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EFFECT OF PLACEMENT ON THE PERFORMANCE OF DEPOSIT MONEY BANKS IN SOUTH EAST, NIGERIA.

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Abstract: The study examined the effect of placement on the performance of deposit money banks in South East, Nigeria. The specific objectives are to; examine the effect of loans and advances on the income generation and ascertain the effect of investment in securities on cashflows of deposit money banks in South East, Nigeria. A survey design was adopted for the study. The study was based on the five (5) selected banks with international recognitions out of seven (7) of them in Nigeria and within Enugu metropolis with high number of staff and long years of establishment namely: Fidelity bank, Access bank, Guaranty trust Bank, First bank Plc, and Zenith bank. The total population for the study was two hundred and seventy-four (274). The study made use of the whole due to its small number. A survey design was adopted for the study. Instrument used for data collection was the questionnaire. Two hundred and forty-five (256) copies of questionnaire were properly completed and returned. That gave 94 percent response rate of 0.86 which was also good. Data was presented and analyzed by mean score and standard deviation and Z – test was used to test the hypotheses with aid of Special Package for Statistical Software (SPSS). The findings indicated that Loans and advances had statistically significant positive effect on income generation. Z = 10.125, P. = 0.05 and Investments in securities had statistically significant positive effect on the cashflows of deposit money banks in South East, Nigeria. Z = 10.250, P. = 0.05. The study concluded that Loans and advances; and investments in securities had statistically significant positive effect on income generation and cashflows of deposit money banks in South East Nigeria. The study recommended that deposit money banks in the South East should prioritize optimal placement of loans and advances to sectors with high repayment potential to minimize default risks and maximize profitability.

Keywords: Cashflows, investment in securities, loans and advances, Placement & Performance

1.1 Introduction

The banking sector, particularly deposit money banks, plays a pivotal role in economic development, influencing financial intermediation and providing critical services that facilitate the flow of capital within an economy (Akinboade & Moyo, 2020). In Nigeria, the performance of deposit money banks is essential not only for the growth of the financial system but also for the overall economy, as they are the primary channel for monetary policies and credit delivery. In South East Nigeria, the performance of these banks has become a focal point of research, particularly as financial institutions face varying challenges and opportunities in the form of regulatory changes, market competition, and shifts in consumer behavior (Oladejo & Olagunju, 2021).

One of the major factors influencing the performance of deposit money banks is the strategic placement of assets, especially in terms of loans, advances, and investments. According to Abiola and Adebisi (2022), effective loan and advance strategies directly correlate with the income-generating capacity of banks, as they serve as the core products for financial services. Banks' ability to extend credit while managing risk is integral to sustaining profitability. Loans and advances, representing a significant portion of a bank's assets, not only influence income generation but also determine the quality of financial services offered to the public. In Nigeria's banking environment, where the loan default rate has historically been high (Umar & Haruna, 2021), the effect of loans and advances on income generation is a critical area of examination.

Additionally, investment in securities is a key component that banks use to diversify their portfolios and improve liquidity and cash flows. The role of securities, especially government bonds and treasury bills, has gained more importance with the recent tightening of monetary policies by the Central Bank of Nigeria (CBN), which has increased the attraction of safe investment instruments (Kalu, 2023). Investment strategies in securities allow banks to optimize their cash flow and improve their financial stability. Moreover, the performance of banks in South East Nigeria, characterized by diverse demographic and economic factors, requires a closer examination of how such investments contribute to cash flow sustainability.

Empirical studies have explored various aspects of asset placement within the banking sector in Nigeria, but research focusing on the South East region remains limited. For instance, Aremu and Olayiwola (2021) investigated the influence of loans on the profitability of Nigerian banks, revealing that lending practices significantly impact income generation, although non-performing loans continue to pose a threat. Similarly, Onwuka and Okafor (2022) analyzed the impact of investment strategies on the cash flow management of Nigerian banks, highlighting the importance of balancing liquidity with profitability through prudent investment in securities. Understanding the effect of placement strategies such as loans, advances, and investments in securities on the performance of deposit money banks in South East Nigeria is essential to advancing the effectiveness of the banking sector. The findings of this study will not only contribute to the literature on banking performance in Nigeria but also offer practical insights for policy makers and bank managers in optimizing their operations to improve profitability and sustainability in a volatile economic environment.

1.2 Statement of the Problem

The performance of deposit money banks is critical to the overall stability and growth of the financial sector in South East Nigeria. Ideally, banks should operate efficiently, leveraging their core functions—such as offering loans and advances and investing in securities—to drive income generation and ensure consistent cash flow. In an ideal scenario, these activities would create a symbiotic relationship between income generation and operational sustainability, leading to enhanced profitability and growth in the banking sector.

However, there is a growing concern about how effectively deposit money banks in South East Nigeria manage these core activities. The impact of loans and advances on income generation is not always consistent, as banks face challenges in lending practices, defaults, and fluctuating interest rates. Similarly, investments in securities, which are traditionally seen as a key avenue for enhancing cash flow, are often influenced by market volatility, regulatory changes, and risk factors that may limit their returns. As such, the alignment of these financial activities with bank performance has not been adequately explored in the context of the region.

The consequences of these challenges are far-reaching for both the banks and the broader economy. Inefficient loan disbursement and poor management of securities can result in low income generation, weakening the financial stability of the banks and hindering their ability to meet the needs of customers. Additionally, the limited cash flow can affect the banks' capacity for expansion, innovation, and reinvestment, stalling their competitive edge in the market. This, in turn, may impact overall economic growth in the South East, as the banking sector plays a pivotal role in facilitating investment and driving economic activities.

1.3 Objectives of the Study

The broad objective of the study is to evaluate the effect of placement on the performance of deposit money banks in South East, Nigeria. The specific objectives are to;

i. Examine the effect of loans and advances on the income generation of deposit money banks in South East, Nigeria.

ii. Ascertain the effect of investment in securities on cashflows of deposit money banks in South East, Nigeria.

1.4 Research Questions

The following questions guided the study;

i. What is the effect of loans and advances on the income generation of deposit money banks in South East Nigeria?

ii. What is the effect of investment in securities on cashflows of deposit money banks in South East, Nigeria.

1.5 Statement of Hypotheses

The following hypotheses guided the study;

i. Loans and advances have no statistically significant effect on income generation of deposit money banks in South East Nigeria.

ii. Investments in securities have no statistically significant effect on the cashflows of deposit money banks in South East, Nigeria.

1.6 Significance of the Study

The significance of this study lies in its potential to provide valuable insights into the factors influencing the performance of deposit money banks in South East, Nigeria, with a particular focus on the effects of loans and advances on income generation and investments in securities on cashflows. For key stakeholders such as bank managers, policymakers, investors, and regulatory bodies, the findings could inform strategic decision-making to optimize financial performance, enhance operational efficiency, and ensure regulatory compliance. Additionally, understanding these dynamics will support banks in improving their service offerings, strengthening customer relationships, and contributing to broader economic growth in the region by optimizing cash flows and income generation strategies.

1.7 Scope of the Study

The scope of this study is limited to evaluating the effect of placement on the employee performance of deposit money banks in the South East region of Nigeria. Specifically, it will focus on two key areas: (i) the impact of loans and advances on the income generation of deposit money banks and (ii) the influence of investment in securities on the cashflows of these banks. The study will examine banks operating in the South East region, with data collected from selected deposit money banks over a defined period. The research will primarily involve financial performance indicators such as income generation, cashflows, and investment strategies, while excluding other potential factors affecting employee performance not directly related to the financial operations of these banks.

2.0 Review of Related Literature

2.1 Conceptual Review

2.1.1. Placement in Deposit Money Banks

Placement in deposit money banks refers to the strategic allocation of funds into various financial assets such as loans and advances, government securities, and interbank placements to optimize returns and maintain liquidity. Effective placement strategies are essential for balancing profitability with risk management. For instance, the Central Bank of Nigeria (CBN) mandates that a bank's exposure to a single obligor or related group must not exceed 20% of its shareholders' funds unimpaired by losses, ensuring diversification and reducing credit concentration risks (CBN, 2019). Additionally, recent data from the Nigerian Deposit Insurance Corporation (NDIC) reveals that as of Q1 2023, the total assets of Nigerian deposit money banks stood at ₦79.7 trillion, driven by significant increases in loans and advances (38.96%) and financial assets held at fair value through other comprehensive income (23.11%) (NDIC, 2023). This underscores the importance of placements in enhancing financial performance. Moreover, revised capital requirements by the CBN now require banks with international operations to maintain a minimum capital of ₦500 billion by March 2026, further emphasizing the role of robust placement strategies in ensuring sectoral resilience (Financial Times, 2024).

2.1.2 Components of Placement

2.1.2.1 Loans and Advances

Loan according to Aigheyisi (2015) refers to the amount borrowed by one person from another. The amount is in the nature of loan and refers to the sum paid to the borrower. Thus, from the view point of borrower, it is 'borrowing' and from the view point of companies, it is 'lending'. Loan may be regarded as 'credit' granted where the money is disbursed and its recovery is made on a later date. It is a debt for the borrower. While granting loans, credit is given for a definite purpose and for a predetermined period. Interest is charged on the loan at agreed rate and intervals of payment (Halani, 2015). 'Advance' on the other hand, is a 'credit facility'

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granted by the companies. Companies grant advances largely for short-term purposes, such as purchase of goods traded in and meeting other short-term trading liabilities. There is a sense of debt in loan, whereas an advance is a facility being availed of by the borrower (Halani, 2015). However, like loans, advances are also to be repaid. Thus, a credit facility- repayable in instalments over a period is termed as loan while a credit facility repayable within one year may be known as advances (Oyeleke, Udenwa, Olaolu, and Liman, 2021).

2.1.2.2 Investment in Securities

Securities are instruments that represent an interest in, or claim on other assets. Securities separate ownership from possession and management of assets (SEC, 2010). This separation allows widespread ownership and easy transfer, dispersion of wealth over investment, use of professional management and access to broader source of capital. This in turn helps create financial markets with more efficient allocation of resources encouraging economic growth. Investment in securities such as stock and bonds (securities) increase the productive capacity of an economy by allocating funds through investment process to critical areas where funds are needed. The allocation and channeling of funds for investment involves the activities of the financial market (Oriakpono, Obadiah and Musliu, 2023).

2.1.3 Performance

The ability of a company to generate a profit on sales, as well as a sufficient return on the capital and personnel used in the commercial activity, is referred to as performance (Mbah, Aga and Onyia, 2018). Performance, in the context of deposit money banks, refers to the ability of a bank to achieve its financial and operational goals, typically measured through profitability, liquidity, and efficiency. Profitability evaluates the bank's capacity to generate income from its core activities, such as loans and advances (Ezirim, 2020). Liquidity, on the other hand, assesses the bank's ability to meet short-term obligations and maintain cash flow stability through placements like investments in securities (Ngwu, 2018). The interaction between these factors reflects the bank's financial health and resilience, with a well-balanced placement strategy ensuring both sustainable income generation and operational stability (Adebayo, 2021).

2.1.4 Components of Performance

2.1.4.1 Income Generation

Income Generation refers to the process by which businesses, individuals, or organizations create revenue through their activities, investments, or operations. It encompasses the mechanisms and strategies employed to generate financial resources for sustaining and growing an entity's functions. In banking, income generation involves the creation of revenue streams through interest on loans, fees, investment returns, and other financial services. Income generation refers to the process of creating revenue through various activities or sources. In the context of higher education institutions, income generation encompasses revenues from both academic and non-academic aspects. Academic income includes tuition fees, while non-academic income consists of grants and research funding (Mahmud, Nurayti and Susilowati, 2022). Diversifying income sources has become increasingly important for universities to maintain financial sustainability amid decreasing government support. This diversification may involve engaging in industry partnerships, fostering innovation, and developing infrastructure to create new revenue streams (Singh and Kapur, 2020).

2.1.4.2 Cashflows

Deng (2020) is of the view that the relationship between the cash flows and investment from model with different economic status, such as normal, pre-crisis, crisis, and post-crisis periods... show that the investment is negatively sensitive to cash flows. When all assets in a balance sheet are compared cash is usually the most liquid. A company's operating cycle both starts and ends with cash. Apart from operations or core activities cash is also generated from financing activities (related to funding the business) and investing activities (related to purchase and sale of non-cash items). Cashflow is the difference between cash that flows into the firm and cash that flows out of the firm (Subramanyam & Wild, 2009). Cash flow ratios are indicators of the amount of cash generated by a company and the buffer it provides. These ratios provide a different perspective on the financial performance of a company. Despite generating little cash, accounting practices and non-cash-based transactions can make a company appear very profitable (Oyunga, 2022).

2.1.5 Conceptual Framework

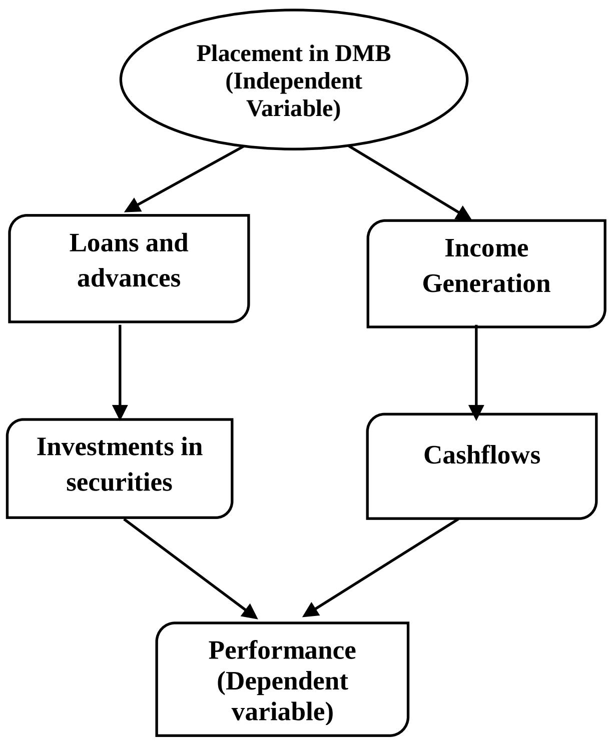

Figure 2.1 Conceptual Linkages

The diagram above shows the linkages between the concepts in the study. Loans and advances generate interest income, directly enhancing the profitability of deposit money banks. Investments in securities, on the other hand, provide liquidity and stable cash flows, ensuring operational sustainability. Together, these placements influence the overall performance of banks by balancing income generation and liquidity management, addressing the broader objective of the study.

2.2 Theoretical Framework

The study reviewed two theories in line with the study objectives. However, the study is anchored on the Resource-Based View (RBV) theory, developed by Barney (1991), which posits that an organization's competitive advantage stems from its ability to strategically manage valuable, rare, inimitable, and non-substitutable resources. By applying the RBV, the study explores how effective placement of financial resources like loans, advances, and securities impacts income generation, cashflows, and employee performance in deposit money banks in South East, Nigeria.

i. Resource-Based View Theory (Barney, 1991)
ii. Liquidity Preference Theory (Keynes, 1936)

2.2.1 Resource-Based View (RBV) Theory

The Resource-Based View (RBV) theory, introduced by Barney (1991) and earlier conceptualized by Penrose (1959), highlights the importance of unique organizational resources in achieving sustainable competitive advantage. According to Barney (1991), resources must possess four key attributes: they should be valuable, rare, inimitable, and non-substitutable (VRIN framework). Financial resources, such as loans, advances, and investments, align with the "valuable" component of this framework. Penrose (1959) emphasized that the strategic deployment of a firm's internal resources, including financial assets, contributes significantly to organizational growth.

With respect to deposit money banks in South East Nigeria, RBV is highly relevant to the objective of examining the effect of loans and advances on income generation. Loans and advances are core financial resources that, when effectively managed, enhance a bank's revenue streams. Furthermore, strategic resource management aligns with employee performance by ensuring optimal allocation of financial resources, reducing inefficiencies, and fostering a productive work environment. Thus, RBV provides a theoretical lens through which the interplay between financial assets and organizational performance can be understood and optimized.

2.2.2 Liquidity Preference Theory

Liquidity Preference Theory, developed by Keynes (1936) in *The General Theory of Employment, Interest, and Money*, explores the motives behind holding liquid assets and the influence of liquidity on financial decision-making. Keynes posited that individuals and institutions hold money for three main purposes: transaction, precautionary, and speculative motives. This theory further explains that the preference for liquidity impacts the allocation of financial resources between cash reserves and investments in less liquid, higher-yielding instruments. Interest rates play a critical role in determining the attractiveness of liquidity versus investment options.

This theory is directly applicable to the objective of ascertaining the effect of investment in securities on cashflows. For deposit money banks in South East Nigeria, maintaining a balance between liquid assets and investments is essential for operational sustainability. Investments in securities, while potentially lucrative, must not compromise the bank's liquidity, which is vital for meeting short-term obligations and maintaining confidence among stakeholders. This balance also influences employee performance, as liquidity constraints can disrupt operations and morale. By applying the Liquidity Preference Theory, this study highlights the need for strategic liquidity management to optimize cashflows and enhance overall performance.

2.3 Empirical Review

2.3.1 Loans and Advances and Income Generation

Madu (2019) examined the effects of banks‟ lending on the financial performance of small scale listed companies in Nigeria. All the nine (9) companies listed as small-scale companies were studied. The return on asset (ROA) and return on equity (ROE) of these companies were evaluated as dependent variables, while banks volume of credit and interest rate were evaluated as independent variables. The study made use of descriptive statistics, correlation analysis, fixed effect model and post estimation model and adopted panel regression approach to analyse the data obtained. The F-statistics and P-value calculated showed 5.577982 and 0.000085 respectively for ROA. Also, the F-statistics and P-value of ROE disclosed 2.806002 and 0.014 respectively. The study concluded that the findings showed a mixed result as volume of credit showed negative and insignificant effect to performance while interest rate revealed a positive and significant influence on performance. The study recommends that the CBN should encourage banks to increase the volume of credits given to SMEs in order to perform as expected.

Aribba, Ahmodu, Oladele, Yusuf and Olaleye (2019) examined the role deposit money banks' loan facilities play in funding SMEs businesses in Nigeria. The study employed the cross-sectional method of survey research. Ten (10) years financial performance index report of SMEs businesses was extracted from the Central Bank of Nigeria (CBN) statistical bulletin between the periods of 2008 – 2017 were selected. The index captured dependent and independent variables. Gross domestic product (GDP) is a proxy to SMEs while fund deposit, loan facilities and return on equity were proxies to deposit money banks variable. Data collected was analysed using descriptive statistics and ordinary least square techniques. The study revealed the positive co- efficient value of 17.19434 and 15.84082 for fund deposit and loan facilities variables; and the negative co-efficient value of -3.442694 for the returns on equity variable which affect the growth of SMEs in Nigeria. The recent economic recession experienced in Nigeria also affect SMEs businesses because the return on equity from SMEs was not encouraging.

Oyeleke, Udenwa, Olaolu, and Liman (2021) examined Effects of Loans and Advances on the performance of Deposit Money Banks in Nigeria (2010 – 2019). The main objective of the study is to investigate the effect of loans and advances on the performance of deposit money bank in Nigeria. The Secondary data covering the period 2010 to 2019 were sourced from the Central Bank of Nigeria (CBN) statistical bulletin and the National Bureau of Statistics (NBS). The study adopts a survey type of research design. The dependent variable is performance of Deposit Money Bank in Nigeria as represented by bank deposits while the independent variables are the loans and advances, interest rate and inflation rate. The ordinary least square (OLS) regression technique was employed to analyze the data. The results from the analysis revealed that there was a positive and significant effect of loans and advances on the sustainability of Deposit money banks in Nigeria. The study therefore, recommends that the bank managers, account officers and stakeholders should endeavour to sustain the positive and significant effects of loans and advances on the performance of deposit money banks in Nigeria.

Abdulraheem (2022) examined the performance of Deposit Money Banks (DMBs) and their impact on the growth of the Nigerian economy. Data were sourced from annual reports of the NDIC and the CBN bulletins for the period 2005-2019. Trend analysis was employed to examine the selected performance indices of the DMBs, while Autoregressive Distributed Lag Model was used to examine the impact of the independent variables on the dependent variable. Gross Domestic Product Per Capita (GDPPC) was adopted as the dependent variable, while deposit money banks' Earnings, Assets, Capital, and Liquidity were the independent variables. The finding revealed that all the explanatory variables had a significantly positive impact on GDP per capita in the long run, while all other variables, except Asset, had a positive impact on GDP per capita in the short run. The study, therefore, recommends that monitoring institutions such as the NDIC and CBN should further enhance the supervision of the management of banking operations in Nigeria in order to improve their Earnings, Capital, Asset, and Liquidity position to boost the growth of GDP per capita in the economy.

Odeh, Attah and Wamakko (2023) examined the effect of loan asset classifications and the impacts of substandard, doubtful, and loss loans on the financial performance of listed deposit money banks in Nigeria. The studied Population included all 14 deposit money banks listed on the Nigerian Stock Exchange (NSE) within the period of 2008 to 2019. The study purposively sampled 10 out of the 14 banks for the purpose of data collection and employed multiple regression analysis of data collated from the annual financial reports of the sampled banks within the studied period. In view of the absence of cross-section effect in the dataset, the pooled independent OLS regression was chosen for analysis and interpretation, revealing that the combined outcome of substandard (SSL) and loss loans (LL) variables are significantly related with the financial performance of listed deposit money banks in Nigeria, while doubtful loans show an insignificant effect on financial performance. The study concludes that bank loans are strong predictor of financial performance in Nigeria, thus it is recommended that banks should eradicate weaknesses such as underwriters' initial failure to adequately assess borrower risk level prior to issuing loans and to subsequently successfully enforce repayment of the loans.

2.3.2 Investment in Securities and Cashflows

Stom and Wepukhulu (2019) determined the effect of cash flow management on financial performance of listed companies at the Nairobi Securities Exchange. A census was done on 54 organizations that were listed at the Nairobi Securities Exchange during the period 2013-2017. Study data was obtained from the companies yearly audited financial statements for five years duration between 2013 and 2017. Data was analyzed using both descriptive and inferential statistics. Multiple linear regression analysis model was used to determine the association between the research variables. The results of the study indicated that there existed a positive and significant relationship between cash flow from operating activities and the financial performance of listed companies at the Nairobi Securities Exchange ($\beta=0.621$, p-value=0.006); a negative and significant relationship between cash flow from investing activities and financial performance of listed companies at the Nairobi

Securities Exchange (β=-0.387, p-value=0.029) and a positive and significant relationship between cash flow from financing activities and financial performance of listed companies at the Nairobi Securities Exchange (β=0.406, p-value=0.014). The study thus concluded that cash flow from operating activities, cash flow from investing activities and cash flow from financing activities were significant predictors of the level of financial performance among listed companies at the Nairobi Securities Exchange, Kenya.

Rohkmawati (2019) examined the effect of cash flows on investment decision that is moderated by financial constraint and mispricing. The population of the study was all listed-manufacturing firms in Indonesia from 2014 to 2016. Samples were chosen based on the availability of firms' financial report covering the period of the study. By using moderated regression analysis where financial constraint and mispricing as moderating variables, the study concluded that financial constraint weakens the effect of cash flow on investment. Although lower financially constrained-firms have an opportunity to choose their source of funding, they prefer to finance their investment from an internal source of funding (from cash flows) due to lower risk. Furthermore, mispricing does not have a role as a moderating variable. In this condition, overvalued firms are indifferent from choosing the source of funding. Finally, when financial constraint and mispricing are signed as a moderating variable, they weaken the effect of cash flow on investment. It means that firms with lower financial constraint and overvaluation prefer to use external funding by issuing new common stocks because it provides a lower cost of capital.

Ugwu (2020) determined the impact of components of cash flow statements on bank performance in Nigeria. Time series and cross-sectional data was collected from the annual statements of 14 sampled banks: 2009 to 2018. The analyses, determined whether the components of cash flow statements have any explanatory impact on Return on Asset (ROA). Four explanatory variables of cash flow statements used were: Free Cash Flow Activities (FCFA); Cash Flow from Operation (CFOA), Cash Flow from investing (CFIA) and Cash Flow from Financing (CFFA) and one control variable Leverage (LEV). Analyses used Pool and Hausman Test that selected Random Effect model for data analyses. The results were that one explanatory variable Cash Flow from Operation Activities (CFOA) has a significant positive effect on the criterion variable- Return on Asset (ROA), and the rests of the explanatory variables of (FCFA); (CFIA) and (CFFA) have negative and insignificant impact on return on asset (ROA). The study concludes that (8.7880) F-statistics of cash management impacts bank performance, but only 25% of the R- Squared of Net Cash Flow from operation (CFOA) explains the reason for asset growth. Other variables failed to explain the growth of the banks.

Odo and Ohazuluike (2021) investigated the effect of cash flow on financial performance of food and beverage firms in Nigeria. Ex – post facto research design was adopted. The study used secondary sources of data and used listed food and beverage companies. While the analytical techniques used for the study were random panel regression model and descriptive statistics. It was revealed out that cash from operating activities significantly affect profit for the year of food and beverage firms in Nigeria. Cash from financing activities has significant effect on profit for the year of food and beverage firms in Nigeria and cash from investment activities significantly affect profit for the year of food and beverage firms in Nigeria. The study recommended that food and beverage firms in Nigeria should payout dividends as at when due and timely too as it was found out that dividend paid has significant effect on net profit margin.

Oyunga (2022) examined the effect that cashflow has on stock market prices of companies listed in the Nairobi Securities Exchange. Secondary data covering the period from 2012 to 2021 was collected from NSE database and company financial reports that were accessed online. The population was all companies listed in the Nairobi Securities Exchange. From the population, 10 companies were selected randomly from clusters representing each sector. Stock price was the dependent variable while cashflow was the independent variable with profitability (returns), liquidity and debt as control variables. Standardized stock prices were used to eliminate any effect of stock splits and bonus issues over the years. Cashflow coverage ratio was used as a proxy for cashflow. Multiple regression was used to determine the nature of the relationship between the dependent, independent and control variables. Results indicate that cashflow had an inverse relationship with stock prices while the other three regressors has a positive relationship. A unit change in cashflows results in a change of 0.438 units in the opposite direction. A positive relationship between share prices and current and debt ratios contradicts the Irrelevance Theory which argues that company value is independent of its capital structure.

2.4 Gap in Empirical Review

The existing literature lacks a focused examination of how loans and advances directly impact income generation in deposit money banks, particularly within the context of South East Nigeria. While studies have explored the general effects of loans on profitability and sustainability, they do not specifically address income generation at a regional level. Additionally, although cash flow and investment activities have been studied, there is no comprehensive analysis on how investment in securities affects cash flows in South East Nigerian banks. This presents a significant gap in understanding how regional banks manage liquidity and leverage securities investments to enhance their financial position. Your study could fill these gaps by focusing on these underexplored aspects within the specific regional context.

3.0 Methodology

The study was based on the five (5) selected banks with international recognitions out of seven (7) of them in Nigeria and within Enugu metropolis with high number of staff and long years of establishment namely: Fidelity bank, Access bank, Guaranty trust Bank, First bank Plc, and Zenith bank. The total population for the study was two hundred and seventy-four (274). The study made use of the whole due to its small number. A survey design was adopted for the study. Instrument used for data collection was the questionnaire. Two hundred and forty-five (256) copies of questionnaire were properly completed and returned. That gave 94 percent response rate. The validity of the instrument was tested using content analysis and the result was good. The reliability was tested using the Pearson correlation coefficient (r). It gave a reliability co-efficient of 0.86 which was also good. Data was presented and analyzed by mean score and standard deviation and Z – test was used to test the hypotheses with aid of Special Package for Statistical Software (SPSS).

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4.0 Data Presentation

4.1 The effect of loans and advances on the income generation of deposit money banks in South East, Nigeria

Table 4.1.1: Responses on the effect of loans and advances on the income generation of deposit money banks in South East, Nigeria.

		5 SA	**4 A**	**3 N**	**2 DA**	**1 SD**	**∑FX**	**$\bar{X}$**	**SD**	**Decision**
1	The interest charged on loans and advances constitutes a major portion of the bank's revenue	485 97 37.9	156 39 15.2	207 69 27.0	68 34 13.3	17 17 6.6	339 256 100.0	3.64	1.287	Agree
2	Banks with efficient loan disbursement and recovery processes attract more customers and increasing their market share	735 147 57.4	156 39 15.2	69 23 9.0	64 32 12.5	15 15 5.9	1039 256 100.0	4.06	1.302	Agree
3	Loans and advances allow banks to diversify their income beyond fees and commissions.	575 115 44.9	156 39 15.2	165 55 21.5	32 16 6.3	31 31 12.1	959 256 100.0	3.75	1.395	Agree
4	By providing loans and advances, banks support economic activities, which in turn increase deposits and create more opportunities for income generation.	650 130 50.8	268 67 26.2	69 23 9.0	42 21 8.2	15 15 5.9	1044 256 100.0	4.08	1.205	Agree
5	Loans for businesses expand production, leading to higher demand for banking services	810 162 63.3	200 50 19.5	36 12 4.7	50 25 9.8	7 7 2.7	1103 256 100.0	4.31	1.107	Agree
	Total Grand mean and standard deviation							**3.968**	**1.2592**	

Source: Field Survey, 2025

Table 4.1.1, 136 respondents out of 256 representing 53.1 percent agreed that The interest charged on loans and advances constitutes a major portion of the bank's revenue with the mean score of 3.64 and standard deviation of 1.287.186 respondents representing 72.6 percent agreed that Banks with efficient loan disbursement and recovery processes attract more customers and increasing their market share with a mean score of 4.06 and standard deviation of 1.302.154 respondents representing 60.1 Percent agreed that Loans and advances allow banks to diversify their income beyond fees and commissions with mean score of 3.75 and standard deviation of 1.395.197 respondents representing 77.0 percent agreed that By providing loans and advances, banks support economic activities, which in turn increase deposits and create more opportunities for income generation with mean score of 4.08 and standard deviation of 1.205. 212 respondents representing 82.8 percent agreed that Loans for businesses expand production, leading to higher demand for banking services, with a mean score of 4.31 and standard deviation 1.107.

4.2 The relationship the effect of investment in securities on cashflows of deposit money banks in South East, Nigeria.

Table 4.2.1: Responses on the effect of investment in securities on cashflows of deposit money banks in South East, Nigeria.

		5 SA	**4 A**	**3 N**	**2 D A**	**1 SD**	**∑FX**	**- X**	**SD**	**Decision**
1	Securities generate regular cash inflows in the form of interest (for bonds) or dividends	540 108 42.2	312 78 30.5	36 12 4.7	92 46 18. 0	12 12 4.7	992 256 100.0	3.87	1.265	Agree
2	Short-term securities, like Treasury bills, provide a way for banks to meet cash flow needs quickly	610 122 47.7	344 86 33.6	36 12 4.7	42 21 8.2	15 15 5.9	1047 256 100.0	4.09	1.173	Agree
3	Investing in securities diversifies revenue streams, reducing reliance on traditional lending activities, which may be risky	700 140 54.7	344 86 33.6	36 12 4.7	12 6 2.3	12 12 4.7	1104 256 100.0	4.31	1.008	Agree
4	Securities sold at a higher price than their purchase cost, this results in additional cash inflows, strengthening the banks' financial position	625 125 48.8	412 103 40.2	21 7 . 2.7	28 14 5.5	7 7 2.7	1093 256 100.0	4.27	.955	Agree
5	Investments in long-term bonds can tie up funds, reducing cash availability for operational activities	425 85 33.2	436 109 42.6	21 7 16.4	84 42 16. 4	13 13 5.1	979 256 100.0	3.82	1.203	Agree
	Total Grand mean and standard deviation							**4.072**	**1.120 8**	

Source: Field Survey, 2025

Table 4.2.1, 186 respondents out of 256 representing 72.7 percent agreed that Securities generate regular cash inflows in the form of interest (for bonds) or dividends with the mean score of 3.87 and standard deviation of 1.265.208 respondents representing 81.3 percent agreed that Short-term securities, like Treasury bills, provide a way for banks to meet cash flow needs quickly with a mean score of 4.09 and standard deviation of 1.173.226 respondents representing 88.3 Percent agreed that Investing in securities diversifies revenue streams, reducing reliance on traditional lending activities, which may be risky with mean score of 4.31 and standard deviation of 1.008.228 respondents representing 4.27 percent agreed that Securities sold at a higher price than their purchase cost, this results in additional cash inflows, strengthening the banks' financial position with mean score of 4.27 and standard deviation of .955. 194 respondents representing 75.8 percent agreed that Investments in long-term bonds can tie up funds, reducing cash availability for operational activities, with a mean score of 3.82 and standard deviation 1.203.

4.3 Test of Hypotheses

4.3.1 Loans and advances have no statistically significant effect on income generation of deposit money banks in South East Nigeria.

One-Sample Kolmogorov-Smirnov Test

		The interest charged on loans and advances constitutes a major portion of the bank's revenue	Banks with efficient loan disbursement and recovery processes attract more customers and increasing their market share	Loans and advances allow banks to diversify their income beyond fees and commissions.	By providing loans and advances, banks support economic activities, which in turn increase deposits and create more opportunities for income generation.	Loans for businesses expand production, leading to higher demand for banking services
N		256	256	256	256	256
Uniform Parameters[a,b]	Minimum	1	1	1	1	1
	Maximum	5	5	5	5	5
Most Extreme Differences	Absolute	.379	.574	.449	.520	.633
	Positive	.066	.059	.121	.059	.027
	Negative	-.379	-.574	-.449	-.520	-.633
Kolmogorov-Smirnov Z		6.063	9.188	7.188	8.313	10.125
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000

a. Test distribution is Uniform.
b. Calculated from data.

Decision Rule

If the calculated Z-value is greater than the critical Z-value (i.e $Z_{cal} > Z_{critical}$), reject the null hypothesis and accept the alternative hypothesis accordingly.

Result

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With Kolmogorov-Smirnon Z – values ranging from 6.063 < 10.125 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms that the assertion of the most of the respondents that Loans and advances had statistically significant positive effect on income generation of deposit money banks in South East Nigeria.

Decision

Furthermore, comparing the calculated Z- values ranging from 6.063 < 10.125 against the critical Z- value of .000 (2-tailed test at 97% level of confidence) the null hypothesis were rejected. Thus, the alternative hypothesis was accepted which states that Loans and advances had statistically significant positive effect on income generation of deposit money banks in South East Nigeria.

4.3.2 Investments in securities have no statistically significant effect on the cashflows of deposit money banks in South East, Nigeria.

One-Sample Kolmogorov-Smirnov Test

		Securities generate regular cash inflows in the form of interest (for bonds) or dividends	Short-term securities, like Treasury bills, provide a way for banks to meet cash flow needs quickly	Investing in securities diversifies revenue streams, reducing reliance on traditional lending activities, which may be risky	Securities sold at a higher price than their purchase cost, this results in additional cash inflows, strengthening the banks' financial position	Investments in long-term bonds can tie up funds, reducing cash availability for operational activities
N		256	256	256	256	256
Uniform Parameters[a,b]	Minimum	1	1	1	1	1
	Maximum	5	5	5	5	5
Most Extreme Differences	Absolute	.477	.563	.633	.641	.508
	Positive	.047	.059	.047	.027	.051
	Negative	-.477	-.563	-.633	-.641	-.508
Kolmogorov-Smirnov Z		7.625	9.000	10.125	10.250	8.125
Asymp. Sig. (2-tailed)		.000	.000	.000	.000	.000

a. Test distribution is Uniform.
b. Calculated from data.

Decision Rule

If the calculated Z-value is greater than the critical Z-value (i.e $Z_{cal} > Z_{critical}$), reject the null hypothesis and accept the alternative hypothesis accordingly.

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Result

With Kolmogorov-Smirnon Z – values ranging from 7.625 < 10.250 and on Asymp. Significance of 0.000, the responses from the respondents as display in the table is normally distributed. This affirms that the assertion of the most of the respondents that Investments in securities had statistically significant positive effect on the cashflows of deposit money banks in South East, Nigeria.

Decision

Furthermore, comparing the calculated Z- values ranging from 7.625 < 10.250 against the critical Z- value of .000 (2-tailed test at 97% level of confidence) the null hypothesis were rejected. Thus, the alternative hypothesis was accepted which states that Investments in securities had statistically significant positive effect on the cashflows of deposit money banks in South East, Nigeria.

4.4 Discussion of findings

4.4.1 Loans and advances had statistically significant positive effect on income generation of deposit money banks in South East Nigeria

From the result of the hypotheses one, the calculated Z- values ranging from 6.063 < 10.125 against the critical Z- value of .000 which states that Loans and advances had statistically significant positive effect on income generation of deposit money banks in South East Nigeria. In the support of the result in the literature review, Madu (2019) examined the effects of banks‟ lending on the financial performance of small scale listed companies in Nigeria. The study made use of descriptive statistics, correlation analysis, fixed effect model and post estimation model and adopted panel regression approach to analyse the data obtained. The F-statistics and P-value calculated showed 5.577982 and 0.000085 respectively for ROA. Also, the F-statistics and P-value of ROE disclosed 2.806002 and 0.014 respectively. Oyeleke, Udenwa, Olaolu, and Liman (2021) examined Effects of Loans and Advances on the performance of Deposit Money Banks in Nigeria (2010 – 2019). The study adopts a survey type of research design. The dependent variable is performance of Deposit Money Bank in Nigeria as represented by bank deposits while the independent variables are the loans and advances, interest rate and inflation rate. The ordinary least square (OLS) regression technique was employed to analyze the data. The results from the analysis revealed that there was a positive and significant effect of loans and advances on the sustainability of Deposit money banks in Nigeria. Odeh, Attah and Wamakko (2023) examined the effect of loan asset classifications and the impacts of substandard, doubtful, and loss loans on the financial performance of listed deposit money banks in Nigeria. In view of the absence of cross-section effect in the dataset, the pooled independent OLS regression was chosen for analysis and interpretation, revealing that the combined outcome of substandard (SSL) and loss loans (LL) variables are significantly related with the financial performance of listed deposit money banks in Nigeria, while doubtful loans show an insignificant effect on financial performance.

4.4.2 Loans and advances had statistically significant positive effect on income generation of deposit money banks in South East Nigeria

From the result of the hypotheses two, the calculated Z- values ranging from 7.625 < 10.250 against the critical Z- value of .000 states Investments in securities had statistically significant positive effect on the cashflows of deposit money banks in South East, Nigeria. In the support of the result in the literature review, Rohkmawati (2019) examined the effect of cash flows on investment decision that is moderated by financial constraint and mispricing. The population of the study was all listed-manufacturing firms in Indonesia from 2014 to 2016. Samples were chosen based on the availability of firms' financial report covering the period of the study. By using moderated regression analysis where financial constraint and mispricing as moderating variables, the study concluded that financial constraint weakens the effect of cash flow on investment. Odo and Ohazuluike (2021) investigated the effect of cash flow on financial performance of food and beverage firms in Nigeria. Ex – post facto research design was adopted. The study used secondary sources of data and used listed food and beverage companies. While the analytical techniques used for the study were random panel regression model and descriptive statistics. It was revealed out that cash from operating activities significantly affect profit for the year of food and beverage firms in Nigeria. Oyunga (2022) examined the effect that cashflow has on stock market prices of companies listed in the Nairobi Securities Exchange. Multiple regression was used to determine the nature of the relationship between the dependent, independent and control variables. Results indicate that cashflow had an inverse relationship with stock prices while the other three regressors has a positive relationship. A unit change in cashflows results in a change of 0.438 units in the opposite direction. A positive relationship between share prices and current and debt ratios contradicts the Irrelevance Theory which argues that company value is independent of its capital structure.

5.0 Summary of Findings, Conclusion and Recommendations

5.1 Summary of Findings

Loans and advances had statistically significant positive effect on income generation of deposit money banks in South East Nigeria. Z = 10.125, P. = 0.05

Investments in securities had statistically significant positive effect on the cashflows of deposit money banks in South East, Nigeria. Z = 10.250, P. = 0.05

5.2 Conclusion

Loans and advances; and investments in securities had statistically significant positive effect on income generation and cashflows of deposit money banks in South East Nigeria. the study establishes a clear link between placement strategies and the performance of deposit money banks in the South East. It demonstrates that effective placement enhances operational efficiency, increases customer base, and boosts overall financial performance. This underscores the importance of placement as a critical factor in the success of banking operations in the region.

5.3 Recommendations

i. It is recommended that deposit money banks in the South East should prioritize optimal placement of loans and advances to sectors with high repayment potential to minimize default risks and maximize profitability.
ii. Banks should strategically increase investments in securities with stable returns to enhance financial performance and ensure portfolio diversification.

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