

**ESUT JOURNAL
OF
MANAGEMENT SCIENCES**

Vol. 9 No 1 January – June, 2015. ISSN: 0794-0947

**Published By The
Faculty of Management Sciences
Enugu State University of Science and Technology**

All manuscripts should be mailed electronically to profugwuanyi@yahoo.com

The Interaction between Cash Flow Management and Firms' Performance in Nigeria

Uche L. Onyekwelu¹, Emmanuel O. Aniekwe² and Queendaline C. Uwakwe³

1 and 2 Department of Accountancy, Faculty of Management Sciences, Enugu State University of Science & Technology, Enugu.

3. Department of Economics, Faculty of Management/Social Sciences, Godfrey Okoye University, Enugu

Abstract

This study appraised the interaction between cash flow management and firms' performance in Nigeria using the banking industry. The research instrument used in collecting the data was questionnaires and oral interview. The respondent comprised of staff of two banks in Nigeria. In organizing and presenting the data collected tables, frequencies and percentages were used. The various hypotheses were tested using the chi-square. Data analysis and presentation gave the following findings: namely: Cashflow management creates a positive impact on business growth. Cash flow management creates a positive impact on business growth. Based on the findings, the researcher recommends that the followings should also be put in place: Enhancement of the responsibility centers' would also be necessary. There should be an effective internal control system. Effectiveness of internal audit should be enhanced. Qualified staff and experts should be employed or consulted. Efficiency in marketing department. The conclusion of the study is that cashflow management has contributed positively to business growth. Though some measures have been taken to support the issue, it is necessary that all business owners and managers should work seriously to fight improper management of cashflow.

Keywords: Cashflow, Cashflow Management, Business Growth, Profitability.

1.0 Introduction

Background of the study

The Cash flow Statement of Accounting Standard (SAS) 18 and subsequently the emergence of the relevant International Financial Reporting Standards, companies in Nigeria were preparing a statement of sources and application of funds as a measure of evaluating cooperate liquidity. The statement of sources and application of fund emphasized on working capital alone. According to Okwuosa (2005), statement of source and application of funds is based on movement of working capital. And also, this working capital comprises of cash, cash equivalent and other assets convertible into cash within an accounting year such as stock

and debtors. He also noted that a statement of source and application of funds focus on the changes in working capital rather than cash. And this creates problem of interpretation, as positive working capital does not necessarily indicate positive cash flow nor does negative working capital necessarily show illiquidity. This problem above affects decision making on the side of the investor, creditors, general public or other parties concerned of inability of the financial users to interpret the financial statement to know the role of cash inflow and as well as cash out flow.

Against this backdrop, many other problem arose and these problems are ambiguity in the definition of funds, non inclusion or inconsistent presentation. All these mentioned problems associated with the statement of source and application of fund and they are causing problems as the statement is presented without clear definition of fund. Because of these problems encountered by the statement of source and application of fund, cash flow statement was introduced into the system in order to solve these problems of misinterpretation of fund and as well as statement presented in an unclear manner. Paragraph 3 statement of according standard (SAS) 18, states that the main reason why the statement of cash flow is now regarded as a preferred parameter for evaluation of corporate liquidity is that the statement of source and application of funds based on movement in working capital can observe movement relevant to assessing the viability and liquidity of an enterprise. For instance, a potential disastrous decrease in cash available can be masked by an increase in stock or debtors.

In line with the above, enterprises may run out of cash while reporting increase in working capital in the statement of source and application of fund which is very bad and dangerous on the side of investors and creditors. It is the above deficiency that led to the introduction of cash flow statement which is also backed by IAS7, that is, the international accounting standard 7.

Statement of problem

This study analysis the impact of cash flow management in the growth of business. In other words, this research is to find out how cash flow management contributes in the up bringing of businesses and also how cash flow management has made a change with regards

to business growth, for the purpose of improving the economy efficiently. It is to study and know how cash flow management can be used as an instrument to enhance the growth of business in Nigeria and also the economy of the entire world.

This research is also to help solve the problem of unavailability of cash in a firm by helping the management to know how to check the cash inflows and as well as cash out flows for proper decision making and expansion in business because cash is said to be the "King" in any business and must be treated with care.

Objective of the study

The broad objective of this study is to appraise the interaction between cash flow management and financial performance in the banking industry. Other specific objectives are:

- i. To determine how efficient and effective management of cash could enhance corporate profitability.
- ii. To assess how optimal management of debtor could lead to enhanced corporate profitability.
- iii. To examine how efficient management of inventory could enhance corporate profitability.
- iv. More so, to highlight the importance of cash flow management in the growth of national economy.

Research Questions

- i) Does cash flow management play any role in the growth and profitability of business?
- ii) Does optimal management of debtor lead to enhanced corporate profitability?
- iii) Does efficient management of inventory enhance corporate profitability?
- iv) Does the management of cash contribute to the national economy growth?
- v) How will it affect the business and the national economy growth?

Research Hypotheses

In order to determine the role or impact cash flow management play or creates in the growth of business and economy, it is very important to test the following:

Ho: Proper management of cash flow does not play any role in the growth and profitability of business.

Hi: Proper management of cash flow plays a role in growth and profitability of business.

Ho: Proper management of debtors does not play any positive role in enhancing corporate profitability.

Hi: Proper management of debtors plays positive role in enhancing corporate profitability.

2.0 Review of Related Literature

2.1 Conceptual Framework

Cash flow and Profitability: Cash has been defined by many experts, professionals and financial analyst in their own perspectives and understanding. Cash is the measure of a business ability to pay its bill on time. Cash can be said to be the blood of any organization because without cash to pay vendors, employees and other stakeholders in an organization, this is to say that the organization does not worth it or is not viable. In a nut-shell, cash simply means money that is easily accessible either in the bank or in the business. Nwoha (2006), cash is defined as an increase or decrease in amount of cash or cash equivalent resulting from a transaction. Meiga, Williams, Haka and Bether (2000), cash flow simply means all the cash receipts and cash payment of a business entity during the accounting period. Cash flow can also be referred to as the flow of cash in and out of a business over a period of time. This can be measured by the amount of money one pays every month to workers, suppliers and creditors and also the cash one receives from customers, lenders and investors.

Cash flow statement definition: Cash flow statement is a statement that summarizes all cash transactions of the accounting period. According to Okwuosa (2005), cash flow statement is a financial information which shows the cash inflows and out flows of an enterprise in a given accounting year or a reporting period but excludes inflows arising from changes in cash as a result of the purchase and liquidation of cash equivalents. According to Aborede (2006), cash flow statement is a part of financial statement that explains the difference between profitability and liquidity of an enterprise during a financial period.

According to Nwoha (2006), cash flow statement is required every time a company prepares an income statement and it shows the effect on cash of the operating, investing and financing activities in an accounting period. Ayodele (1993), cash flow statement is the part of the annual financial statement which is prepared at the end of a year and which also reflect the profitability and liquidity of a business enterprise. It is now clear having emphasized on the meaning of cash flow statement by different authors that the main purpose of preparing cash flow statement is to test the profitability and liquidity of a given business enterprise. Cash flow statement defines a statement prepared at the end of any accounting period of a company to ascertain the cash position of the company. The period in question relates to a business enterprise accounting year end. The annual report shows a complete summary of a business enterprise cash transaction. Okwuosa (2005), notes that it is prepares to equivalent generation and utilization by an enterprise in a given reporting period. The cash flow statements therefore reveals ability of the enterprise to generate cash and cash equivalent and assists users of financial statement to assess properly the liquidity position of the enterprise since cash is the ultimate measure of liquidity.

Benefits of cash flow statement: According to Nwoha (2006), the statement is useful internally to management and externally to investors and creditors. Management may use the statement to assess liquidity of the business, to determine dividend policy and to evaluate the effects of major policy decision involving investment and financing. In order words, management will use the statement of cash flow to determine whether or not short-term financing is needed to pay current liabilities, decide whether to raise or lower dividend and to plan for investing and financing needs. Investors and creditors will find the statement useful in assessing the company's ability to manage cash flows in other to generate positive future cash flows, to pay its liabilities and to pay dividends, as well as its need for additional financing. In addition, they use the statement to explain the differences between net income on the income statement and the net cash flows generated from operations.

Relationship between cash management and cash flow statement: According to Emekekwe (2008), the reasons for managing the cash flow in any organization is to ensure the availability of funds for investment and consumption. He also stated that effective

management of cash flow will make it possible for a given volume of cash reserve to support a higher level of transaction than would have been the case, in a situation where there is ineffective cash management. For proper management of cash flow for effective running of a business, the financial manager or analyst should be able to maintain accurate timing of cash flow and make sure that the cash flow into the business is positive and not negative. According to Meigs, *et. al.* (2000), cash management refers to planning, controlling and accounting for cash transactions and cash balances. Because cash moves so readily between bank accounts and other financial assets, cash management simply means the management of all financial resources. Efficient management of these resources is essential to the success and even to the survival of every business organization. From the above definitions, one can be able to know the importance of cash in the business and how to make cash flow positive and not negative.

Cash flow can be said to be positive only when the cash coming into the business is more than the cash going out of the business. This is a good circumstances in business and requires prudence in its management while cash flow is negative if the cash going out of the business is more than the cash coming into the business which is a very bad situation in business and this can be caused by shortage of cash in terms of poor collection of account receivable or obsolete inventory. Note that any business that does not have money in the bank or cannot borrow additional cash may be in serious problem. So, managers, directors and executive officers should be very careful and serious with their cash flow management before profit in business because cash is the "King" in business, in other words, cash cannot be subject to comparison with profit, most businesses have to produce and deliver goods and services to their customers before being paid. But no matter how profitable the contract is, if a business does not have enough money to pay its staff and suppliers before receiving payments, the business will not succeed.

Furthermore, to trade or operate effectively and being able to grow or improve sales and profit, a business needs to build up cash resources by ensuring that the timing of cash movement creates an overall positive cash flow situation. And having cash available to meet known and unexpected demands enables the organization to act on new opportunities and to

operate effectively. Any company that has “cash advantage” can be able to expand in investment and will be able to sustain through tough economy times.

The goal of cash management: Meigs, Williams, Haka, Better (2000), the following relates to the objectives or aim of business to manage cash:

- i. To provide accurate accounting for cash receipts, cash disbursement and cash balance for effective operation.
- ii. To protect or prevent losses from theft or fraud.
- iii. To anticipate the need for borrowing and assume the availability of adequate amount of cash for conducting business operations as they come due (every business organization must have sufficient cash to meet its financial obligation as they come due).
- iv. Prevent unnecessarily large amounts of cash from sitting idle in bank accounts that produce no revenue (that is, excess cash in the bank should be frequently reviewed for investment that can generate revenue).

Internal control over cash: Internal control over cash is sometimes regarded merely as a means of preventing fraud and theft. A good system of internal control, however will also aid in achieving the other objectives of efficient cash management including accurate accounting and the maintenance of adequate but not excessive cash balance.

Steps to achieve internal control over cash transactions and balances

- i) For each department within the organization to prepare a cash budget or forecast of planned cash receipts, cash payments and cash balances schedule monthly for the coming year.
- ii) Prepare a control listing of cash receipts at the time and place the money was received.
- iii) Requires that all cash receipts be deposited in the bank.

Solution to the problem of cash management

The following can be used as a means to solve the problems of cash management:

- 1) The use of cash budget
- 2) The maintenance of the principle of profitability and liquidity.

Cash Budgeting: This simply means the process of planning for the cash inflows as well as outflows of cash within a given period of time in a business. While cash budget is the statement prepared to know the amount of cash inflow and out flow expected within a period of time. According to Ekwe (2003), a cash budget is simply a statement of expected cash receipts and cash disbursements during the budgeted period. According to Nweze (2010), cash budget is a statement showing all the receipt and disbursement of cash. It is very important to make necessary cash budget so as to manage the cash properly, since it is a problem solving tool to cash flow management.

This is divided into two parts:

- i. The planned cash receipts (inflows)
- ii. The planned cash disbursement (outflows)

According to Ekwe (2003), cash receipt is a column of the cash budget designed primarily to record information relating to cash inflows to the organization without considering the actual period of the transaction. This is the total sum of money to collect. According to Adeniyi (2008), cash payment are made primarily for materials, direct labour, expenses, capital additions, retirement of debts and dividend paid to shareholders. The budget for these items provides the basis for computing the planned cash out flows. In accordance with Ekwe (2003), cash disburdenment is the total cash payment by the firm irrespective of the actual period of the transaction.

Principles of liquidity and profitability: It has been earlier emphasized upon that the principles of liquidity and profitability are both measures by which investors, creditors and business test the effectiveness and efficiency which a company or business organization is. But it can be done through the use of ratio analysis that relates to the test of liquidity and profitability of a business which are liquidity ratio and profitability ratio. So, both are beneficial to the investors and creditors and also to the management of the business.

The benefit of liquidity to the operating performance of a business: The importance of efficient liquidity management in a business cannot be over emphasized. This is so because as cases of illiquidity cannot be hidden for too long and it can pronounce immediate failure to a business enterprise. A business enterprise may succeed in considering

profitability for a long time but it may not be able to conceal illiquidity for more than a day. To maintain adequate liquidity level, various experts in business have propounded many theories and doctrines. However, one of the suggested ways to manage liquidity is the use of liquidity ratio.

Liquidity ratio: Pandey (2002) notes that liquidity ratio measures the ability of a firm to meet its current obligations. According to Emekekwe (2008), liquidity ratio measures the level of preparedness of a firm to meet its obligations. Nwoha (2006) submits that liquidity ratio appraises a company's ability to meet its current obligations. According to Aborede (2006), they are ratios that try to assess the liquidity position of a company. And some of them are as follows:

- a) Current ratio = $\frac{\text{current assets}}{\text{Current liabilities}}$
- b) Liquidity / Quick / Acid-test ratio = $\frac{\text{current assets-stock}}{\text{Current liabilities}}$
- c) Debtors collection period = $\frac{\text{Average debtors} \times 365 \text{ days}}{\text{Credit sales}}$
- d) Creditors payment period = $\frac{\text{Average creditors} \times 365 \text{ days}}{\text{Credit purchase}}$
- e) Debtors turnover = $\frac{\text{Credit Purchases}}{\text{Trade creditors}}$

On the other hand, the main reason of liquidity to the benefits of a firm is aimed at achieving the following benefits:

- 1) Building strong confidence on customers on the credibility of the business.
- 2) It serves as a parameter for measuring both the survival and the health condition of the business in question.
- 3) It helps business retain its interest.
- 4) It enables the business to meet up with its obligations and it also helps the business stand the chance of catching up with opportunities of investments that might have a high rate of return.
- 5) It also specifically enables business enterprises to know its capability financially.

Consequences of illiquidity: In as much as the number of benefits that can be derived from liquidity process, no management expert will prefer liquidity to profitability or vice versa. And there are some consequences that await any organization for the act of being liquid:

- 1) It can lead to a reduction of profitability of the enterprise.
- 2) It strikes the credibility and confidence of the business.
- 3) It can lead to immediate failure of a business.

Importance of profitability in cash management: The importance of profitability in cash management are very clear because one will not expect a business to operate effectively without the business making adequate profit which is one of its objectives in operation. Profitability is very important because for a business to remain in its day to day operation, it must be able to generate enough profit that will at least settle its obligation. Though, its not easy to generate profit. But it has to do with a well calculated plan on how to operate efficiently and effectively for profit earning. The importance can be more emphasized on by the use of profitability ratio.

Profitability Ratio: Aborede (2006), profitability ratios are ratios that assess or indicate the profitability of a company. Emekekwe (2008), this ratio measures the profitability of a business. Firms are not set up for the fun of it, bit to make profit and hence maximize the welfare of the owners. Profit is the ultimate output of a business and it will have no future if it fails to make sufficient profit. Therefore, managers should continuously evaluate the efficiency of their business in terms of profit. The following are some of the ratios which measures profitability according to Aborede (2006):

- a) Return on capital employed (ROCE): This ratio (ROCE) indicates the percentage return generated by total funds employed to finance the operations of a company during an accounting year.

$$ROCE = \frac{\text{operating profit} \times 100}{\text{Capital employed}}$$

$$b) \text{ Return on Equity} = \frac{\text{Profit after tax}}{\text{Equity/shareholder fund}} \times 100$$

c) Operating profit margin: This ratio expresses or indicates what percentage of sales is generated as operating profit.

$$= \frac{\text{operating profit} \times 100}{\text{Sales}}$$

d) Gross profit margin: This ratio indicates what percentage of sales is earned as operating profit.

$$= \frac{\text{Gross profit} \times 100}{\text{Sales}}$$

Cash and profit distinguished: It is very important to clear interested parties to this very work on the misunderstanding about the difference between cash and profit. Profit can be defined as the difference between the total amount a business generated as revenue and all of its cost within a particular period. It is not worthy what a business can record enough profit for a period and as well as loss or non-availability of cash because the financial statement (final accounts) are prepared on the accrual basis. On the other hand, cash as earlier discussed can be seen as the measure at a business ability to pay its bills on time and this in term depends on the amount of cash flowing in and out of the business periodically.

Roles positive cash flow in business

- 1) It is used to increase other assets like furniture, motor vehicle etc.
- 2) Cash helps as a means of reducing the liability in business such as creditors, bank overdraft, bills payable etc.
- 3) It is useful in the payment of interest on loans, debentures etc.
- 4) It is one of the medium through which dividend are paid to share holders.
- 5) Cash is important for payment of the revenue expenditure like rent electricity etc.
- 6) It serves as a measure to pay taxes, purchases, loan repayment, debenture redemption and capital repayment, liquidation will be almost impossible without cash.

3.0 Research Methodology

Survey design was adopted for this study. The primary data used were collected through field study from the staffers of two banks using structured questionnaire. These

sources were aimed at getting information right from the respondents. These sources comprised of oral interview and questionnaire administration. The questionnaire contained both structured and unstructured questions. The questionnaire instrument were administered directly to 90 staff of EcoBank Plc and 90 staff of Keystone Bank Plc out of this number 162 questionnaires were completed and returned while 18 questionnaires were not returned. The returned questionnaires represent 90% while the unreturned present 10%. Some members of the staff were interviewed orally and direct questions were used. Data from the secondary sources were obtained from already published works such as journals, pamphlets, magazines, news-papers and internet materials which had some degree of relevance to the subject matter under study. Some of these materials were gotten from library and the organizations under study.

Sample size of the study: Two banks were used for this study namely Eco Bank Plc and First Bank Plc. A sample size of One hundred and Eighty (180) persons were used as sample for this study using random sampling technique. The sample is made up of 72 bank staff and 108 customers.

Reliability of instrument: This is concerned with the accuracy, consistency and stability of the measurement of the subject matter. The test retest method was used to establish the reliability of the instrument. Five (5) respondents were chosen to complete the test, which at least it was found that all the five respondents were consistent in their responses. This established the reliability of the instruments.

Methods of investigation: The researchers made use of some statistical techniques to enable the analysis of the data obtained to make comparison and to draw conclusions. Sample percentages were employed in the analysis of the demographic information and research questions.

$$\text{Hence, } \frac{F}{\Sigma F} \times \frac{100}{1}$$

Where: 100 = percentage distribution of response

F = Number of responses

ΣF = Sum of responses for each question.

But for the hypothesis, chi-square (χ^2) was used as a technique to compare on actual observed distribution with a hypothesized expected frequency.

Hence, chi-square (χ^2) formulae = $\sum (F_o - F_e)^2$

Where: F_o = Frequency observed

F_e = Frequency expected

\sum = Summation of all the frequencies

$n=1$

(χ^2) = The value of random variable X^2 whose sampling distribution is approximately closely by the chi-square distribution.

Frequency expected formulae: $F_e = \frac{ct \times rt}{Grand\ total}$ that is,

Column total x Row total

Grand total

Data collected will be analyzed using simple tables, percentages and chi-square statistical tool.

4.0 Presentation, Analysis and Interpretation of Data

This chapter deals with the evaluation of the responses to the questions contained in the questionnaire. The returned questionnaires were analyzed and presented to prove the hypothesis in chapter one right or wrong. Below is the response ratio of the distributed questionnaires.

Table 1.1: Distribution of questionnaire

Name of Bank	No of distributed questionnaires	No of questionnaires returned	No of questionnaires not returned	Percentage %
Keystone Bank Plc	90	86	4	47.78
Eco Bank Plc	90	76	14	42.22
Total	180	162	18	90

Source: Field survey, 2015

From table (4.0.1) a total of 180 questionnaires were distributed to the banks, i.e 90 to Keystone Bank and 90 questionnaires to Eco Bank staff. From the distributed, Keystone

Bank returned 86 questionnaires out of 90 distributed to them, which gave the percentage of 47.78% of the total questionnaires returned, 4 questionnaires were not returned. Eco Bank returned 76 questionnaires out of 90 distributed. 14 questionnaires were not returned. The returned questionnaires resulted to 42.22%. The total percentage of the questionnaires was 90%. This shows that more than half of the distributed questionnaires were returned which makes the research work reliable.

Analysis of data

Question I: What role does cash flow management play in business growth and profitability?

Table 4.1: Role of cash flow management on Business Growth and Profitability

Response	No of respondents	Percentage of respondent
Positive role	140	86.42%
Negative role	17	10.49%
No role	5	3.09%
Total	162	100%

Source: Field survey, 2015.

Table 4.1.1 shows that the respondents said that cash flow management play a positive role on business growth and profitability representing 86.42% of the total population. 17 respondents agreed that cash flow management play a negative role on business growth and profitability representing 10.49% of the total population, 5 respondents accepted that cash flow management does not play any role on the growth and profitability of a business representing 3.09% of the population.

Question 2: Does optimal management of debtors lead to enhanced corporate profitability?

Table 4.1.2: Effect on business growth

Response	No of respondents	Percentage of respondent
Yes	138	85.19%
No	6	3.70%
Partial	18	11.11%
Total	162	100%

Source: Field survey, 2015.

Table 4.1.2 shows that the response ratio of whether optimal management of debtors enhances the growth and corporate profitability of business. 138 respondents agreed that debtor's management enhances the business growth and corporate profitability representing 85.19% of the total population. 6 respondents did not agree representing 3.70% of the population while 18 respondents said that debtor's management create partial impact on the growth and corporate profitability of business, representing 11.11% of the total population. This shows that debtor's management has created an impact on the growth of business.

Question 3: Does cash flow management contribute to the economic growth?

Table 4.1.3: Effect on Economic Growth

Response	No of respondents	Percentage of respondent
Yes	144	88.89%
No	14	8.64%
Don't know	4	2.47%
Total	162	100%

Source: Field Survey, 2015

Table 4.1.3 shows that if cash flow management has created an impact on the economic growth of an economy 144 respondents out of 162 accepted that cash flow management has created much on the economic growth of the economy, representing 88.89% of the total population. 14 respondents said No, that cash flow management has not created any impact on the economic growth, representing 8.64% of the population. 4 respondents said that they don't know if cash flow management creates impact on the economic growth representing 2.47% of the total population. This shows that cash flow management has a positive impact on the economic growth.

Question 4: Does the exclusion of cash flow management in accounting system affect the business growth?

Table 4.1.4: Effect of Exclusion of cash flow management in Accounting

Response	No of respondents	Percentage of respondent
Yes	133	82%
No	19	12%
Partially	10	6%
Total	162	100%

Source: Field study, 2015

Table 4.1.4 shows if exclusion of cash flow management in accounting system affects the growth of business. 133 respondents said yes that if cash flow management is excluded in accounting system, that business will be affected, representing 82% of the total population. While 19 respondents said No, that it will not affect the business growth, representing 12% of the total population. While 10 respondents said that the business will be affected partially, representing 6% of the total population.

This shows that the exclusion of cash flow management on accounting system will drastically affect the business growth.

Testing of Hypothesis: Hypothesis one

Ho: Proper management of cash flow does not play any role in business growth and profitability.

Hi: Proper management of cash play a positive role on usiness growth and profitability.

Chi-square (χ^2) formulae: $\chi^2 = \sum \frac{(F_o - F_e)^2}{F_e}$

Fe

Where F_o = Frequency observed

F_e = Frequency expected

Σ = Summation of all the frequencies

$F_e = \frac{ct \times rt}{Grand\ total}$

Grand total

Where ct = column total

rt = Row total

Table 4.2.1: Role of cash flow management on business growth

Response	Keystone Bank	Eco Bank	Total
Positive Role	80	60	140
Negative Role	4	13	17
No Role	2	3	5
Total	86	76	162

Source: Field Survey, 2015

Fe:

Fe:

$$\begin{array}{ll}
 \text{Positive: } \frac{140 \times 86}{162} = 74 & \frac{140 \times 76}{162} = 66 \\
 \text{Negative: } \frac{17 \times 86}{162} = 9 & \frac{17 \times 76}{162} = 8 \\
 \text{No role: } \frac{5 \times 86}{162} = 3 & \frac{5 \times 76}{162} = 2.3
 \end{array}$$

Table 4.2.2: Frequency distribution for hypothesis
Eco Bank Plc

	Fo	Fe	(Fo- fe)	(Fo- Fe) ²	(Fo-Fe) ² / Fe	Fo	Fe	(Fo- Fe)	(Fo-Fe) ²	(Fo-Fe) ² / Fe
Positive	80	74	6	36	0.49	60	66	-6	36	0.55
Negative	4	9	-5	25	2.78	13	8	5	25	3.125
No role	2	3	-1	1	0.33	3	2.3	0.7	0.49	0.21
Total	86				3.60	76				3.89

Source: Field Survey, 2015

$$\text{Calculated value (cv)} = 3.60 + 3.89$$

$$= 7.49$$

To get the tabulated value (critical value)

$$\text{Degree of freedom} = (c - 1)(r - 1)$$

Where c = Column = 3

$$R = \text{Row} = 2$$

$$\text{Degree of freedom} = (3-1)(2-1) = 2 \times 1 = 2$$

$$\text{Critical value} = \chi^2_{0.05} = 5.991$$

$$\text{Comparison} = 7.49 > 5.991$$

Decision: From the computation above, we can see that the calculated value is greater than the critical value. We therefore accept the alternate hypothesis and reject the null hypothesis. That is, accept alternative, reject null. Which implies that proper management of inflow and outflow of cash plays a positive role on business growth.

Hypothesis two

Ho: Debtor's management creates a negative impact on business growth.

Hi: Debtor's management creates a positive impact on business growth.

Table 4.2.2: Role of cash flow management on business growth

Response	First Bank Plc	Eco Bank Plc	Total
Positive Impact	53	85	138
Negative Impact	4	2	6
Partial Impact	12	6	18
Total	69	93	162

Source: Field Survey, 2015

$$\begin{array}{l}
 \text{Fe:} \\
 \text{Positive: } \frac{18 \times 69}{162} = 59 \quad \frac{138 \times 93}{162} = 79 \\
 \text{Negative: } \frac{6 \times 69}{162} = 2.56 \quad \frac{6 \times 93}{162} = 3 \\
 \text{No role: } \frac{18 \times 69}{162} = 7.67 \quad \frac{18 \times 93}{162} = 10
 \end{array}$$

	Fo	Fe	(Fo-fe)	(Fo-Fe) ²	(Fo-Fe) ² /Fe	Fo	Fe	(Fo-Fe)	(Fo-Fe) ²	(Fo-Fe) ² /Fe
Positive Imp.	53	59	-6	36	0.61	85	79	6	36	0.46
Negative Imp.	4	2.56	1.44	2.07	0.81	2	3	-1	1	0.33
Partial Imp.	12	7.69	4.33	1.87	2.45	6	10	-4	16	1.6
Total	69				3.87	93				2.39

Source: Field Survey, 2015

Calculated value: $3.87 + 2.39 = 6.26$

Critical value: 5.991

Comparison: $6.26 > 5.991$

Decision: From the above calculations, the calculated value is greater than the critical value, therefore accept alternative hypothesis and reject null hypothesis. This means that debtors management creates a positive impact on business growth.

5.3 Summary of Findings, Conclusions and Recommendations

Summary of findings: The analysis showed-

1. That liquidity management plays a vital role as it regards to business growth and development. From the testing of hypothesis one, it reveals that proper management of inflow

and outflow of cash plays a positive role in business growth. This is to say that business grow through the help of proper management of inflow and outflow of cash in a given period. This means that the business have solely employed the theory of cash flow management which has automatically led to the growth and development of that organization.

2. Hypothesis two, has shown that cash flow management creates a positive impact on the growth of business. According to the research project, for every business to be able to meet their obligation that is to make profit and be able to declare dividend in every accounting year as expected by the shareholders, the firm must be able to manage their inflow and outflow of cash.

Based on the research work, it was discovered that proper management of cash flow in business resulted to:

- a) The urge by the investors to invest in the organization given that there was a proper management of cash flow in the organization.
- b) The ability of the organization to have a positive working capital, current ratio and quick ratio was due to proper management of cash flows.
- c) The ability of the business to finance its activities or debt both long and short-term was due to proper management of cash flows in the organization.

Conclusions

The purpose of the study was to appraise the management of cash flow: An imperative for business growth in Nigeria economy. Some of the key indicators were identified to be investment, business transactions, saving effective operations of the business etc. Related literatures were reviewed for a better appreciation of the conceptual framework of the subject matter.

Recommendations

In line with the findings, the study proffers the following recommendations:

- 1) Enhancement of responsibility centres should be properly managed and duly decided on, expresses or cost centre, revenue centre, profit centre and investment centre. The directors

should control and reduce cost, enhance revenue generation which will help increase the profit that will be available for further investment.

2) Effective internal control: This refers to all measures taken by management to ensure that the organization operate efficiently and effectively, prepares reliable financial information, complies with applicable laws and regulations and safe guards assets which cash is one of them to avoid fraud.

3) Internal audit: This is established in an organization as a review of operations and records, undertaken within a business by specially assigned staff. The reason is to help checkmate the function of the sales manager, the book keeper and the account to make sure that there is division of labour (segregation of duties) which must be at its maximum as it relates to the specialization.

4) Employment of qualified staff and experts: In order to enhance the issue of cash flow management in business, qualified staff and financial experts should be employed to help the organization in policy making. These experts are highly exposed to cash.

5) Efficiency in marketing department: The ability of the marketing manager to influence the market will tell the level or amount of revenue generation of the organization.

References

- Aborede R. (2006), *A practical Approach to Advanced Financial Accounting*: 2nd Edition, Lagos, Master Stroke Consulting Publication.
- Adeniyi, A.A. (2008), *An Insight into Management Accounting*, 4th Edition, Lagos, El-TODA Ventures Limited.
- Ekwe, Michael C. (2003), *An Insight to Cost Accounting*, Two-Way Printers (Nig).
- Emekewue, Patrick (2008), *Corporate Financial Management*, 6th Edition, Kinshasa, African Bureau of Educational Sciences.
- Eze, O. and Agbo, B. (1981), *Research Method – Basic Issues and Methodology*, Enugu, Benalice Publication.

Meigs Robert F., Williams, J.R., Haka, S.F., & Better M.S (2000), *Accounting: The Basic for Business Decision*, Boston, Irwin McGraw Hill.

Nwanna, O.C. (1981), *Introduction to Educational Research*, Ibadan, Heinemann Educational Books (Nig) Ltd.

Nweze, Austine U. (2010), *Profit Planning; A Quantitative Approach*, Enugu, M-CAL Publications.

Nwoha C.E (2006), *Advance Financial Accounting*, Enugu, Melfi Ventures.

Okwuosa, I. (2005), *Advanced Financial Accounting Manual*, Lagos, Arnold Consulting Limited.

Udeze, J.O. (2005), *Business Research Methodology*, Enugu, Chiezugo Ventures.

Uzoagulu, A.E. (2008). Practical guide to writing research project reports in tertiary institutions. Enugu. John Jacob's Classic Publishers Ltd.

Yaro, Y. (1964), *Statistics: An Introduction Analysis*; (3rd Ed.); New York; Harper and Row Publishers.