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LIQUIDITY AND CREDIT MANAGEMENT OF DEPOSIT MONEY BANKS IN LAGOS STATE NIGERIA

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Abstract
The study examined the effect of liquidity on the credit management of deposit money banks in Lagos State. The objectives of the study were to discover the extent to which current assets are used to manage bank's credit and to examine how liquidity challenges affect bank's profitability. It was found out by the study that the relationship between liquidity and credit management is highly significant with beta = 0.564 reinforced by a P-value of 0.00 (<0.05). This therefore implies that the null hypothesis is rejected and the alternate hypothesis accepted which showed that liquidity has a significant effect on credit management of the deposit money bank while non-current assets have significant effect on the bank's profitability. It was recommended that banks need to take special note of their liquidity level while using credit management strategies to maintain a good and positive credit structure.

Key words: liquidity, credit management, current assets, non-current assets, credit criteria

INTRODUCTION

Volatile global markets, changing regulatory environments and the improvement of new financial products have made the management of liabilities and of assets in the statement of financial position an important and critical task. In the financial world today tools ranging from simulation, experimentation, and real-time financial reporting assist to ensure these responsibilities are carried out, but the whole assets and liabilities management technique vary under the weight of a fast-growing amount of debt (Solomon, 2015).

In the history of development of the Nigerian banking industry, it can be seen that most of the failures experienced in the industry prior to the consolidation era were results of imprudent lending that finally led to bad loans and some other unethical factors(Adu, 2014).

The recent financial crisis has led to bank failures that have had a negative impact on the real economy. Therefore, a particular attention to the consequences of financial instability on the economy has been established. Furthermore, in an environment characterized by market imperfections, it is imperative to protect the depositors against bank failures (Adesina and Olatise, 2020). Consequently, the banking system needs to identify the sources of banking fragility. On the other hand, banks are exposed to several financial risks. These financial risks include the chance that depositors will suddenly withdraw their deposits (liquidity risk), borrowers will not repay their loans on time (credit risk), interest rates will change (interest rate risk), the bank's computer systems will fail or their buildings will burn down (operational risk). Nevertheless, among these risks, credit and liquidity risks are not only the most important risks that banks face, but they are also directly linked to what banks do and why banks fail. What is the relationship between liquidity and credit risk in banks? The classic theories of the microeconomics of banking support the view that liquidity and credit risks are closely linked (Agbada and Osuji, 2013). Both industrial organization models of banking, such as the Monti-Klein framework and the financial intermediation perspective in a Diamond and Dybvig (1983) show that a bank's asset and liability structures are closely connected, particularly, with regard to the fund withdrawals and borrower defaults.

In their financial intermediation, banks create liquidity in the economy, either from their balance sheets by generally financing risky projects using the deposits of their clients, or from off-balance sheets, by opening credit lines (Alshatti, 2015).

Statement of the Problem

The challenges facing the banking industry are very numerous and most of them are due to lack of appreciation of the crucial roles that banks play in our economy. Such include unstable micro economy within which the banks operate. The creation of loans by deposit money banks is of major importance and this is done from deposits from customers and these loans are major income generating source for majority of the banks. However this intermediation function of DMBs is associated with enormous risks to both the banks and the deficit units. Banks are now working so hard to attract the massive number of people who are not banking with them. This has led to an increase in bank's surplus unit and deficit unit as well. With the aim of increasing revenue and gaining a large portion of the market share, many banks have given out loans and advances which could not be recovered leading to a massive growth in Non-Performing Loans (NPLs) in their accounts. This has become a worrisome situation for banks and other stakeholders. In 2015, Credit Management and Bank Performance of Listed Banks in Nigeria revealed that ratio of non-performing loans and bad debt do not have a significant negative effect on the performance of banks in Nigeria. While secured and unsecured loan ratio and bank's performance was not significant (Adu, 2014).

Objective of the Study

The main objective of this study is to determine the effect of liquidity on credit management of Deposit Money Banks in Lagos State while other specific objectives are to

i.discover the extent to which current assets are used to manage bank's credit

ii.examine how liquidity affect bank's profitability

Research Questions

i. To what extent have current assets been used to cushion credit management?
ii. How does liquidity affect bank's profitability?

Research Hypotheses

The hypothesis to be tested in this study below includes the following:
Hypothesis 1
H_0: Current assets have no significant effect on bank's credit management
Hypothesis 2
H_0: Liquidity has no significant effect on bank's profitability

Scope of the Study

The scope of the study covered the liquidity and credit management of banks in some selected deposit money banks in Lagos State. The research made use of four deposit money banks namely EcoBank, United Bank of Africa (UBA), Zenith Bank and Guaranteed Trust Bank (GTB).

LITERATURE REVIEW

Liquidity is a very complex concept which has been defined through various sources like financial analysts, business owners, investors and so on which can be used in different contexts. Liquidity is easier to recognize than define. Simply the term liquidity means how easy can cash be generated from assets. Cash may be generated either by using creditworthiness to obtain external funds, or by the sale of owned assets in the market. Liquidity is not depending on simply on objective, exogenous factors, but it is massively influenced by internal ones, especially the reactions in contrast to uncertainty and asset value changes (Emefiele, 2015). However analysts need to know the relationships that exist among the ratios to provide accurate information and data for the leaders of the firm. In each varying case the information communication must be such as to enhance and improve the company's knowledge of firms' leaders and to contribute to the increasing level of organizational knowledge (Richard and Steve, 2018).

Liquidity management seeks ensure the attainment of short-term objectives of monetary policy, which means maintenance of desire monetary aggregate. It is very important aspect of monetary policy implementation and control commercial banks create money every day but when the quality of money created in incompatible with the absorption capacity of the economy. Macroeconomic instability may result in order to maintain relative macro- economic stability much reliance is place on liquidity management to leave out the swing liquidity grown in the banking system (Afolakemi, 2020).

The purpose of credit in banks is to earn interest and make profit. It follows that principles of goods lending shall be concerned with ensuring, so far as possible that the borrower will be able to make scheduled payments with interest in full and within the required time period otherwise, the profit from an interest earned is reduced or even wiped out by the bad debt when the customer eventually defaults (Musa and Rebeccah, 2018). Credit management is concerned primarily with managing debtors and financing debts. The objectives of credit management can be stated as safe guarding the company's investments in debtors and optimizing operational cash flows. Politics and procedures must be applied for granting credit to customers, collecting payment and limiting the risk of non-payments. An important function of credit management is credit control. This is primarily a process of deciding how much credit should be given to customers or borrowers and ensuring compliances with the credit terms that is given for controlling credit repayments (Newton and Nwosu, 2019).

Sampling Technique and Sample Size

Purposive and convenient sampling was used to conveniently select four (4) Deposit Money Banks located in Lagos State. These banks are EcoBank, United Bank of Africa (UBA), Zenith Bank and Guaranteed Trust Bank (GTB) and these were picked subjectively. The researcher obtained data from at least one hundred (100) respondents from amongst the four (4) selected banks.

Source of Data Collection Method

The main instrument for the collection of the primary data was through the administration of questionnaire. The questionnaire was closed ended and was structured in a response friendly manner to aid the easy understanding of the respondents while reflecting the research questions

Method of Data Analysis

Descriptive statistical tools such as frequency distribution and tables were used and inferential tools such as regression analysis and correlation techniques were used in measuring the hypothesis and in explaining the data on the questionnaire in order to establish the possible relationship between the research variables. The researcher made use of a Statistical Package for Social Sciences (SPSS) software to fully analyze the data collected.

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

Table 4.1: To what extent are current assets used to manage bank credits?

To what extent are current assets used to manage bank credits?

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Very High Extent	69	69.0	69.0	69.0
High Extent	16	16.0	16.0	85.0
	6			91.0
	8			99.0
Average Extent	1	6.0	6.0	100.0
	100			
Low Extent		8.0	8.0	
Very Low Extent		1.0	1.0	
Total		100.0	100.0	

Field Survey, 2023

From the table above, the extent to which current assets are used to manage bank credits, 69% selected to a very high extent, 16% selected high extent, 6% selected average extent, 8% selected low extent and 1% selected very low extent. This therefore implies that most of the respondents agreed to a very high extent.

Table 4.2: Does Liquidity affect bank's Profitability?

Does liquidity challenges affect bank profitability?

	Frequency	Percent	Valid Percent	Cumulative Percent
Very High Extent	61	61.0	61.0	61.0
High Extent	26 12 1	26.0	26.0	87.0
Valid Average Extent	100	12.0	12.0	99.0
Very Low Extent		1.0	1.0	100.0
Total		100.0	100.0	

Field Survey, 2023

The table 4.2, shows the analysis of responses to the question does liquidity challenges affect bank profitability? Where; 61% choose very high extent, 26% high extent, 12% average extent, 1% very low extent. This therefore implies that liquidity challenges affect bank profitability to a very high extent

Table 4.3: Liquidity challenges and credit management have an implication on banks to meet obligations of depositors, shareholders and regulation authority

Liquidity challenges and credit management have an implication on banks to meet obligations of depositors, shareholders and regulation authority

	Frequency	Percent	Valid Percent	Cumulative Percent
Very High Extent	32	32.0	32.0	32.0
High Extent	47 16 5	47.0	47.0	79.0
Valid Average Extent	100	16.0	16.0	95.0
Low Extent		5.0	5.0	100.0
Total		100.0	100.0	

Field Survey, 2023

The table 4.3 above shows 32% selected very high extent, 47% high extent, 16% average extent, and 5% low extent. This therefore implies that most of the respondents believe liquidity challenges and credit management have an implication on banks to meet obligations of depositors, shareholders and regulation authority to a high extent.

Table 4.4: Credit management strategies has improved liquidity management

Credit management strategies has improved liquidity management

	Frequency	Percent	Valid Percent	Cumulative Percent
Very High Extent	76	76.0	76.0	76.0
	16			
	8			
Valid High Extent		16.0	16.0	92.0
Average Extent		8.0	8.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table 4.4, 76% of the respondents selected very high extent, 16% selected high extent, and 8% selected average extent. This therefore implies credit management strategies improved liquidity management to a very high extent.

Table 4.5.: Compressed profit margins from rising NPL's affect financial performance of banks

Compressed profit margins from rising NPL's affect financial performance of banks

	Frequency	Percent	Valid Percent	Cumulative Percent
Very High Extent	35	35.0	35.0	35.0
	34			69.0
	26			95.0
	1			96.0
High Extent	4	34.0	34.0	100.0
	100			
Average Extent Valid		26.0	26.0	
Low Extent		1.0	1.0	
Very Low Extent		4.0	4.0	
Total		100.0	100.0	

Field Survey, 2023

The table above, 35% selected very high extent, 34% selected high extent, 26% selected average extent, 1% selected low extent, and 4% selected very low extent. This therefore implies that compressed profit margins from rising NPL's affect financial performance of banks to a very high extent.

Table 4.6: Loan management has a significant effect on bank profitability

Loan management has a significant effect on bank profitability

	Frequency	Percent	Valid Percent	Cumulative Percent
Very High Extent	22	22.0	22.0	22.0
High Extent Valid	59			81.0
	19			100.0
	100	59.0	59.0	
Average Extent		19.0	19.0	
Total		100.0	100.0	

Field Survey, 2023

The table 4.6 shows that, 22% selected very high extent, 59% selected high extent, and 19% selected average extent. This therefore implies that most of the respondents selected that loan management has a significant effect on bank profitability to a high extent.

4.4: ANALYSIS OF SECTION C: RELATIONSHIP BETWEEN LOANS AND PROFITABILITY

Table 4.7: Non-Performing loans have an effect on Profitability

Non-Performing loans have an effect on Profitability

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	22	22.0	22.0	22.0
	59			81.0
	19			100.0
Agree Valid	100	59.0	59.0	
Undecided		19.0	19.0	
Total		100.0	100.0	

Field Survey, 2023

From the table above we are able to deduce that 22% of the respondents selected the strongly agree option, 59% selected agree and 19% selected undecided. This therefore implies that the statement non-Performing loans have an effect on Profitability was agreed by majority of the respondents.

Table 4.8: Loans affect the financial performance of banks

Loans affect the financial performance of banks

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	56	56.0	56.0	56.0
Agree	26	26.0	26.0	82.0
Valid Undecided	8	8.0	8.0	90.0
Disagree	10	10.0	10.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

The table above shows the analysis to the responses of the question loans affect the financial performance of banks. 56% strongly agreed with the statement, 26% agreed, 8% undecided, 10% strongly disagreed with the statement. This therefore implies that most of the respondents strongly agreed with the statement.

Table 4.9: Loan **Loans affect the financial performance of banks**

Loans affect the financial performance of banks

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	67	67.0	67.0	67.0
Agree	20	20.0	20.0	87.0
Undecided	12	12.0	12.0 1.0	99.0
Disagree	1	1.0		100.0
Total	100	100.0	100.0	

Field Survey, 2023

The table above shows that 67% strongly agreed with the statement, 20% agreed with the statement, 125 were undecided, and 1% disagreed with the statement. This therefore implies that the respondents majorly strongly agreed that loans affect the financial performance of banks.

Table 5.0: Loan Loss Provision (LLP) have an effect on profitability

Loan Loss Provision (LLP) have an effect on profitability

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	25	25.0	25.0	25.0
Agree	36	36.0	36.0	61.0
Valid Undecided	34	34.0	34.0	95.0
Disagree	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table 5.0 above, 25% strongly agreed, 36% agreed, 34% undecided, 5% disagreed with the statement that Loan Loss Provision (LLP) has an effect on profitability.

Table 5.1: The principal profit making activity of a bank is making loans available

The principal profit making activity of a bank is making loans available

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	51	51.0	51.0	51.0
	Agree	17	17.0	17.0	68.0
	Undecided	8	8.0	8.0	76.0
	Disagree	12	12.0	12.0	88.0
	Strongly Disagree	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

Field Survey, 2023

From the table above when respondents were asked about the question, the principal profit making activity of a bank is making loans available. 51% strongly agreed, 17% agreed, 8% undecided, 12% disagreed and 12% strongly disagreed with the statement the principal profit making activity of a bank is making loans available.

Table 5.2: Lack of consideration of the timeframe of investment affects repayment of loan

Lack of consideration of the timeframe of investment affects repayment of loan

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree Valid	21	21.0	21.0	21.0
Agree	47	47.0	47.0	68.0
Undecided	31	31.0	31.0	99.0
Disagree	1	1.0	1.0	100.0
			100.0	
Total	100	100.0		

Field Survey, 2023

From the tabular representation above, 21% strongly agreed, 47% agreed, 31% undecided and 1% disagreed with the statement. This therefore implies that most of the respondents agreed with the statement that lack of consideration of the timeframe of investment affects repayment of loan.

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Table 5.3: Liquidity management seeks to ensure attainment of short term loans

Liquidity management seeks to ensure attainment of short term loans

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	37	37.0	37.0	37.0
Agree Valid	45	45.0	45.0	82.0
Undecided	18	18.0	18.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table 5.3 above, 37% strongly agreed with the statement, 45% agreed with the statement, and 18% remained undecided. This therefore implies that majority of the respondents agreed with the statement that liquidity management seeks to ensure attainment of short term loans.

Table 5.4: Banks are limited in their ability to assure liquidity because of the very high ratio of their liability to their total asset

Banks are limited in their ability to assure liquidity because of the very high ratio of their liability to their total asset

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	48	48.0	48.0	48.0
Agree	38	38.0	38.0	86.0
Valid Undecided	11	11.0	11.0	97.0
Disagree	3	3.0	3.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table above, respondents were tested on the question - Banks are limited in their ability to assure liquidity because of the very high ratio of their liability to their total asset. 48% strongly agreed, 38% agreed, 11% were undecided and 3% selected disagree. This therefore implies that most of the respondents strongly agree with the statement.

Table 5.5: Liquidity is one of the determinants of a banks survival

Liquidity is one of the determinants of a banks survival

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	39	39.0	39.0	39.0
Valid Agree	60	60.0	60.0	99.0
Undecided	1	1.0	1.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table 5.5, 39% strongly agreed, 60% agreed, and 1% undecided with the statement. This therefore implies that most of the respondents agreed with the statement liquidity is one of the determinants of a banks survival.

Table 5.6: Increased asset liquidity can also have non-trivial stability implications by increasing the market orientation of the financial system

Increased asset liquidity can also have non-trivial stability implications by increasing the market orientation of the financial system

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	27	27.0	27.0	27.0
Agree	47	47.0	47.0	74.0
Undecided Valid	15	15.0	15.0	89.0
Disagree	6	6.0	6.0	95.0
Strongly Disagree	5	5.0	5.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table above, 27% strongly agreed with the statement that increased asset liquidity can also have non-trivial stability implications by increasing the market orientation of the financial system, 47% agreed, 15% were undecided, 6% disagreed with the statement and 5% strongly disagreed with the statement.

Table 5.7: Banks with high liquidity have a lower rate of net interest margins

Banks with high liquidity have a lower rate of net interest margins

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	30	30.0	30.0	30.0
Agree	27	27.0	27.0	57.0
Valid Undecided	34	34.0	34.0	91.0
Disagree	9	9.0	9.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table above, the respondents analysis to the question - Banks with high liquidity have a lower rate of net interest margins. 30% strongly agreed, 27% agreed, 34% undecided, and 9%^disagreed. This therefore implies that most of the respondents were very much undecided as concerns banks with liquidity having a lower rate of net interest margins.

Table 5.8: Liquidation risk of borrower's business affects repayment of loan

Liquidation risk of borrower's business affects repayment of loan

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	32	32.0	32.0	32.0
Agree Valid	31	31.0	31.0	63.0
Undecided	37	37.0	37.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table above, respondent's responses to the question - Liquidation risk of borrower's business affects repayment of loan. The majority of the respondents were left undecided on the statement. 32% strongly agreed, 31% agreed, and 37% undecided with the statement.

Table 5.9: The Level of a banks willingness to give loans is rested on its credit level

The Level of a banks willingness to give loans is rested on its credit level

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	39	39.0	39.0	39.0
Agree Valid	38	38.0	38.0	77.0
Undecided	23	23.0	23.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table above, 39% strongly agreed, 38% agreed, and 23% were undecided. This therefore implies that majority of the respondent's strongly agreed with the statement that the
Level of a banks willingness to give loans is rested on its credit level

Table 6.0: Government special deposit order makes it difficult for banks to make high liquidity levels

Government special deposit order makes it difficult for banks to make high liquidity levels

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Strongly Agree	20	20.0	20.0	20.0
Agree	49	49.0	49.0	69.0
Undecided	16	16.0	16.0	85.0
Disagree	11	11.0	11.0	96.0
Strongly Disagree	4	4.0	4.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

This table above shows responses of the respondent's to the question posed - Government special deposit order makes it difficult for banks to make high liquidity levels. 20% strongly agreed with the statement, 49% agreed, 16% were undecided, 11% disagreed and 4% strongly disagreed with the statement.

Table 6.1: Liquidity and credit management work hand in hand

Liquidity and credit management work hand in hand

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	32	32.0	32.0	32.0
Agree Valid	59	59.0	59.0	91.0
Undecided	9	9.0	9.0	100.0
Total	100	100.0	100.0	

Field Survey, 2023

From the table above, 32% strongly agreed, 59% agreed and 9% undecided as to the question - Liquidity and credit management work hand in hand. This therefore implies most of the respondents agreed with the statement.

TEST OF HYPOTHESIS

Restatement of Hypothesis One

H_0: Liquidity has no significant effect on credit management

H_1: Liquidity has a significant effect on credit management

Model Specification
Dependent Variable: Liquidity **(L)**
Independent variable: Credit management (CM)

L = k + f(CM) + e OR $Y = a + f(X_1,) + e$

Where $a = Constant$, $CM = X_1$, $e = errortf = beta\ (B)\ value$

Regression Result Showing the Effect of Liquidity on Credit Management

Table 6.2: Model Summary of Hypothesis One

Model Summary of Hypothesis Obe

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.873[a]	.762	.749	874.606

a. Predictors: (Constant), Liquidity

This table provides the R and R^2 values. The R value represents the simple correlation and is 0.873 (the R column), which indicates a high level degree of correlation. The R-Square value (the R-Square column) indicates how much of the total variation in dependent variables, credit management can be explained by the independent variable, liquidity. In this case, 76.2% can be explained which is very large

Table 6.3: ANOVA[a] of Hypothesis One

ANOVA[a] of Hypothesis One

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	44182633.37	1	441822.763	57.737	.000[b]
	Residual	13774291.07	18	765238.393		
	Total	57956924.44	19			

a. Dependent Variable: Credit Management

b. Predictors: (Constant), Liquidity

This table indicates that the regression model predicts the dependent variables significantly well. The sig column indicates the statistical significance of the regression model that was run. Here, p<0.0005, which is less than 0.05, and indicates that, overall, the regression model statistically significantly predicts the outcome variable (that is, it is a good fit for the data).

Table 6.4: Coefficients[a] of Hypothesis One

Coefficients[a]of Hypothesis One

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant) 1	8286.786	1852.256		4.484	.000
Liquidity	.564	.074	.873	7.191	.000

a. Dependent Variable: Credit Management

The coefficients table provides us with the necessary information to predict Credit Management from liquidity, as well as determine whether liquidity contributes statistically significantly to the model (by taking a look at the sig column). The relationship between liquidity and credit management is highly significant with beta = 0.564 reinforced by a Pvalue of 0.00 (<0.05). Hence, the model or linear becomes:
$CreditManagement$ = 8287 + 0.564 ($Liquidity$)
This therefore implies that the null hypothesis is rejected and the alternate hypothesis accepted (**H_1:** Liquidity has a significant effect on credit management)

Restatement of Hypothesis Two

H0: Current assets have no significant effect on the bank's profitability
H1: Current assets have a significant effect on the bank's profitability

Model Specification

Dependent Variable: Bank Profitability
Independent variable: Current Assets (CA)
CA = Beta (constant) + Beta (BP) OR$Y = b + f(X1,) + e$

Table 6.5: Model Summary for Hypothesis Two

Model Summary of Hypothesis Two

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.216[a]	.047	.037	.606

a. Predictors: (Constant), CA

The table shows R value of 0.216 which shows a fair level of degree of correlation. The R-Square indicates how much of the total variation in the dependent variables, bank profitability can be explained by the independent variable, Current Assets. In this case a very weak
4.7%.

Table 6.6: ANOVA[a]of Hypothesis Two

ANOVA[a]of Hypothesis Two

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.763	1	1.763	4.800	.031[b]
	Residual	35.997	98	.367		
	Total	37.760	99			

a. Dependent Variable: Bank Profitability

b. Predictors: (Constant), Current Assets

The ANOVA tables reports how well the regression equation fits the data. The table indicates that the regression model predicts the dependent variable significantly well. The sig column indicates the statistical significance of the model that was run. Here, p<0.031, which is lesser than0.05 and indicates that, overall, the regression model statistically significantly predicts the outcome variables (that is, it is a good fit for the data).

Table 6.7: Coefficients[a]of Hypothesis Two

Coefficients[a]of Hypothesis Two

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.007	.155		6.484	.000
	Current Assets	.161	.074	.216	2.191	.031

a. Dependent Variable: Bank Profitability

The coefficients table provides us with the necessary information to predict bank profitability from current assets, as well as determine whether Current Assets contributes statistically significantly to the model by looking at the sig column. The

Unstandardized Coefficients column can be used to arrive at the regression equation:

BP = 1.007 + 0.161 (Non-current assets)

This therefore means the null hypothesis is rejected while the alternate hypothesis is accepted (**H1:** Current assets have a significant effect on the bank's profitability).

SUMMARY, CONCLUSION AND RECOMMENDATIONS

Summary of Findings

The first objective stated was to discover the extent to which current assets are used to manage bank credits, this question was also thrown across to the respondents via the means of the questionnaire. The respondent were asked to what extent current are used to manage bank credits, 69% of the respondents responded with a very high extent rate of response. This therefore means that current assets are used by banks to manage their credits

The second objective of the study is to examine how liquidity affects bank profitability. The respondents were also asked this question and 61% responded with a very high extent, this therefore implies that liquidity challenges affect bank profitability to a very high extent.

The hypotheses of the research study were also tested using regression analysis and from the results, the alternate hypothesis for both the first and second hypothesis was accepted (Hypothesis One; **H_1:** Liquidity has a significant effect on credit management) while (Hypothesis Two; **H_1:** Current assets have a significant effect on the bank's profitability).

CONCLUSION

From the analyzed data and finds of this study, it becomes evident that there is a significant relationship between liquidity and credit management. Therefore it can be concluded that liquidity has an effect on credit management of deposit money banks in Lagos state.

RECOMMENDATIONS

The following recommendations were made based on the research findings:

i.Liquidity is a major determinant of a banks survival. This can be seen in the response to the question asked on whether liquidity is one of the determinants of a banks survival, majority of the respondents agreed. Therefore banks need to take special note of their liquidity level whilst using credit management strategies to maintain a good and positive credit structure.

i. Banks are limited in their ability to assure liquidity because of the very high ratio of their liability to their total asset. Asset management should be priority, that is, the process of managing the use of assets and cash flows to reduce the bank's risk of lossfrom not paying its liability in time. The proper management of assets and the liabilities of the bank increased the bank's profitability.

ii.The major source of profit making as seen in the responses of respondents to question 10, is disbursement of loans. However various banks also diversify into opening various investment portfolios which increase their asset value and increase cash inflow.

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