflation and the time value of money.

Also, Osuma, Ikpefan, Romanus, Ndigwe, and Nkwodimmah, (2018), examined the impact of working capital management (WCM) on banks’ performance: empirical research. Data was sourced from the annual accounts of ten (10) deposit money banks in Nigeria for seven years (2010–2016) by employing secondary data and panel models for analysis. The results showed that working capital management has a significant effect on the profitability of the banks.

Diary (2018) investigated the impact of working capital management on the banks’ performance: Evidence from the UK. The study covered ten UK banks from 2000 to 2017. Correlation analysis and ordinary least squared were used. The result revealed a negative impact of working capital management on performance meaning the long borrower collection length decreases profitability.

Simlarly, Adesina and Olatise (2020) studied the impact of working capital management (WCM) on the performance of ten (10) Nigerian deposit-taking banks. Secondary data was obtained from the banks’ accounting records. In the study, data was analyzed using descriptive statistics, correlation analysis and regression models. The study established that the current ratio had a significant negative impact on profitability, but insignificant impact of cash ratios on the ROA.

Yashim, Senzak, Gbegi and Bako (2020) selected five (5) banks listed in the Nigerian Exchange Group for a period of thirteen (13) years to evaluate the influence of working capital management on the banks’ financial performance. Using Ordinary Least Square (OLS) regression to analyze the data obtained on the banks, the results indicated that the effect of working capital management on earnings per share was insignificant while return on asset and return of equity influenced working capital management significantly.

Ikpefan, Osuma, Ahire, Evbuomwan, Kazeem and Chimezie (2021) investigated working capital management and performance among six (6) listed deposit money banks in Nigeria. The time frame for the research was eight (8) years while data for the work was extracted from the respective published financial statements of the respective banks. Research findings validated the theory of liquid assets as liquidity levels maintained by the banks were meant to forestall a rise in demand or unforeseen circumstances and fund their operations.

3.0 Methodology
The research work utilized the explanatory research design because the required data for analysis were already in existence. We made use secondary sources of data. To confirm the effect of working capital management on financial performance, information from the annual reports of FBN Holdings Plc, Access Bank Plc, Fidelity
Bank Plc, Union Bank Nig. Plc, Fcmb Group Plc., Guaranty Trust Bank Plc., Zenith Bank Plc, United Bank For Africa Plc, Unity Bank Plc and Wema Bank Plc were collated and analyzed. Borrowers’ collection period, Bank cash conversion cycle, and Creditors payment period were employed as measurements for working capital management while financial performance was measured in terms of Return on Assets. The coverage period of the research is ten (10) years from 2013 to 2022.

Model Specification
The work of Oluitan (2017) was adapted as specified below:

\[ EBIT = f (CCC, CPP, DCP, CRISK, LDEBT, SIZE, GRO, RISK, TDA) \]

After some modifications, this study’s model was formed and specified as follows:

\[ ROA = f (BCCC, BCP, CPP) \]

Where;
ROA = Returns on Assets
BCCC = Banks’ cash conversion cycle
BCP = Borrowers’ collection period
CPP = Creditors’ payment period

4.0 Results and Discussions
This section analyzed the study’s data and discussed the results.

Descriptive Analysis

Table 4.1 Descriptive Result

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>BCCC</th>
<th>BCP</th>
<th>CPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mean</td>
<td>0.727150</td>
<td>8.979096</td>
<td>9.001515</td>
<td>8.542103</td>
</tr>
<tr>
<td>Median</td>
<td>0.730000</td>
<td>9.029473</td>
<td>9.010531</td>
<td>8.616838</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.980000</td>
<td>9.206414</td>
<td>11.75859</td>
<td>10.53500</td>
</tr>
<tr>
<td>Minimum</td>
<td>0.180000</td>
<td>8.462296</td>
<td>7.395224</td>
<td>7.149838</td>
</tr>
<tr>
<td>Std. Dev.</td>
<td>0.160690</td>
<td>0.173228</td>
<td>0.522015</td>
<td>0.429974</td>
</tr>
<tr>
<td>Skewness</td>
<td>-0.578500</td>
<td>-0.725965</td>
<td>2.390476</td>
<td>-0.181432</td>
</tr>
<tr>
<td>Kurtosis</td>
<td>3.417808</td>
<td>2.763131</td>
<td>17.58565</td>
<td>7.181586</td>
</tr>
<tr>
<td>Jarque-Bera</td>
<td>7.566061</td>
<td>10.82105</td>
<td>1177.993</td>
<td>88.08686</td>
</tr>
<tr>
<td>Probability</td>
<td>0.022754</td>
<td>0.004469</td>
<td>0.000000</td>
<td>0.000000</td>
</tr>
<tr>
<td>Sum</td>
<td>87.258000</td>
<td>1077.492</td>
<td>1080.182</td>
<td>1025.052</td>
</tr>
<tr>
<td>Sum Sq. Dev.</td>
<td>3.072737</td>
<td>3.570942</td>
<td>32.42749</td>
<td>22.00046</td>
</tr>
<tr>
<td>Observations</td>
<td>120</td>
<td>120</td>
<td>120</td>
<td>120</td>
</tr>
</tbody>
</table>

Source: Data Analysis, (2023)

In table 4.1, the result of descriptive analysis is disclosed on working capital management (WCM) and financial performance (PF) of listed deposit money banks (LDMBs) in Nigeria. The result showed that return on asset (ROA) has a mean of 0.73 and a minimum value of 0.18 to a maximum value of 0.98 with a standard deviation of 0.12 and a probability value of 0.00. The bank cash conversion cycle (BCCC) has a mean of 8.98 and a minimum value of 8.46, a maximum value of 9.21 with a standard deviation of 0.17 and a probability value of 0.01. The borrowers’ collection length has a mean of 9.00 a minimum value of 7.41, a maximum value of 11.76 with a standard deviation of 0.52, and a probability value of 0.00. The creditors’ payment length has a mean of 8.54 and a minimum value of 7.15, a maximum value of 10.54 with a standard deviation of 0.43 and a p-value of 0.00.

Generally, the values of skewness (SKEWE) is zero and that of kurtosis (KURTOS) is 3, cluster 4 has a peaked KURTOS of (17.59) and a positive SKEWE (2.39), cluster 5 has a peaked kurtosis (7.18) and a negative SKEWE (-0.18) and cluster 6 has a peaked KURTOS (7.62) and a positive SKEWE (0.21). These disclose that as the value of SKEWE and kurtosis of the WCM series is not equal to 0 and 3 respectively, this means the data
are not distributed normally. The results of Jarque-Bera and their p-values implied that the probabilities are less than 5% level of significance which indicated that the null hypotheses of no normal distribution are rejected in all variables.

**Table 4.2: Correlation Matrix**

<table>
<thead>
<tr>
<th></th>
<th>ROA</th>
<th>BCCC</th>
<th>BCP</th>
<th>CPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>1.000000</td>
<td>0.27648</td>
<td>-0.03879</td>
<td>0.296902</td>
</tr>
<tr>
<td>BCCC</td>
<td>0.27648</td>
<td>1.000000</td>
<td>0.168229</td>
<td>0.328834</td>
</tr>
<tr>
<td>BCP</td>
<td>0.03879</td>
<td>0.168229</td>
<td>1.000000</td>
<td>-0.08366</td>
</tr>
<tr>
<td>CPP</td>
<td>0.296902</td>
<td>0.328834</td>
<td>-0.08366</td>
<td>1.000000</td>
</tr>
</tbody>
</table>

**Source:** Data Analysis, (2023).

Table 4.2 revealed the correlation among the variables of return on asset (ROA), bank cash conversion cycle (BCCC), borrowers’ collection period (BCP), and creditors’ payment period (CPP) respectively. The outcomes of the research revealed a positive correlation between ROA and BCCC; a positive correlation between BCP and CPP with coefficient of 0.04, 0.04 and 0.30 respectively. Thus, based on the result, it can be asserted that working capital variables contributed significantly and served as an engine device to drive the financial performance of deposit money banks in Nigeria.

**Panel Regression Models**

**Table 4.3: Pooled Ordinary Least Square Result**

(Dependent Variable = ROA)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-1.461643</td>
<td>0.811518</td>
<td>-1.801122</td>
<td>0.0743</td>
</tr>
<tr>
<td>BCCC</td>
<td>-0.181885</td>
<td>0.109700</td>
<td>-1.658024</td>
<td>0.1000</td>
</tr>
<tr>
<td>BCP</td>
<td>0.016967</td>
<td>0.022484</td>
<td>0.754656</td>
<td>0.4520</td>
</tr>
<tr>
<td>CPP</td>
<td>0.080767</td>
<td>0.037782</td>
<td>2.137717</td>
<td>0.0347</td>
</tr>
</tbody>
</table>

**Source:** Data Analysis, (2023).

The results of panel ordinary least square in Table 4.3 show that BCCC harms ROA, while BCP and CPP exhibit a positive impact on ROA. The panel model result disclosed that only the parameter of CPP is significant, hence a percent change in CPP will significantly impact ROA by 0.08%, also a percent increase in BCP and FS will improve the value of ROA by 0.02% and 0.009% respectively while an attempt by further increase BCCC will subject to 0.18% in ROA. The $R^2$ coefficient is just too low (12.9%) in the model. These figures imply the extent of changes in the dependent variable as explained by the independent variables.

**Table 4.4: Random Effect Model Result**

(Dependent Variable = ROA)

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-1.461643</td>
<td>0.811518</td>
<td>-1.801122</td>
<td>0.0743</td>
</tr>
<tr>
<td>BCCC</td>
<td>0.181885</td>
<td>0.109700</td>
<td>1.658024</td>
<td>0.1000</td>
</tr>
<tr>
<td>BCP</td>
<td>0.116967</td>
<td>0.022484</td>
<td>5.202232</td>
<td>0.0010</td>
</tr>
<tr>
<td>CPP</td>
<td>0.080767</td>
<td>0.037782</td>
<td>2.137717</td>
<td>0.0347</td>
</tr>
<tr>
<td>FS</td>
<td>0.029959</td>
<td>0.010399</td>
<td>2.880950</td>
<td>0.0012</td>
</tr>
</tbody>
</table>

**Source:** Data Analysis, (2023).

The results of panel ordinary least square in Table 4.4 show that BCCC harms ROA, while BCP and CPP exhibit a positive impact on ROA. The panel model result disclosed that only the parameter of CPP is significant, hence a percent change in CPP will significantly impact ROA by 0.08%, also a percent increase in BCP and FS will improve the value of ROA by 0.02% and 0.009% respectively while an attempt by further increase BCCC will subject to 0.18% in ROA. The $R^2$ coefficient is just too low (12.9%) in the model. These figures imply the extent of changes in the dependent variable as explained by the independent variables.
In this model, all the explanatory variables positively and significantly influenced financial performance (ROA) respectively except for BCCC in model one which depicted an insignificant relationship with the dependent variable. The coefficient of BCP and CPP positively and significantly affected the return on an asset by 0.12% and 0.08% respectively. It is however evident that the R2 values of 79% and 89% implied the variation in the dependent variable as explained by the independent variables while the remaining percentage was ascribed to the stochastic error term. The adjusted R-square specifically explained that the explanatory variables of BCCC, BCP, and CPP in the model contributed to the financial performance by 75% while the remaining 25% to be accounted for by variables order than those in the model which also have an influence on the financial performance of the banks in Nigeria. The random therefore fits the study as an estimator as the F-statistic value is significant.

5.0 Discussion of Findings and Implications
The study concentrated on how working capital management could influence financial performance among sampled banks listed in the Nigerian ExchangeGroup for a period of ten years. The research results revealed that there is presence of playtykurtic distribution in all the clusters except clusters 2 and 3 which were leptokurtic. This finding is in tandem with Adam, Quansah, and Kawor (2017) that firms’ profitability is not identically distributed. Also, the study has shown that the bank cash conversion cycle (BCCC) has a positive and insignificant effect on Return on Asset (ROA). The relationship between the banks’ cash conversion and financial performance is also positive. The outcome is in line with the cash conversion cycle (CCC) theory used to assess the amount of cash needed for any sales level. The cash conversion cycle (CCC) is applied as a full measure of working capital as it discloses the time length between the cash expenditure that are meant for the procurement of raw materials and the period cash is collected on sales of finished goods (Padachi, 2006). The cash conversion cycle (CCC) theory affirms that as long as CCC indicates that a company’s sales are increasing and that the firm can compete using lax credit policies or high stock of inventories. But alternatively, a higher cash conversion cycle (CCC) can harm a business’s profitability by raising-up the length of time the cash is tied on accounts which are non-interest-bearing like accounts receivables. By shortening the cash conversion cycle (CCC) the firm’s cash flows will record a higher net present value because of the fact that cash is received more quicker. The number of days the accounts receivables; accounts payables and inventories are used to operationalize the inventory and trade credit (Sharma & Kumar, 2011). This agrees with the outcome of the study by Osundina (2014) who made a stand that the faster the cash sales recovery from finished goods the more the availability of cash for business use. Therefore, a high cash conversion cycle (CCC) implies a longer duration for cash recovery. If there is that situation, that means the company needs be ready to envisage the liquidity saga. But, Akinlo (2011) discovered a positive relationship between cash conversion cycle (CCC) and profitability.

This study further discovered that the effect of borrower collection length on the banks’ financial performance in Nigeria is a positive and significant. The possible explanation for the positive relationship between borrower collection period and financial performance could be a result of a well-managed portfolio that the bank made use of. The banks must therefore be liquid at all times to meet the financial obligations of the customers as at and when due without which the customer may lose trust and confidence in the bank. The research outcome agreed with the result from work of Akinlo (2011) and Uremadu, Eghide, and Enyi(2012) that borrowers’ collection length has a significant and positive correlation with the company’s profitability in Nigeria.
Moreover, the study showed that creditors’ payment period (CPP) has a positive and significant effect on the financial performance of the banks in Nigeria. This indicates that if the customers are restricted to few periods to settle their bills, the performance of the banks will improve. This result lends credence to the earlier position of Vijayakumar (2011) that creditors’ payment periods significantly affect the corporate performance of firms.

6.0 Conclusion and Recommendation
From the foregoing, this paper concluded that there exists a positive relationship between working capital management’s variables: borrowers’ collection length of credit, bank cycle for converting cash, and creditors’ payment length; and the financial performance of the deposit money banks in Nigeria. Specifically, the study found that borrowers’ collection length and creditors’ payment time had positive and significant effect on the return on assets while cash conversion cycle had positive and insignificant effect on the return on assets of the sampled deposit money banks in Nigeria for the review period. Based on the above findings, managers should ensure efficient working capital management to shore up and sustain financial performance.

References

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