IMPACT OF WORKING CAPITAL MANAGEMENT ON THE PROFITABILITY OF GUARANTEE TRUST BANK (GTB) PLC

BY

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A RESEARCH SUBMITTED TO THE POSTGRADUATE SCHOOL OF AHMADU BELLO UNIVERSITY ZARIA. IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER DEGREE IN BUSINESS ADMINISTRATION (MBA)

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ZARIA

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DECLARATION

I hereby declare that this research work titled "Impact of Working Capital Management on the Profitability of Guarantee Trust Bank (GTB) Plc" has been conducted and compiled by me. All quotations, references and materials consulted have been acknowledged in the bibliography.

______________________________ ____________________

Fatima Idrisu **Date**

CERTIFICATION

This is to certify that the Project titled; ‘‘Impact of Working Capital Management on the Profitability of Guarantee Trust Bank (GTB) Plc’’ by Fatima Idrisu meets the partial regulation governing the award of the degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria and is therefore approved for its contribution to knowledge and literary presentation.

Mal Moh’d Bashir Nafiu

___________________________ ____________ _______

Chairman Supervisory Committee Signature Date

Dr. Bello Sabo

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Head of Department Signature Date

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External supervisor Signature Date

Prof. A.A. Joshua

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Dean postgraduate school Signature Date

DEDICATION

Dedicated to my lovely husband Salihu Jibril.

ACKNOWLEDGEMENT

The expectation has been high, to some it was long overdue, to other it was timely. Yet to many it was a surprise, but to me it was the Almighty's doing. My utmost gratitude goes to Almighty Allah the most gracious and the most merciful. I am indebted in gratitude to my supervisor Mal Nafiu Mohammad Bashir popularly known as "Banadeen" who guided and directed me towards successful completion of this project work. I am personally proud of having such a principled supervisor who has ensured the right thing is done.

To my family, friends and those who contributed to my success in life, I am forever indebted to you. Thank you all.

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ABSTRACT

The study aimed at evaluating the impact of working capital management on the profitability of Companies, to evaluate the extent of influence of working capital management in the achievement of organization goals, to critically analyse the importance of managing a bank's current asset such as cash, marketable securities, account receivable and inventories viza-viz. The study utilize the use of both primary and secondary sources of data to obtain information, for the primary sources, questionnaire, interview and observation method was used, while for the secondary data, the use of text books and journals was adopted. It was found out that the efficient and effective working capital management has significant effect in improving the profitability position of banks by the analysis made from the respondents view, working capital resources are not optionally combined with other man and machine resources in order to strike a balance between solvency and profitability to achieve organization objective. It was recommended that there should be effective and efficient working capital management in order to improve the profitability position of banks, Management should Endeavour to ensure the reduction of bad debts, Working capital resources should be optionally combined with other man and machine resources striking a balance between solvency and profitability to achieves of the organization, Proper supervision of working capital should be carried out to ensure effective and efficient utilization in an organization.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The financial sector of any economy consists of banks and non-bank financial institution. This implies that the banking sector which we are interested in is a sub-sector of financial sector. The establishment of banks and the designing of banks services are based on financial intermediation. Every banking sector is set-up for diverse purposes. A business is founded because its owners think that there is an existing demand or a potential demand for goods and services, which it can provide. The achievement of these primary aims for which the bank was set-up through of paramount importance for continued existence depends on the attainment of other secondary objectives. The life of a bank that is its continuity, largely depends on the management of its working capital on making appropriate profit. According Bilichel et al (1998) Working capital referred so as "the life blood which passed through the veen and arteries of that structure, energize every part of the structure given courage to the brain (management) and muscle (personnel), digest the raw material used and by its constant and regular rapidly purifies its self and return to the heart (cash account) for another journey. However, the need for working capital to run the day of day banking activities cannot be over emphasized, because without the working capital there could virtually no efficiency in the banking sector.

The effectiveness and efficiency of working capital management promote and enhance profitability in the Nigerian banks. The phrase ‘working capital management” is the combination of two terms that is working capital and management. Working capital is also referred to as circulating assets or circulating capital. It signifies a portion of a company’s resources among which are cash, debtors and stock and other liabilities that are due for payment within a year. These items of working capital require the attention of the management of a business on daily basis working capital is the life blood of a business.

It is prudent that management can uplift and sustain the continuous flourishing of a company. However, the efficient and prudent management of working capital of a bank in one way or the other may determine the success of that bank in the present day increasing competition in the banking industry. The profitability of banks measures the revenue inflow and outflow determined on the accrual principle. It tries to show the result of deductions of cost from revenues despite the fact that not all the years’ costs and revenue may have been liquidated.

It also measures the overall performance and effectiveness of the bank. Working capital management is the art and science of planning, organizing, directing, controlling and utilizing of working capital management component as well as determining the appropriate mix of working capital. It can also be defined as that aspect of managerial finance of management accounting which is concerned with all the activities in providing profit to the banks. In managing working capital banks segregate current assts into their component units for the formulation and execution of policies. This is because these assets are of different nature, which make it imperative that they will be considered and managed under a unique approach. However, the short run and long run effectiveness of business activities depends on continuous inflows and outflows of cash and other components of working capital.

1.2 STATEMENT OF THE PROBLEM

Despite the great benefit of efficient working capital management, there are still some noticeable challenges, inefficiency management of working capital has led to non availability of profitability, excess working capital carries a definite cost and its shortage can led to loss in operation of banks, the problems associated with how to prudently and effectively manage both the current assets and the current liabilities (items of working capital) so that the achievement of goals and aspirations of all organization at maximum level of efficiency could be possible, mismanagement of resource in bank. Apart from the general problems stated above, individual banks do have different problems in the management of their working capital resources. It is believed that the bank under study also has its own problem. The bank was discovered to have suffered tremendous bad debts due to the inability of the bank to collect the amounts due on loans granted. The researcher feels this is as a result of the banks inability to identify the credit worthy customers. Again the most pressing problem of the bank's management of working capital is the granting of loans to incorporated companies with poor financial standing.

1.3 RESEARCH QUESTIONS

In line with the problem, the following questions were raised:

i. To what extent does working capital management impact on the profitability of guarantee trust bank?

ii. Do bank manager know that poor working capital management could lead to loss?

iii. Do must banking sector employed quality and experience personnel?

iv. Do many banking sectors maintain adequate financial resources in making profit?

1.4 OBJECTIVES OF THE STUDY

The main objective of this study is to evaluate the impact of working capital management on the profitability of Guarantee Trust Bank (GTB) Plc. Other specific objectives includes

i. To examine the extent to which working capital management impact on the profitability of guarantee trust bank.

ii. To examine whether manager know that poor working capital management could lead to loss.

iii. To identify whether banking sector employed quality and experience personnel.

iv. To assess whether banking sectors maintain adequate financial resources in making profit

1.5 STATEMENT OF THE HYPOTHESIS

The following are the research hypothesis:

H_o: there is no significance relationship between working capital management and the profitability of Guarantee Trust Bank (GTB)

H_i: there is significance relationship between working capital management and the profitability of Guarantee Trust Bank (GTB)

H_o: Efficient and effective working capital management has effect in improving the profitability position of banking sector.

H_2:Efficient and effective working capital management has no effect in improving the profitability position of banking sector.

1.6 SIGNIFICANCE OF THE STUDY

The significance or importance envisaged in this study cannot be over emphasized but amongst these, the study will help:

i. To examine the importance of working capital towards achieving organizational goals and objectives with particular references to GTB Plc.
ii. To highlight the relationship which exists between working capital, profit and survival
iii. To assist in the formulation of effective policies to increase in the level of efficiency and profitability in banking sectors.
iv. To study and add to existing knowledge.
v. This research work shall also be of great significance as it aims at informing people in the environment about the impact of working capital management on profitability.

1.7 SCOPE OF THE STUDY

In attempting to find solutions to problem identified in the forgoing subsections, it would be necessary to defined the scope of the study. The scope will particularly cover the period between 2010-2014 in GTB Plc, for maximum accessibility. Here emphasis would be focused on the role of which working capital plays practically towards the problems of effective management and its impact on the desired goals for organizational growth and profit.

1.8 LIMITATION OF THE STUDY

Most of time, research work are subject to certain constraints which constitutes some difficulties to such studies. Some limitations and problems were encountered on carrying out this study.

The problem of insufficient information is a major limitation of this study. This is due to the bank secrecy syndrome which is a very sensitive issue of the working capital position of bank.

The information obtained from interview was limited, although the questionnaire provide to be of more help and in so doing some subjective come into study. Adequate time prove to be a problem because of the other academics work. Moreover for this kind of research there is need for enough time to conceptual theory and analytical technique of working capital.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The chapter review related literature on the impact of working capital management on the profitability of Guarantee Trust Bank. This will cover the Concept of Working Capital, the impact of working capital management, Determination of Working Capital, Factors Affecting the Amount of Investment in Working Capital, Short Term Sources of Finance, Components of Working Capital in the Banking Sector, Financial Ratios and Sources and use of Working Capital

2.2 WORKING CAPITAL AND ITS SIGNIFICANCE

Baley (2006), The importance of maintaining a healthy profitability position to run the day to day business of a bank cannot be over emphasized. Much of the banks survival and success depends on efficient and effective management and control of working capital because of large money invested in it.

Effective planning and control of working capital no doubt will enhance an organizations profitability position working capital becomes important because of time devoted to its management, the volume of resources deployed in current assets and because of the direct relationship between sales, growth and current assets.

An increase in the level of sales necessitate additional investment in current assets components. These additional investment affect level of profits in the sense that the more investment in these asset the greater the required profits will be to make satisfactory return on a capital employed.

Suffice to say that an efficient and effective working capital management relies heavily on the determination of the need for it identifying various sources of financing and making an optimal investment and applying effective control and monitoring mechanism.

2.3 COMPONENTS OF WORKING CAPITAL IN THE BANKING SECTOR

Banad U. (2007), the working capital components include cash, inventories, account receivable and short term investments financing. It represents the current assets or short term investment of any banking sectors. The level of these components affects the profitability position of any bank.

2.3.1 Cash Management

Banad U. (2007), Cash is the most important resources of all the current assets, suitable for the effective and smooth operations of a business more especially within the banking sector No bank can operate actively and efficiently without cash-cash is used in the payments of employees for the services rendered, to settle customers when they request accounts to be debited it is also used to pay creditors interest and taxes and to pay for things required for the day to day activities and smooth operations of the Bank cash include cash at hand and in bank.

According to Samuel and Wilkes, cash management is concerned with:

a. Cash flow in and out of the bank
b. Cash flow within the bank
c. Cash balances held by the bank at any point in time.

Cash management in the banking sector to Samuel and Wilkes is especially concerned with the management of cash realized from customers savings, deposits and other profitable operations which banking sector performs cash management also involve how cash is used for the payments and settlement of the banks debt and other outside obligations. It also involve how cash issued for the payment of salaries and other expenses owed to the bank employees and owners of the bank dividends.

2.3.2 Management of Marketable Securities

Banad U. (2007), Marketable securities provide temporary short term investment outlet for investing surplus funds by a bank to recap immediate returns.

According to western and Brigham, marketable securities have a close relationship with cash. They are sometimes called near cash assets because there are parts of banks vault. There are different types of marketable securities including treasury bills, fixed deposits in other bank, commercial paper e.t.c they provide attractive short term investments outlets for cash as they have short term to maturity and reasonable interest rates apart from easy convertibility to cash.

However, some scholars like Wilkes also admit that the choice of marketability of securities depends on risk associated with the security among which are:

a. Default Risk:

   The profitability of default is payments on interest or principals on time and the amount promised.

b. Marketability Risk: the convenience and speed with which a security can be converted into cash when necessary.

c. Interest Rate Risk: The higher the security risk, the higher the required interest on the security. Thus, corporate treasurers should make a trade off between risk and interest when choosing investments for the marketable securities for folios.

d. Foreign Exchange Risk: The risk associated with foreign exchange purchased for sale purpose. When investment is made on foreign exchange, care should be taken that the value of the foreign exchange should not fall within a shorter period of time.

e. Inflation Risk: Another type of risk is the inflation risk, which will reduce the purchasing power of a given sum of money. When money is being invested on securities during inflation, the purchasing power of the money would be reduced.

f. Maturity Risk: The time period over which interest and principal payments are to be made is very important when investment on short term securities are being decided upon.

It is thus, the above mentioned factors that can impair the profitability of marketable securities that make the prudent management not nobly expedient but necessary.

2.3.3 Management of Bank Debtors

Banad U. (2007), Bank debts arising as a result of loans and advances granted to customers. The debts or loan/advances granted create “BOOK DEBITS” which the bank expected to collect in the near future. The debt usually has an interest element attached to it. This interest could be paid on a time based at the expiration of the time of the advance or loan or during the period the loans is being granted in this discounted loan.

Nowadays, bank debts form substantial portions of current assets of some banks and careful analysis and proper management.

Most often firms extend debts to customers for the following reasons:

a. To increase its earnings by generating interest on debts granted.

b. To protect its services from rival competitors

c. To win new customers (potential customers) while making effort to retain the old ones.

The purpose of bank debts management is not only the profit maximization alone, but effective and efficient bank debts operations. However, the need for sound bank debts management arises from the following reasons:

a. Bank debtors tunes constitute a large portion of some banks current assets.

b. There are some elements of uncertainties and risk associated with bank debt especially the risk of default in making prompt payment of interest by customers and hence the need to carefully diagnose and analyze customers before extending over draft, advances and loans.

c. Once loans are granted to customers, the banks liquid cash holding reduces and thus bank debtors represent an investment that requires careful planning, monitoring and control.

2.3.4 Management of Bank Creditors

Banad U. (2007), The creditors to a bank which are current in nature are the depositor and owners of current account and other accounts with credit balances in such an account. The management of creditors therefore includes the management of such deposits on accounts. Most importantly, the ability of a bank to meet the request for withdrawal of customers when ever raised. A bank can also be liable to any inter bank loans collected which remains payable within a year. Such loans are current liabilities and therefore form part of the bank credits.

2.3.5 Management of Bank Deposits, Current and other Accounts

Basik H. (2001), As it is the case with banks, there is usually a given amount of money which banks are required by the central bank to leave in their current accounts. This amount of money which is often determined by the profitability and liquidity ratio of the bank would be used for meeting short terms obligations of the banks. These obligations may include meeting customers demand for withdrawal and other day to day operation or activities of the bank.

Any excess over the liquidity should be invested in short term funds to yield interest which is to be paid on the account of customers.

2.3.6 Investments of Excess Deposits

Basik H. (2001), Excess deposits of commercial banks could be invested either on treasury bills of the Federal Government of Nigeria or on trade bills of other business. The choice of which would depends on the following factors:

i. Safety of the investment
ii. Marketability of the bill
iii. Maturity of the bill

The yield or return on the investment, excess deposits when left in the current accounts creates a holding cost to the bank thereby reducing the profit margin of the bank. This is because the bank has to pay interest on all accounts maintained by the customers in the bank.

Furthermore, investment of excess liquid is the transferring of deposits to other banks with wider opportunities to yield a return.

2.3.7 Management of Dividends Payable

Falal O. (2000), Upon declaration by the board of directors and final approval by members during annual general meeting, a cash dividend or scrip dividends results in the reduction of retained earnings and usually in the creation of a current liability if there is an intention to pay the dividends in coming financial period. It is very important to note that undeclared dividends in arrears or commutative preferred stock are not recognized as liabilities until they are formally declared by the corporations board of directors, nonetheless, they are disclosed n the footnotes to the financial statements.

The management of dividends payable in any bank greatly depends on the dividends policy of the bank. But strictly speaking in order to reduce liability of a bank to its stockholders dividends should be declared when profits are made.

Dividends should not be declared out of retained earnings or unrealized acquisition of fixed assets. This greatly reduce the liquidity of the bank.

The declaration of dividends however is governed by the law. The management or dividends payable should therefore be adopted when reference is made to the status governing the payment of dividends.

2.4 FINANCIAL RATIOS

Ololan J (2002), To evaluate the financial condition and performance of a bank, the financial analyst, need certain yardsticks. The yardsticks frequently used is a ratio, or index, relating two pieces of financial data to each other.

Ratio analysis is a powerful tool of financial analysis. A ratio is defined as “the indicative quotient of two mathematical; expression” and as “the relationship between two or more things.

Therefore, the relationship between accounting figures expressed mathematically is known as financial ratio – by PANDEY I.M Financial Management.

A financial ratio is equally the product obtained after dividing of equally related items of profit and loss account or the balance sheet to determine the financial condition, direction, growth rate or the viability of the bank or company in question.

Analysis and interpretation of various ratios should give experiences skilled analyst a better understanding of the financial condition and performance of the firm that they would obtain for analysis of the financial data alone.

The part to note is that a ratio indicates a quantitative relationship which can be in turn, used to make a quantitative judgment. Such is the nature of all financial ratios.

2.5 SOURCES AND USE OF WORKING CAPITAL

Konan P.(2000), The primary sources and use of working capital are examined.

SOURCE

There are three major sources:

i. Profitable operations
ii. Long term financing
iii. Sale on non current assets

i. **Profitable operations**

Operations represents a key sources of additions to working capital. Working results whenever there is an excess of revenue order charges against revenue (i.e. charges requiring the use of working capital). Consequently, revenue implies a net increase in current assets. Specially, revenue from sales of goods (or whatever) results in an inflow of cash or an increase in accounts or a combination of both. The effect is to increase working capital.

ii. **Long term financing**

The two sources of working capital here are external, so less amenable to control by management. Additional shares could be issue and sold, giving rise to increased working capital through ca collected. Also a company can borrow by the issuance of debentures or through long term loans from banks.

iii. **Sales of Fixed Assets**

Though fairly infrequent, the sales of machines, equipment, furniture, vehicles and non-current assets can provide funds for the organization.

USES OF WORKING CAPITAL

Konan P.(2000), A transaction that decreases working capital requirements a use of working capital. They are the opposite of the source of working capital.

The use can be looked at under four major items:

1. PURCHASE OF LONG TERM ASSETS

i. Purchase of plant, machinery, equipment and other non current assets.

ii. Long term investment in share and treasury bills

iii. Purchase of intangible assets

2. **RETIREMENT OF LONG TERM FINANCE**

   i. Payment of long term debt

   ii. Retirement of share capital

3. **DECLARATION OF DIVIDENDS**

Kalande P. (2000), The declaration of dividends increases the company's current liability (i.e. dividend payable) and hence reduce working capital. The subsequent payment of dividends results in an outflows of cash, but there is also a reduction of current liability, so a dividend payment does not have an effect on working capital.

4. **UNPROFITABLE OPERATION**

Kalande P. (2000), When revenue is less than total expenses involving the use of working capitals there is a net drain or working capital, it thus, represents a use of working capital.

2.6 CONCEPT OF WORKING CAPITAL

Mordola R. (2001), There are two concepts of working capital. The gross concept and the net concept. The gross working capital refers to the banks investment in current assets. The term net working capital refers to the differences between current assets and current liabilities. The assets of an enterprise which can be turned into cash within an accounting year are known as current assets.

They include stock, debtors, payments in advance, bank and cash balances on the other hand current liabilities are those claim to outsiders which will become due for payment within accounting year. They includes creditors, proposed bank overdraft.

2.7 WORKING CAPITAL MANAGEMENT AND CONTROL

Mordola R. (2001),, In banking sector control of working capital has not been exercised by management which probably helps to explain why many banks ceases to function every year. In most banks there is a strict control of capital expenditures yet many still do not realize how important it is to control capital too. Thus, stocks debtors, creditors, cash e.t.c. requires particular attention.

2.8 FACTORS DETERMINING THE CONTROL OF WORKING CAPITAL

Ndada .(2002), The following were identified as the factors which generally influence the working capital requirement of banking firms;

i. **The nature and size of the firm**

Ndada .(2002), Most banks and financial institutions usually have less investment in fixed assets but require large sum of money to be invested in working capital. A bank with large scale operation will have more working capital than a small bank.

ii. **Business fluctuation**

Ndada .(2002), As the economy experience fluctuation, banks thus have different level of working capital resources depending on whether the economy is in boom, there is sufficient money in circulation which will result to customers saving which increase a bank working capital requirement. If depression tunes are hard and there is less savings and more withdrawals which reduces the working capital of the bank

iii. **Bank’s credit policy**

If a banks credit policy is loose, it would require more investment in working capital and therefore increase its profitability.

iv. **Growth and expansion activities**

The more a bank is growing, the more branches are opened. This expansion therefore increases the working capital of a bank since more branches, more saving are eminent.

The level of banks profit margin and profit appreciation after taxation.

Repression, dividend and retention policies also affect the amount of working capital in terms of each other asset of the bank.

The operating efficiency of a bank also affect the amount and levels of its working capital.

A bank making optimum utilization of its resources at minimum cost may require less working capital. This is because not more cash and other items of working capital may be required as when the cost of operations are high.

2.9 FACTORS AFFECTING THE AMOUNT OF INVESTMENT IN WORKING CAPITAL

Stanton W.J. (2000), the following are the factors affecting the amount of investment in working capital

1) **Production cycle**

The larger the production cycle the larger the amount of working capital requirement.

2) **Nature of the business**

The nature of the bank has substantial influence on the working capital requirement for instance a trading company has very little investment in fixed assets relative to the amount required for working capital.

3) **The size of the business**

The larger the size of the bank the larger the working capital required.

4) **Business Fluctuation**

That is in most bank they do experience seasonal and cyclical fluctuation in the demand for their production and service this also affect the working capital requirement.

5) **Credit policy**

The credit policy of the bank affect the working capital by influencing the level of debtor.

6) **Availability of credit facilities granted by creditors**

Dividend policy is also another factor that influence working capital requirement.

2.10 SHORT TERM SOURCES OF FINANCE

Stanton W.J. (2000), Short term methods of finance are suitable for finding shortages in working capital.

They should not, if it can be avoided, be used to finance long term loan investments. The main methods available are:

a) Bank credit
b) Commercial paper
c) Trade credit
d) Bill finance
e) Efficient stock control

a. BANK CREDIT

Traditionally, commercial banks in Nigeria have concentrated on financing the short term needs of companies. In recent years, however, the banks have begun to lead on long term either directly. For example by way of a secured medium term loan, or indirectly for example through leasing.

Although bank overdrafts are normally repayable on demand, they are never in practice, called in without reasonable notice. Except in credit squeeze" condition business can easily borrow for up to a years with adequate provision for a rollover.

The rate of interest on bank loans and overdraft is fixed to other market rates of interest in the case of overdraft, as interest is charged on the day to day overdrawn position bank credit is a cheap as well as the most convenient form of finance.

b. COMMERCIAL PAPERS

Stanton W.J. (2000), A commercial paper (or commercial note) is an unsecured money market instrument, large companies with good credit rating can raise short term funds by issuing commercial note which are then purchased by investors in the money market.

The notes are usually issued on behalf of the company, by an issuing house (normally a merchant bank). The issuing house does not guarantee the note but assist in finding investors to buy them. The investors effectively head directly to the company issuing the note the issuing house charges a commission for the service.

Commercial notes are usually issued for a period say 90 days at a specific rate of interest (coupon rate). This source of finance is only available for large companies because investor will only purchase notes issued by well known corporate names. For these companies, commercial paper is an important source of short term finance particularly when the CBN credit guidelines restrict direct bank lending.

c. BILL FINANCE

The use of bills payable and the discounting of bills receivable helps to overcome a cash shortage, but can be expensive. The cost of this depends upon the credit worthiness of the customers and the module of the trade is concern in the UK, the discount market provides an efficient markets for obtaining finances by discounting trade bills. In practice, a company can ask it banks to discount bill receivable on it behalf; the bank may turn sell the bill to a discount house in the discount market. The discount market is not well developed in Nigeria. However, a number of finance houses and some insurance companies can discount trade bills.

d. EFFICIENT STOCK CONTROL

Stanton W.J. (2000), Though met a real sources of finance, but a reduction in examine stock can reduce the need for finance and so would achieve a saving in finance cost.

e. HIRE PURCHASES

Stanton W.J. (2000), Industrial hire purchase or installment credit is method of paying for plant and machinery out of income return than capital. Use of the equipment is gained on payment of the first installment. Although it is relative expensive it leaves other sources of finance free from emergencies and, in contrast to bank overdraft, the cost is fixed at the outset and will net be affected by changes in money condition. The repayment period will rarely be greater than two years, which in most cases will be shorten than the useful life of the asset acquired.

A number of finance companies in Nigeria provides hire purchases finance for the purchases of cars. Perhaps the best known being Benworth finance (B.F.N). The finance companies usually raise bank credit to transact their own application in the alternative, promissory notes issued by the purchases of the vehicles may be discount banks, insurance companies and other investor in the Nigeria money market.

2.11 SUMMARY

In this chapter working capital was analyzed thoroughly. It start by looking at its nature and where it starts from the proprietors, and its cycles of flow was also seen. Its determinants were also mentioned where certain factors determine it.

It guest further to analyze the component of working capital where under each component its objectives, strategies for managing and the relative cost and benefit associated with it were mentioned.

Note that thee conceptional overviews of decisions concerning the working capital was in keeping with an objective of maximizing the overall value of the firm.

Once decisions are reached concerning these areas the levels of working capital by definition is determined.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

The chapter deals with research design, population of the study, sample size and sampling techniques, sources of data, techniques of data analysis

3.2 RESEARCH DESIGN

For the purpose of this research work, the descriptive and historical researches are going to be used. This is because of the fact that considering the nature of the topic, descriptive and historical method best suits it.

3.3 POPULATION OF THE STUDY

The population of the study constitutes the employees of GT Bank, (NSE fact book 2012). The total number of employees was 3,644. The employees were considered as respondents because they experienced the impact of motivation processes. The population of our study is 3,644.

3.4 SAMPLE SIZE AND SAMPLING TECHNIQUES

These are the processes of drawing sample from the population. They are the methods or procedures available for drawing or selecting a sample from large population. For the purpose of this study the researcher used Yamane (1967) sample size method. The total number of the employee is 3,644, according to Nigeria Stock Exchange Fact Book 2012.

Using Yamane (1967) sample size formula as follows:

The formula: $n = \frac{N}{1+N(e)^2}$

n = sample size = ?

N = Population size, = 3,644

e = level of precision. = 5 %

$$n = \frac{3{,}644}{1+3644\,(0.05)^2}$$

$$\frac{3644}{10.11}$$

= 360.44

= 360 approximately

3.5 SOURCES OF DATA COLLECTION

Data are recorded observations the phenomena being studied (Nachmias and Nachamias 1982). To make a sound research work, data needs to be sourced from the appropriate sources and in required form. This process is fundamental if the findings of the work are to be relied upon.

3.5.1 Primary Data

The primary method is based mainly upon interview was though direct contact with individuals for information. The primary data is being adopted by means or oral interview, questionnaire and observation, which are discussed in method of data collection.

3.5.2 Secondary Method

Secondary data are data extracted from the works of other individuals, organization and so on. This kind of data can be collected through journal, lecture, notes, textbooks, newspapers, literatures, articutes and other document as well.

3.6 METHOD OF DATA COLLECTION

This is also referred to as the instruments of research or data collection instruments. They are so called, because they assist in collecting measuring and gathering of data, that are essential for the successful conduct of a research work.

Research instruments include questionnaires, interviews and published instruments. Each of these must be valid and reliable for the purpose intended. Validity has been established to an extent to which data collected are relevant to the problem of the research. No data need to be collected unless they are related to the problem. The data must provide exactly the information that is sought from the respondents Imosili (1996). A has the liberty of using either a of the research instrument mentioned above.

However, for the purpose of the study the following would be relied upon.

a) Interviews
b) Questionnaires
c) Published instrument
d) Observation

3.7 TECHNIQUES OF DATA ANALYSIS

Coming to techniques of data analysis, tabular analysis was used, because of its convenience in compiling data in a form for easy reference, usually in chronological order.

Percentage was used because it is easy and involves the drawing of tables. And lastly ratio's were used to expressed the profitability position of Bank specifically GTB PLC. Also correlation was used to test the hypothesis.

3.8 JUSTIFICATION OF METHOD USED AND TECHNIQUES

As stated earlier, the methods of research used are historical and descriptive methods.

Historical research is employed because the study warrants the use of books, journals and magazines in order to bring out the relationships intended to be studied vividly. This is necessary for the researcher's understanding and analysis.

The descriptive research is employed because it is the method which specifies the nature of given phenomenon since it gives a picture of a phenomenon. It is therefore, the most suitable method for ascertaining the nature and extend of inter – relationships that exist between the component of working capital. Descriptive research is also suitable for describing the implication of these relationships on financial decision of the firm.

3.9 SUMMARY

This chapter has surfaced the research methods used by the research. It has presented the data collection techniques and also the data analysis method all used by the researcher. The chapter also provides justification for the used of which provides justification for the used of which ever method the researcher employed for the research.

It is worth noting that this chapter has served as a platform for the introduction of the next chapter, which provide a practical use of all the methods and techniques used.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 INTRODUCTION

This chapter presentsthe analysis of the data and all the findings of the researcher. It also includes the presentation, analysis and interpretation of the various ratios applied. Presentation of data from the use of questionnaire and conclusions draw and then finally, the summary of findings.This chapter shows the discoveries the researcher has made with respect to working capital management.

4.2 DATA PRESENTATION AND INTERPRETATION

Data collected from respondents were analyzed item by item; information derived form the items in the questionnaire was presented in tables for easy test and comprehension.

Table 4.1: Which level are you?

Response	**Frequency**	**Percentage**
Banking	30	75%
Manufacturing	-	-
Others	10	25%
Total	40	100%

Source: Questionnaire administered 2014

Table 4.1 above shows that 75% are respondents from banking sector, No responders from manufacturing while 25% are respondents from others.

Table 4.2: What cadre are you in this organization?

Response	Frequency	Percentage
Executive level	3	7.5%
Executive level	8	20%
Supervision level	16	40%
Others	13	32.5%
Total	40	100%

Source: Questionnaire administered 2014

Table 4.2 above shows that 7.5% respondents are from executive level 20% respondent from management level, 40% respondent from supervision level and 32.5% respondents from others.

Table 4.3: Does banking sector attach importance to working capital management in making profit?

Response	Frequency	Percentage
Yes	35	87.5%
No	5	12.5%
Total	40	100%

Source: Questionnaire administered 2014

From table 4.3 above 87.5% of the respondents are of the opining that banking sector attach importance to working capital management in making profit, while 12.5% of respondents did not agreed that banking sector attach importance to working capital management in making profit.

Table 4.4: Does poor working capital management lead to loss in banks?

Response	Frequency	Percentage
Yes	30	75%
No	10	25%
Total	40	100%

Source: Questionnaire administered 2014

From table 4.4 above, 75% of the respondents agreed that poor working capital management lead to loss in bank, while 25% respondents did not agreed.

Table 4.5: To what extent does poor working capital management has negative effect on the banks profitability?

Response	Frequency	Percentage
High degree	11	27.5%
Low degree	21	52.5%
Moderate	8	20%
Total	40	100%

Source: Questionnaire administered 2014

From table 4.5 above, 27.5% agreed that poor working capital management has negative effect on the banks profitability, 52.5% agreed that it is low degree while 20% agreed it is moderate.

Table 4.6: Do banks employ qualified personnel for effectiveness and efficiency.

Response	Frequency	Percentage
Yes	34	85%
No	6	15%
Total	40	100%

Source: Questionnaire administered 2014

Table 4.6 above shows, 85% agreed banks employ qualified personnel for effectiveness and efficiency, while 15% agreed that it is no.

Table 4.7: Do financial resources maintained by the bank improved profit?

Response	Frequency	Percentage
Yes	36	90%
No	4	10%
Total	40	100%

Source: Questionnaire administered 2014

From table 4.7 above, 90% agreed that financial resources maintained by the bank improved profit while 10% respondent agreed that it is no.

Table 4.8: Do effective management lead to efficient utilization of resources?

Response	Frequency	Percentage
Strongly agree	8	20%
Agree	28	10%
Disagree	4	10%
Total	40	100%

Source: Questionnaire administered 2014

From table 4.8 above, 20% are of the opinion that effective management lead to efficient utilization of resources, 70% agreed, while 10% of the respondents disagree.

Table 4.9: Does availability of working capital lead to high productivity?

Response	Frequency	Percentage
Yes	38	95%
No	2	5%
Total	40	100%

Source: Questionnaire administered 2014

From table 4.9, 95% agreed that availability of working capital lead to high productivity while 5% of the respondent agreed that it is no.

Presentation, Analysis And Interpretation Of Ratios

Based on this research the ratios that are computate are

i. Profitability ratio

ii. Liquidity ratio

iii. Leverage ratio

iv. Investment ratio

Analysis of profitability ratio of GTB plc

$$\text{Return on asset manage} = \frac{\text{Net profit before interest}}{\text{Total assets}} \times 100$$

Table 1

Years	Amount	Result (%)
2012	94437	6.2
	1520093	
2013	77909	5.6
	1400879	

Source GTB Audited financial statement (2012-2013)

Interpretation

Return on assets managed indicate the percentage of return when assets are manage in an efficient and effective manner during an accounting year.

The return on assets managed ratio for the (2) years 6.2 and 5.6. In 2012 the return on assets managed is 6.2 and decrease to 5.6 in 2013.

Table 2

$$\text{Return capital employed} = \frac{\text{Profit before interest and tax}}{\text{Total equity funds}}$$

Years	Amount	Result (%)
2012	94437	6.2
	1520093	
2013	7790	5.6
	1400879	

Source: GTB audited financial statement (2012-2013)

Interpretation

ROOE indicates the percentage return generated by total tends employed to finance the operations of the company during an accounting year.

The ROCE ratio for the (2) years 6.2% and 3.6%. In the year 2012 is 6.2% and decrease to 5.6 in 2013.

$$\text{Return on equity} = \frac{\text{Net profit after tax}}{\text{Total equity}} \times 100$$

Table 3

Years	Amount	Result (%)
2012	40002 / 1520093	2.6
2013	12889 / 1400879	0.9

Source: GTB Audited financial statement (2012-2013)

Interpretation

Return on equity measure the return on which the shareholder earned from his equity.

The return on equity ratio for the years (2) are 2.6 for 2012 and 0.9 for 2013. It indicate that the return on equity in 2012 is 2.6% and decrease to 0.9% in 2013.

The return on which the shareholder earned from equity in GTB Plc is 2.6% and 0.9%

Analysis of liquidity ratio of GTB plc

Current ratio = $\frac{\text{Current asset}}{\text{Current liabilities}}$

Table 4

Years	**Amount**	**Result (%)**
2012	1427176 1478129	97
2013	1138221 1213160	94

Source: GTB audited financial statement (2012-2013)

Current ratio is a measure of the firms short term solvency. It indicates the availability of current assets in naira for every one naira of current liability.

From the table above, it can be seen that in 2012 is 97% and decrease 94% in 2013.

This means that in a situation where the standard is two naira of current assets to every naira of current liability, the bank had only ninety-seven kobo of current assets to every naira of current liabilities in 2012, and ninety-four kobo worth of current assets to every naira of current liabilities while the situation dropped in 2013.

Quick assets ratio = $\frac{\text{Current assets – Stock}}{\text{Current liabilities}}$

Table 5

Years	**Amount**	**Result (%)**
2012	1427176 – 71793 / 1478129	92
2013	1138221 – 80186 / 1213160	87

Source: GTB audited financial statement (2012 -2013)

Interpretation

Quick ratio indicates the ability of the bank to meet its short term liabilities from it current assets.

The quick ratio for 2012 is 92% and for 2013 is 87%.

Quick test of 1:1 is considered ideal since at this level every naira owned by the firm is backed up by a naira of quick cash or near cash assets.

The bank could have been able to settle all current claims if they were to be made on Bank as at the dates of it balance sheet for the year ended 2012 and 2013. GTB Plc cash and near cash assets were ninety-two kobo in 2012 and eighty-seven kobo in 2013, where the ideal should be ₦ 1.00.

Analysis of leverage ration of GTB plc

$$\text{Debts ratio} = \frac{\text{Total debts}}{\text{Total assets}}$$

Table 6

Years	Amount	Result (%)
2012	69427	4.6
	1520093	
2013	49075	3.5
	1400879	

Source: GTB audited financial statement (2012 – 2013)

Debt ratio indicated what percentage of total funds employed is generated from outside source. The debt percentages of debt ratio for the year are 4.6% in 2012 and decrease to 3.5% in 2013

From the GTB Plc quick ratio show that 4.6% of the total funds employed is generated in debt financing while in 2013 is 3.5%. It indicate that GTB Plc depend on equity financing than in debt financing.

$$\text{Capital earning ration} = \frac{\text{Long term loans}}{\text{Total equity funds}}$$

Table 7

Years	Amount	Result (%)
2012	421748	28
	1520093	
2013	543089	94
	1400879	

Source: GTB audited financial statement (2012 – 2013)

Capital gearing ratio measured the firms long term loans from the forms equity.

The capital gearing ration for 2012 is 28% and increase to 39% in 2013.

The gearing ratio of GTB Plc shows the amount of long-term loans arriving from the GTB Plc equity is 28% in 2012 and 39%.

$$\text{Time interest over} = \frac{\text{Net Profit + interest}}{\text{Interest expenses}}$$

Table 8

Years	Amount	Result (%)
2012	94437	237
	39800	
2013	77909	142
	54920	

Source: GTB audited financial statement (2012 – 2013)

Times interest cover measured firms ability to paid interest over an accounting period. Times interest cover for 2012 is 237% and decrease to 142% in 2013.

GTB plc has the ability to pay interest in an accounting year of 237% in 2012 and 142% in 2013 to it shareholders and creditors.

Analysis of investment ratio of GTB plc

$$\text{Earning per share} = \frac{\text{Net profit after tax}}{\text{Number of issued ordinary share}}$$

Table 9

Years	Amount	Result (%)
2012	40.002	0.003
	12500,000.000	
2013	12889	0.007
	17500,000.000	

Source: GTB audited financial statement (2012 – 2013)

This ratio indicate the net attributable profit earning to each shareholders Eps for 2012 is 0.003% and for 2013 is 0.007%.

Earning per share for GTB Plc indicated that each share holder will earn profit of 0.003% in 2013 and 0.0007% in 2013.

$$\text{Earning yield} = \frac{\text{Earning per share}}{\text{Market price per share}}$$

Table 10

Years	Amount	Result (%)
2012	$\frac{0.0003}{0.50}$	0.006
2013	$\frac{0.000007}{0.50}$	0.0014

Source: GTB audited financial statement (2012 – 2013)

Earning yield ratio from the table indicated 0.006% in 2012 and 0.0014% in 2013.

In GTB Plc the earning yield per share show that 0.006% in 2012 and 0.0014% in 2013.

$$\text{Dividend per share} = \frac{\text{Dividend for the year}}{\text{Number of issued ordinary share}}$$

Table 11

Years	Amount	Result (%)
2012	2874	0.0002
	12500,00.00	
2013	Nil	Nil

Source: GTB audited financial statement (2012 – 2013)

The dividend per share for 2012 is 0.0002% and for 2013 is nil.

The dividend per share in GTB Plc show the number of individual earned for every number of shares held. The Dividend per share is 0.0002% in2012 and Nil for 2013.

4.3 HISTORICAL BACKGROUND OF GTB PLC

GTB's history dates back to 1948 when the British and French Bank Limited (BFB) commenced business in Nigeria. Following Nigeria's independence from Britain, GTB was incorporated in 1961 to take over the business of BFB.

Today's GTB is the product of the 2005 merger between GTB and Standard Trust Bank, which were then Nigeria's third and fifth largest banks respectively. This was followed shortly after by the acquisition of Continental Trust Bank. The union emerged as the first successful corporate combination in the history of Nigerian banking.

Although today's GTB emerged at a time of regulatory induced industry consolidation, the consolidated GTB was born out of a desire to lead Nigeria to a new era of global relevance by championing the creation of the consumer finance marker, leading a private public sector partnership in supporting the acceleration of the African economic development, and growing the institutions, while spreading its foot print across African to earn the reputation as the face of banking on the continent what GTB do include products, GTB is a full services financial institution offering a complete range of over 200 banking, bancassurances. Market, GTB has over 605 million customers in personal, commercial and corporate market segments. And over 8.4 million cards issued, channels, GTB has the largest distribution network in Nigeria. As at 30 September 2012 we had 613 branches and retail outlets, 1256 AIMS, 3296 pos machines deployed outside of Nigeria, we had a further 55 branches and 76 AIMS. Staff, GTB has over 1400 staff globally. Geography, in addition to every state in Nigeria, as at 30 September 2012 GTB had operations in Burkina Faso, Cameroon, Cote Devoir, Ghana, Liberia, Sierra Leone, Uganda, the United Kingdom and the United State of American.

4.4 MANAGEMENT OF WORKING CAPITAL

Working capital comprise of both current assets and current liabilities, there include the following.

a. Current Assets

Current assets in the banking sector include (loans and advances), investments, discounted bills and cash reserves.

b. Cash (Loans and Advances)

Cash in this text means loans and advances, which a layman would refer to as debtors, since it money given out or borrowed by customers. Loans and advances is also called “Risk Assets” in banking language. Since cash is the main constituent of a bank, much emphasis would be on cash than any other components.

There are a few factors to consider when given a loan to a customer and if these factors are adequately meet, these factors include.

2. Personality: The personality of the person in need of and loan is of great importance to the bank. The bank would like to know those with whom he associated and their sources of livelihood. They would also want to know what he does for a living, his age to determine if he is up to age to payback. They would try as much as possible to avoid giving loan to a very old man who is about to die. Meaning he would not pay back. The bank would also

like to know if he usually take loans payback on schedule and would evaluate such a customer by his mere appearance and his composure.

3. Amount needed: The credibility of the customer would determine the amount the customer is requesting for. If the home work is done to find out his/her credibility, then such an amount would be considered to be given to the customer.
4. Repayment: This is just to know how soon he/she would repay the amount collected from the bank.
5. Securities (collateral): This is a secondary source to repay. Once the bank realizes that the customer cannot payback, then whatever that was used as collateral would be auctioned to retrieve the money. That was borrowed. If for example, it is a land, the land has to be developed and it has to be an area where it is easily marketable.
6. Credit policy of the bank: The bank is operating in an environment that is dynamic i.e. it is prone to charge. In this situation, the bank would want to determine if the business of the customer is within the target market of the bank. If it is within the target market, the bank could grant them the loans since they (the bank) have invented interest in the business.
7. Profitability. The bank would want to determine if the services to be rendered to the customers would be profitable to them. If all these factor raised are adequately analyzed, then the management of cash is attained.

Investment: Investments mean the purchase or formation of fixed assets for use rather than resale. This type of investment or capital formation. These securities acceptable to the bank are;

- Stock and shares
- Assignment of life policies
- Land
- Guarantees
- Debentures

To effectively manage these investments following have to be considered.

a. Identification of where to invest that is, invest in a venture that would yield a high dividend or profit.
b. Do you invest in a company to review> some corporate bodies invest in companies to revive them and probably take over or absorb them.
c. Study the movement of their stock in the stock exchange and know how low they are faring.

i. Discount bills

These are bills which are used to trade in securities. They include commercial papers, bankers acceptance e-tic to effectively manage those bills, the bank would consider.

- The venture to invest in

- Persons with whom they are dealing
- The requirement of specialized personnel

ii. Cash reserves

This is the amount asset out to meet future obligations. This is effectively managed by the remittance of a specific amount from the earnings to the reserve, and only when the need arise that this reserve should be touched.

Current Liabilities

The component s of current liabilities include amount payable which encompasses creditors, accrued charged, taxation and dividends, cash (deposit liabilities).

1. Account payable: These are amounts owed to suppliers who extended credit for purchases on open account. But in the case of bank. It is the amount owed to creditors, share holders and the government. The way the bank manages this current liability is to generate enough and adequate funds to pay the liabilities owed.
2. Cash (deposit liabilities) : This is the amount of money kept with the bank by the customers for sat keeping and probably to yield interest or it is the amount kept with the bank, therefore, the bank in turn gives such amount to those who need the money desperately. This forms the liability of the bank because as at any time, the customers can at will withdraw any amount

needed as the case may be and this type of deposit is called "Demand Deposit". Pending when the customer need the cash required, the bank can tailor the funds towards executive utilization, by investing in ventures which are profitable. For example. For saving account in GTB Plc. The interest accrued on such account is a percent but when the bank is tending, the interest could go as high as 20 percent, which would provide a large turnover.

Also, the bank embarks on aggressive mobilization of funds from customers so that the bank will have enough to give as loans and advances. To carry out this exercise, bank embarks on aggressive mobilization of funds form customers so that the bank will have enough to give as loans and advances. To carry nit this exercise, the bank entices the customers with sided attractions like the present school fund, which is being embarked upon by the bank. Also, easy card where by the customer need not carry large sums of money around; instead the customer carries the easy card and is used where ever the signs show their use.

4.5 SOURCE OF FUND IN GTB PLC

a. Share holders capital: Since the company is a public liability company, the share holder's capital is its main constituent of the source of funds. It depends solely on the funds from the public

b. Reserves: This is banks as resort, the bank is supposed to have a reserve and the bank remains substantially capitalized

c. Deposit: One of the other constituents of the sources of fund of a bank which serves as an intermediary between persons who need funds (lender) urgently and those who do not really ne4ed the funds (depositors), as such, the bank.

4.6 PROBLEMS OF THE MANAGEMENT OF WORKING CAPITAL IN GTB PLC

The problems envisaged in the management of working capital in GTB plc is on greed, and therefore the bank cannot effectively manage the working capital. Some where along the line, there was misappropriation of funds by some individuals who connived and carried away some money? It was detected as fraud in one of the branches and management has written off the net low.

The bank has some policies and when these policies are not adhered to it could lead to wrong investment decisions and inmost cases, investments make the current assets and therefore would affect the working capital of the bank.

4.7 TEST OF HYPOTHESIS

This paragraph provides the avenue for the hypothesis so formulated are tested in order to draw statistical inferences and the researcher made use of correlation technique.

The researcher chose profitability ratios and liquidity ratio to test the hypothesis.

The formular for the co-efficient of correlation is;

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum X2 \left(\sum \mathrm{x}\right)2 x \sqrt{n\sum y2 - \left(\sum \mathrm{y}\right)2}}}$$

Where

X = current ratio (liquidity ratio)

Y = Return on capital employed (profitability ratio)

Year	X	Y	XY	X^2	Y^2
1	97	6.2	601.4	9409	38.44
2	94	5.6	526.4	8836	31.36
	1919	11.8	11278.8	18245	69.8

$\sum X = 1919$

$\sum Y = 11.8$

$\sum XY = 1127.8$

$\sum X^2 = 18245$

$\sum Y^2 = 69.8$

Since

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum X2\left(\sum \mathrm{x}\right)2x\sqrt{n\sum y2 - \left(\sum \mathrm{y}\right)2}}}$$

$$r = \frac{2255.6 - 2253.8}{\sqrt{(36490 - 36481)x\sqrt{139.6 - 139.34}}}$$

$$r = \frac{1.8}{\sqrt{9\,x\sqrt{0.36}}}$$

$$r = \frac{1.8}{3X\,0.6}$$

$$r = \frac{1.8}{1.8}$$

R = 1 strong positive correlation

The correlation of current ratio and return on capital employed indicates a strong positive relationship (1).

Since the coefficient of correlation (r) should lie between 1 and +1. The study accept the positive hypothesis which state that efficient and effective working capital management has significant effect in improving the profitability opposition of banks and reject the negative hypothesis which states that efficient and effective working capital management have no significant effect in improving the profitability position of banks.

4.8 RESEARCH FINDINGS

The result obtained from the study shows that the efficient and effective working capital management has significant effect in improving the profitability position of banks by the analysis made from the respondents view.

Referring to table 4.6.3 which state that "Does banking sectors attach importance to working capital management in making profit from the findings 87.5% of the respondents agree that it is yes while 12.5% did not agreed.

Referring to table 4.6.4 which state "Does poor working capital management lead to loss in banks? From the finding 75% agreed that it is yes while 25% agreed that it is no.

Referring to table 4.6.7 which states "Do financial resources maintained by the bank improved profit? From the finding 90% agreed that it is yes while 10% agreed that is No.

Referring to table 4.6.9 which states "Does availability of working capital lead to high productivity? From the finding 95% agreed that it is yes while 5% disagreed. This agreed with the hypothesis earlier stated which is efficient and effective working capital management has significant effect in improving the profitably position of banks and disagreed with the negative hypothesis which states "Efficient and effective working capital management have no significance effect in improving the profitability position of banks.

4.9 SUMMARY

The chapter presented data collected from the bank study for the project with the aim of analyzing he effect of working capital management on them. Techniques developed over years by authors and experts have been used for this purpose.

Cash management was examined, being the most profit form of current ratio and return on capital employed. In search for the effect of cash management, current ratio and return on capital and cash use efficiency measurement techniques were employed. Questionnaire were administered, collected, presented and analyzed. Then, the research questions which were asked in the first chapter were analyzed. And the nations in presenting this chapter hypothesis testing followed.

Then findings show that that the bank is liquid enough to off set its outstanding current liabilities and how efficient and effective working capital management has a positive effect in improving the profitability position of banks.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

A lot has been discussed on working capital management of united bank for Africa plc selected for this research work. A clear examination of working capital management and what it entails have also been reviewed. The researcher believes that this approach has assisted in carrying out a meaningful research work.

Definitions of working capital management were given, but for the purpose of this research work, the researcher has given more weight specifically to the important aspect of the management of current assets components for these industries in order to highlight the general overview of working capital which is the management of current liabilities

This research work has been focused toward critical evaluation of working capital management and control in commercial bank with particular reference to united bank for Africa plc.

The literature review relating to the subject matter. In reviewing working capital concept is a very complex task as it entails management of day to day operations of the company.

And working capital components which are cash, receivables and inventory seems to posses certain characteristics which make them unique from other assets forms and tend to have effect on company's several profitability and growth.

The methods used for the collection of data were questionnaire and ratio analysis. Because very little research has been done on this aspect of financial management of the organization under study. These are use of the profitability ratio, liquidity ratio , leverage ratio and investment ratio. These covered a period of two years for the organization.

From the analysis done in the previous chapter revealed that united bank for Africa plc is on a forward match towards maintaining a maximum profitability peak. Statement of sources and uses of funds revealed that there was a very large in working capital between 2012 and 2013 year end.

5.2 CONCLUSION

In this project, an attempt has been made to examine the general tool for cash credits policy and controls for determining the profitability position of GTB Plc.

One of the cash budgets where the optimal transaction cash was determined on the basis of cash receipts and cash disbursement, under the internally imposed conditions that the firm maintains a minimum cash balance. By varying the minimum cash balance, once cash or short term anticipated deficits. This is not withstanding, however every aspects of working capital management, as it effects the particular business, must be given due attention as only then can a business firm hope to achieve it set objectives,. The ability to manage working capital effectively depends to a large extent on the appropriate mix of control measures for the components of working capital.

Credit and collection policies encompass the quality of account accepted, the credit period extend the cash discount in each case, the credit decision involves a trade off between the additional profitability and the cost resulting from a change in any of these elements. By liberalizing the quality requirement for accounts, the firm hopes to make more on additional sales than it spends to carry the additional sales is spends to carry the additional bad debt losses. To maximize profits arising from credit and collection policies the bank should vary these policies jointly until an optimal solution is obtained. These variations can be accomplished through simulation, once the functional relationships are specified. The firm's credit and collection policy together with its credit and collection procedures determines the magnitudes and quality of its receivable position in determining the profit.

Suffice to say that "theories are seldom useful unless and until they are put to practice", one would infer that most of the theoretical framework discussed in the early part of this study are operational in United Bank for Africa plc.

5.3 RECOMMENDATION.

In view of various review and analysis carried out, the following recommendations are proffered:

i. Management should ensure that operation stoppages, strikes etc are minimized since this brings about idle resources and subsequently underutilization.

ii. Management should Endeavour to ensure the reduction of bad debts.

iii. Working capital resources should be optionally combined with other man and machine resources striking a balance between solvency and profitability to achieves of the organization.

iv. Management should strive for more care on the assessment of the credit worthiness of customers by analysis past statement of debtors.

v. Proper supervision of working capital should be carried out to ensure effective and efficient utilization in an organization.

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