Acman: Accounting and Management Journal
Vol 4, No. 2, December 2024, 93 – 106
ISSN Online: 2775-6866. DOI: https://doi.org/10.55208/aj

Exploring the Role of Financial Assets in Enhancing the Performance of Nigerian Banks

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ABSTRACT

The study looked at the impact of financial assets (FA) on the financial performance (FP) of Nigerian deposit money banks (DMBs) from 2013 to 2022 (10 years). The study's specific goal is to investigate the coexistence of financial asset measurements [Cash Equivalents (CE), Trade Receivables (TR), Loans and Advance (LAD), and Foreign Bank Deposit (FBD)] and [DMB FP as proxied by Return on Equity (ROE)]. The selected ten banks were picked from the pool of 18 deposit money banks listed on the Nigerian Exchange Group. They were examined through descriptive statistics, correlation analysis, and multiple regression analysis utilizing the OLS method. The findings indicated that capital equity (CE), liquidity asset density (LAD), and financial burden debt (FBD) have minimal impacts on return on equity (ROE); however, total revenue (TR) has a significant impact on ROE. Ultimately, the research revealed a strong correlation between financial assets (FA) and financial performance (FP) of deposit money banks in Nigeria. It is recommended that managers in the banking industry boost their allocation of cash holdings through cash planning (estimated forecast of cash position in the future) in order to maintain an optimal cash position level and improve their FP. Furthermore, treasurers must plan to invest idle capital in short-term investments such as treasury bills and interbank lending, which increases profitability and reduces fund costs.

Keywords: Assets, Performance, Cash, Trade Receivables, Loans

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INTRODUCTION

Banks' financial statements include three financial structures: asset, liability, and capital. An asset structure depicts the makeup of the bank's asset categories that are crucial to its functioning and profit creation. According to Din et al. (2022), asset structure is a collection of current assets, long-term investments and finances, property, plant, and equipment, intangible assets, and other assets. Similarly, Koralun-Bereznicka (2018) defined asset structure as a combination of numerous asset components such as fixed assets, physical assets, current assets, and cash on hand and in bank. Maintaining optimal asset components allows banks to become profitable. A bank's profit is mostly derived from interest on its income-producing assets (loans and investments). As a result, banks should have a considerable proportion of loans and investments in their portfolio because they provide the highest rate of return in the banking industry (Imo, 2021).

Banks have structured their portfolio assets in ways that affect profitability. Banks will undoubtedly utilise any opportunity to increase profitability (Onyefulu, Okoye, & Orjinta, 2019). Bank assets are separated into two categories: earning assets and non-earning assets. Earning assets are assets on which the bank earns a profit and contributes directly to the bank's income. Non-earning assets, on the other hand, do not generate a profit but do contribute to the bank's income indirectly. Because of the interests of several stakeholders such as creditors, depositors, shareholders, and regulatory bodies, optimising banks' asset structure is challenging to manage (Oluyi & Abioye, 2020).

FP is the driving force behind the development of all deposit money institutions worldwide. It is critical because non-performing DMBs is the most powerful tool for FP indicators. Financial assets have been defined as the lifeblood of money deposit institutions. Non-physical asset management is the administration of a company's present assets, current asset is any asset that a company owns that is the equivalent of cash or may be converted into cash within a year. Adherence to international financial reporting requirements requires DMBs to categorise FA (Orie, Obiora, & Orie, 2022). Financial assets (FA) designated for trading in treasury bills and government bonds are considered part of this category. (Osayi, Kasimu, & Nkwonta, 2018). Cash and bank balances refer to the funds available to a bank for daily transactions. This includes physical cash as well as demand deposits. Cash equivalents are defined as short-term, liquid investments that can quickly be converted into known cash amounts

with minimal risk of value changes (Sulaiman & Ibrahim, 2020). The cash and balances with central banks consist of physical cash and both limited and unrestricted deposits held at the central bank. The carrying amounts of accounts with other banks closely reflect fair value, which corresponds to the amount that can be withdrawn on demand can enhance a bank's revenue, thereby improving its financial performance (FP) (Tripathy & Pradhan, 2018). The recorded amounts of these balances with other banks are a fairly accurate representation of fair value, reflecting the amounts that can be withdrawn on demand. The recorded amount indicates the fair value of the receivable upon its maturity, thereby improving its financial performance (FP.

On the other hand, loans and advances to customers encompass overdrafts, term loans, staff loans, and commercial papers. The creditworthiness of business clients is the primary factor that influences the credit quality of any loans extended to them. Nonetheless, collateral serves as an important safeguard, and banks frequently require it from their business borrowers (Vashishtha & Kumar, 2018). The projected fair value of these loans and advances represents their market value, calculated by adjusting the carrying amounts based on the anticipated market rates for different loan categories. The volume and quality of loans and advances granted to customers can significantly increase a bank's interest income and, in turn, its financial performance (FP) (Waswa & Wepukhulu, 2018). It is appropriate to perform this research in Nigeria because it is a developing economy with significant variations between deposit money institutions in developed and developing countries. Prior study has focused on the impact of working capital management (current assets less current liabilities) on FP (Afza & Nazir, 2019; Agbogun, and Ehiedu, 2022). Very few past study works evaluate current asset management as a merit in and of itself. The quality of current asset management can make or break a DMB, hence a study on the relationship between current asset management and FP is appropriate and useful. Because current assets are the pivot of assets providing income, bank management would profit from the study's results, conclusions, and recommendations. Non-current assets do not create income as quickly as current assets. This study will add to the limited knowledge on the effect of FA on FP of DMBs in Nigeria.

The term FP is commonly employed as a broad indicator of a company's overall financial condition over a specific period. It allows for comparisons among similar businesses within the same industry or across various industries overall. FP refers to the execution of financial activities and more comprehensively, it signifies how well financial goals are achieved over time. Essentially, it involves gauging the financial results stemming from a company's strategies and operations. There are various methods to

measure FP, but all data should be summarized collectively. Every organization applies FP metrics as part of its performance management framework, although the significance of financial versus non-financial metrics can be a topic of debate. Advocates for FP metrics argue they are crucial due to the fundamental objectives of organizations. Examples of FP measurements include gross operating revenue, operating income, cash flow from operations, and return on total assets. FP can be analyzed at different organizational levels, but this study focuses primarily on assessing the overall FP of the organization. Traditional indicators of FP encompass profitability, liquidity or working capital, gearing ratios, and investor metrics (Imo, 2021).

Financial assets (FA) encompass cash equivalents, bank deposits, loans, and equity shares. The accounting treatment of these financial assets under International Financial Reporting Standards (IFRS) underscores significant concerns regarding bank performance. In Nigeria, FA play a vital role in the financial performance (FP) of deposit money banks (DMBs). Deposit money institutions in Nigeria encounter significant challenges with currency exchange rates due to fluctuations in the dollar, which can negatively impact financial assets that have fixed or predictable payments and are held until maturity. This issue is less pronounced in developed nations like the United States, Canada, Germany, and the United Kingdom. Additionally, banks in Nigeria often lack consistency in how they account for financial assets held for trading, especially those acquired mainly for the intent of selling, those that are part of portfolios showing evidence of short-term profit-taking, or derivatives valued at fair value through profit or loss in arm's-length transactions. This inconsistency is largely due to the unstable nature of the Nigerian economy, which is marked by significant variability in financial rules and regulations.

Due to economic instability, cash and cash equivalents struggle in Nigeria, particularly when it comes to redeeming payments after 90 days, often taking longer than that timeframe. A bank's shows relatively high net assets but has significantly lower levels of cash and cash equivalents, it signals liquidity issues, which negatively affects profitability. Currently, many deposit money banks (DMBs) in Nigeria are facing significant losses stemming from the issue of non-performing loans on their books. The likelihood of a bank suffering from losses due to borrowers defaulting on loans is a common challenge within the financial sector, especially among banks. This situation undoubtedly hampers overall bank performance. (Basel Committee on Banking Supervision, 2018).

Donaldson's Financial Hierarchy Theory (FHT) was further explained by Myers and Majluf (Ehiedu, 2023 and Imo, 2021), from a financial

theoretical perspective. Researchers are particularly focused on how liquid assets relate to a company's value in the context of this theory, as well as how these assets enhance the firm's capital structure over time. FHT addresses the challenges of liquidity management by optimizing a firm's capital structure. Kytonen suggested that cash management could be linked to financial theory by examining its significance in imperfect or underdeveloped markets. In essence, incorporating cash balances into financial theoretical frameworks, like the capital asset pricing model (CAPM) or the Modigliani-Miller (M&M) theorem, establishes a relationship between cash management and financial theory. The inclusion of cash balances in these models underscores the crucial role of liquid assets in influencing business value.

The Financial Hierarchy Theory (FHT), commonly known as the Pecking Order Theory of Liquidity from a behavioral standpoint or the Pecking Order Theory of Cash Management from a financial perspective, was developed to tackle shortcomings in the financial market, especially regarding information asymmetry. It highlights that corporate managers have access to information that is not available to investors, financial analysts, or the general audience. The concept was proposed by Myers and Majluf (Imo, 2021), who asserted that managers generally deal with capital shortages by issuing new securities to the public. According to this theory, when retained earnings and other internal funding sources fall short for investments, managers will turn to debt issuance, using the sale of additional shares only as a last resort. To maximize profits in manufacturing enterprises, it is crucial to maintain adequate cash and cash equivalents (financial slack) to reduce transaction costs and other expenses incurred from seeking external funding. This theory suggests that there isn’t a perfect quantity of cash reserves, just as there isn't a specific optimal level of debt.

Financial assets can only be measured at fair value through profit or loss by designation if they were initially recognized at that value. This value generally fluctuates based on economic conditions. This study aims to fill the gap by assessing the impact of financial assets, represented by Cash Equivalents (CE), Trade Receivables (TR), Loans and Advances (LAD), and Foreign Bank Deposits (FBD), on financial performance, indicated by Return on Equity (ROE) for deposit money banks (DMBs) in Nigeria.

METHOD

The Ex-Post Facto research method was used for this analysis. The who, what, when, where, and how of a research challenge can be answered with the use of an ex-post facto research design. Secondary data for the study of the Nigerian banking sector was gathered from the annual

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reports and accounts of 10 selected banks for the years 2013 through 2022. This paper employed a quantitative data analysis approach. The relationship between the variables will be assessed using E-VIEW's descriptive statistics, correlation analysis, and multiple regression analysis utilizing the Ordinary Least Squares (OLS) method. In the proposed model, the dependent variable is considered a linear function of the independent variables. The model formulation indicates that financial asset measures, represented by Cash Equivalents (CE), Trade Receivables (TR), Loans and Advances (LAD), and Foreign Bank Deposits (FBD), have a significant impact on financial performance, as measured by Return on Equity (ROE), for Deposit Money Banks (DMBs) in Nigeria. The equation: **ROE = f (CE, TR, LAD, FBD), ROE = β_0+ β_1CE + β_2TR +β_3LAD + β_4FBD + E**

RESULTS and DISCUSSION

The dataset includes observations on [CE], [TR], [LAD], and [FBD] for the years 2013 through 2022, as well as observations on [ROE] as the dependent variable. For the ten (10) DMBs listed in the NEG, 100 observations were collected.

Table 1. Summary Statistics Output

	ROE	CE	TR	LAD	FBD
Mean	5.670398	13.64000	0.516605	0.198180	3.040000
Median	0.119076	14.00000	0.500000	0.200000	3.000000
Maximum	149.0832	20.00000	0.857143	0.416667	5.000000
Minimum	-3.943182	8.000000	0.166667	0.055556	2.000000
Std. Dev.	25.27803	2.721111	0.179075	0.066926	0.345826
Skewness	4.520321	0.337761	0.481335	0.207718	2.104239
Kurtosis	22.34558	2.635093	2.469479	3.294921	16.06045
Jarque-Bera	1880.937	2.456194	5.034105	1.081526	784.5272
Probability	0.000000	0.292849	0.080697	0.582304	0.000000
Observations	99	100	100	100	100

The aforementioned CE has a potential range of 8.0000–20.00.000. Mean value (13.6400) and standard deviation (SD) (2.7211) are provided for the CE. This indicates that there is a possible 1,091.89% difference between the CEs of the ten (10) institutions that make up the Nigerian banking sector (13.6400-2.7211 = 10.9189 X 100). The summary information suggests that the lowest and greatest TR values are 0.1667 and 0.8571, respectively. Bank average TR is 0.5166 and standard deviation is 0.1791. Given that the SD value is less than the MV, this result shows how rapidly bank TR has increased throughout the years. This indicates that TR is relatively unstable, at 17.91%. According to the summarised information, the minimum and maximum LAD values were 0.0556 and 0.4167,

respectively. The mean and standard deviation of LAD are 0.1982 and 0.0669, respectively. The result shows that banks' LAD has grown with time because the SD value is less than the MV. Therefore, the volatility of LAD is 6.69 percent. The aforementioned statistical summaries also show that the lowest and highest FBD values are 2.0000 and 5.0000, respectively. Specifically, 3.0400 with a standard deviation of 0.34580. The FBD indicates that FBD has a volatility of 34.58%. Furthermore, as can be seen from the ROE statistic, the standard deviation is 25.1561, while the mean is 5.6152. Since the SD figure is greater than the MV one, this finding indicates that bank ROE has gradually increased over time. Last but not least, we can see from the SD that ROE is the most unstable metric, followed closely by CE. When compared to a normal distribution, the kurtosis for TR, LAD, and FBD all show that they are leptokurtic, indicating that their distributions are peaked, while the kurtosis for ROE and FBD both show that their distributions are thickly peaked.

The CE correlation coefficient is higher than the significance threshold (r=0.0902), indicating a favourable relationship between CE and ROE. Correlation coefficients show that CE can be used by banks to estimate their ROE potential. A weak negative correlation coefficient was found between TR and ROE. There is a statistical connection between TR and ROE, as indicated by a coefficient of correlation of 0.1766, which is more than the significance level of 0.05. This suggests that the ratio of TR to ROE is quite high. In other words, if TR goes up, banks' return on equity will go up too. According to the correlation coefficient, there is a significant positive statistical link between LAD and ROE. The correlation coefficient between LAD and ROE of banks (r = 0.0064) is greater than the significance level of 0.05, indicating a statistically significant positive link. There is a very slight negative association between FBD and ROE. The correlation coefficient between FBD and ROE is small (r = -0.0259), but it is statistically significant (p 0.05). This suggests that a bank's capacity to earn ROE is independent of whether or not it had an excessive FBD last year.

The absence of multi-co linearity among the variables is demonstrated by the correlation matrix, in which all of the correlation values are less than 0.7. Results also demonstrate that FBD has a negative strong correlation with ROE in DMBs in Nigeria, but CE, TR, and LAD all have favourable correlations with ROE.

Table 2. Result of Fixed Effects Tests

Effects Test (cross-section fixed effects)	Statistic	Prob.
Cross-section F	7.079499	0.0000
Cross-section Chi-square	55.378990	0.0000
Variable	Coefficient	Prob.

C	8.182685	0.8328
CE	0.613008	0.5952
TR	26.05345	0.0478
LAD	35.01278	0.4294
FBD	-1.413235	0.8573
R-squared	0.339654	
Adjusted R-squared	0.115365	

This research uses panel data to choose between random effect and fixed effect analysis. To determine which model is most suited for this analysis, I employ the RFET criteria. H0: RFETs are reliable and productive. Hypothesis 1: The RFET model is flawed.

The RFET model seems to fit the data here. Since the Chi-Square value of the RFET result is greater than 10, and the p-value of value of 0.0000, the RFET OLS result was chosen for testing the hypotheses of this study because it is best suited to the panel data of the DMBs chosen for this study. The relevance of CE, TR, TAD, and FBD on ROE is displayed in Table which was used for hypothesis testing. The value of the regression coefficient for the effect of CE on ROE is 0.3861, and the corresponding P-value is >0.05 (0.6130). Therefore, the correlation between CE and ROE is positive but negligible. Based on these findings, a rise of one unit in the CE of DMBs will result in a 61.30% rise in ROE. The regression coefficient value of 26.0535 for TR on ROE, with a corresponding P-value of 0.04780.05. A positive and significant correlation between TR and ROE is inferred from these findings. This data suggests that an increase in the TR of DMBs results in an increase in ROE of 2605.35 percent. The value of the regression coefficient for LAD on ROE is 26.0534, and the corresponding P-value is 0.04294>0.05. This suggests a strong connection between LAD and ROE. LAD has a favourable effect on ROE, suggesting that there are healthy loans and advances at DMBs in Nigeria. In addition to the P value of 0.8573>0.05, the regression coefficient value reported for FBD on ROE is also given: -1.4132. This suggests that FBD has a substantial link to ROE. According to these findings, the ROE will decline by 141.32% for every unit rise in the FBD of DMBs. Banks with higher BM may be better equipped to handle ROE because of their increased maturity.

FA are intangible resources that come with a contractual claim to their value, such as bank deposits, bonds, or stocks. Financial assets as part of an ongoing process that involves planning, organizing, coordinating, and managing both assets and liabilities. This includes considerations of asset-liability combinations, volume, maturity, yields, and costs, all aimed at producing a specific net interest income. Essentially, it revolves around making the best investments in assets relative to current objectives and future liabilities. Additionally, it addresses the management of risks associated with liquidity mismatches, interest rates, and currency fluctuations. The focus of financial assets is to align assets with

obligations concerning their maturity and interest rate sensitivity, thereby minimizing interest rate and liquidity risks (Waswa & Wepukhulu, 2018).

FA are generally more liquid compared to physical assets like commodities or real estate and can be traded in financial markets. These assets are contractual agreements that produce financial claims with verifiable value, which can be enforced individually or collectively, providing economic benefits through their use or retention. Examples of financial assets include monetary gold, currency deposits, and various securities excluding shares. Additionally, accounts receivable/payable, financial derivatives, and loans, shares, and other equity instruments are also considered financial assets. Moreover, revenue-generating assets for banks encompass cash, securities, loans, and property and equipment that facilitate their operations (Yao, Haris, & Tariq, 2018). There are several financial metrics available to measure financial performance, including return on assets, return on investment, return on equity, earnings per share, and net profit margin. However, this study will focus specifically on two metrics: return on equity and return on assets. A financial situation report serves as a key indicator of an organization's financial health over time and allows for comparisons within similar industries. In reality, numerous methods exist to evaluate financial performance. Efficiency can be assessed through various techniques, including different billing technologies, such as return on capital and return on investment (Waswa & Wepukhulu, 2018). Return on Equity (ROE) is an essential indicator of financial performance that illustrates how effectively a company utilizes its resources to enhance profits. It assesses an organization’s profitability in relation to its book value of equity, which is defined as net assets or assets minus liabilities. This ratio is determined by dividing net income by equity (net income / equity). A low ratio may indicate that the management's primary goal (maximising the owner's wealth) has not been established. A high ratio indicates that management objectives have been specified (Waswa & Wepukhulu, 2018).

Financial derivatives affected DMB performance in the Nigerian stock exchange from 2015 to 2021, according to Orie, Obiora, and Orie (2022); Ogboghro and Anuya (2017). The study sought to examine how loans and advances affected DMB performance in the Nigerian stock exchange. Assess the impact of exchange rate on DMB performance in the Nigerian stock exchange. Assess the impact of financial derivative assets on DMB performance in the Nigerian stock exchange. Data analysis was done using Panel Least Squared (PLS). The annual report of the quoted DMB in Nigeria stock market contained the variables of interest. The factors were loan and advance, exchange rate, and financial derivative assets. Secondary data were used in those studies. The Nigerian stock

exchange's DMB performance was unaffected by loan and advances. The Nigerian stock exchange's DMB performance is affected by exchange rate. The Nigerian stock exchange's DMB performance is significantly affected by financial derivatives. The report suggests defined risk management methods and regulations. DMBs need risk measurement methods and defined risk limitations.

Nigerian DMBs' performance was correlated with FA by Imo (2021). The study has two research topics and two null hypotheses. United Bank for Africa Plc Annual Report - 31 December 2018 secondary data was used for the period under review. Cash equivalents and DMB return on investment were positively and significantly correlated using SPSS ver. 22 linear regression. It also showed that DMBs' cash equivalents and return on equity are positive and considerable, and those FA affect their performance in Nigeria. Financial assets are intangible assets that hold contractual value. They are generally more liquid than physical commodities or real estate and can be traded in financial markets. Deposit Money Banks (DMBs) categorize financial assets into five groups: cash and bank deposits, financial assets intended for trading, derivative assets, loans and advances to banks, and loans and advances to customers. It is advisable for banks to ensure there are sufficient cash and cash equivalents, as these are crucial for their long-term stability. Additionally, loan and advance criteria should align with Central Bank of Nigeria (CBN) regulations to prevent the occurrence of bad debts. Borrowers are expected to provide collateral in case they are unable to repay their loans and advances, and the CBN should work towards creating a favorable environment for small and medium enterprises to access loans more easily.

The influence of financial derivatives on the profitability of Nigerian DMBs was explored by Sulaiman and Ibrahim (2020). They utilized the annual financial statements of eight major multinational banks in Nigeria to develop a panel regression model covering a five-year period from 2012 to 2017. The independent variable of financial derivatives was represented by financial derivative liabilities (FDL) and assets (FDA), with loans and advances to customers (LTC) serving as a control variable. Various analyses were conducted, including Pooled Ordinary Least Squares (OLS), fixed effects, and random effects tests, followed by a Hausman test to identify the most appropriate estimation method. The model is positive and significant. FDA and LTC boost DMB profitability in Nigeria, while FDL does not. Financial derivatives improve DMBs' profitability in Nigeria, according to the study. According to the report, deposit money institutions should raise their loan asset to boost profits. Limit their financial derivative liabilities and optimise their financial derivative assets.

Nnenna, Celestine and Ferdinand N (2018) examined the connection between cash (along with liquid alternatives) and the profitability of companies listed in the manufacturing sector of the Nigerian Stock Exchange. They employed quantitative panel methods to evaluate the impact of cash and cash equivalents on the dependent variable. The analysis was based on audited annual reports from thirty-six (36) manufacturing firms listed on the Nigerian Stock Exchange over a period from 2003 to 2017. The data collected was subjected to the Levin-Lin-Chu panel unit root test to establish stationarity, and Westerlund Panel Cointegration Tests were utilized to demonstrate that the variables did not exhibit cointegration in the long term. The Fixed Effects (FE) multiple regression model's consistency and applicability were evaluated using Hausman test. Cash and cash equivalents positively affected the sampled firms' return on assets in hypothetical statements. These findings suggest that optimising corporate earnings requires finding the best liquidity profitability trade-offs, otherwise enterprises with insufficient liquid assets may be compelled to borrow at excessive rates or become illiquid. Cash holdings affect Nigerian manufacturing enterprises' profitability, according to the study.

In the study conducted by Onuoha (2022), it was determined that structural capital plays a significant role in mediating the relationship between human capital and corporate financial performance. This research emphasizes that banks that effectively leverage their structural capabilities—such as efficient processes and organizational frameworks—can enhance their financial outcomes. Notably, the findings suggest that having strong structural capital is not merely ancillary but a critical component that intertwines with human resources to drive overall financial success in the banking sector. Furthermore, Babajide et al. (2020) delve into the challenges of accountability faced by deposit money banks in Nigeria. This examination highlights how a lack of accountability directly affects the integrity and performance of banks. The authors argue that without robust mechanisms to ensure transparency and accountability, the banking sector in Nigeria may continue to face significant ethical and operational challenges that undermine trust among stakeholders. The interplay between accountability and financial performance creates an atmosphere where banks that prioritize ethical practices and customer trust are likely to perform better financially. In parallel, the investigation by Yahaya et al. (2022) sheds light on liquidity risk as a substantial factor influencing the financial performance of banks. The findings indicate that increasing liquidity risk is negatively correlated with both return on assets and return on equity. This research also highlights the detrimental interaction between liquidity risk and nonperforming loans, reinforcing the idea that effective management of liquidity is crucial for

maintaining a healthy financial status. The subtle interplay between liquidity risk and accountability amplifies the complexities faced by banks, suggesting that effective governance structures are essential for navigating these challenges.

The financial performance of banks is multifaceted, influenced by a diverse mix of structural capital, accountability mechanisms, and liquidity management. Addressing the intricacies of these factors will be essential for stakeholders aiming to enhance the resilience and profitability of deposit money banks in Nigeria and the broader Sub-Saharan African landscape.

CONCLUSION

The study looked at how FA affected FP at DMBs (DMBs) in Nigeria throughout the 10-year span of 2013-2022. The study aims to investigate the correlation between [Financial Assets (FA)] measures [Cash Equivalents (CE), Trade Receivables (TR), Loans and Advances (LAD), and Foreign Bank Deposit (FBD)] and [Financial Performance (FP) of DMBs proxy with Return on Equity (ROE)]. Out of the 18 DMBs included in the NEG, 10 were selected as the primary emphasis for this work due to the time and effort involved in computing the necessary ratios. Based on the results of the research, it appears that FA and FP of DMBs in Nigeria do not exist side by side in any meaningful way. These suggestions were made in light of the study's findings. Cash budgeting (an expected projection of future cash position) can help banking industry managers maintain an optimal cash position level, which in turn boosts FP. In addition, treasurers need to make plans to invest surplus funds in short-term investments like treasury bills and interbank lending, both of which boost profits and decrease funding costs.

Managers at operational banks should select trade receivables investments based on quality and usefulness, not on price and manufacturer pressure. As a result, banks in Nigeria will see an improvement in their bottom lines as a result of a lower impairment loss on their fixed assets. Banks should make cash and cash equipment readily available because they are essential to the survival of the banking system; loan and advance criteria should conform to CBN regulations to prevent bad debt; iii. the borrower should provide collateral in the event of a default on the said loans and advances; and iv. the CBN should foster an environment in which small and medium-sized businesses can easily gain access to loans and advances. To boost their foreign currency deposits, banks should continue to incentivize the diaspora community by offering various perks to those who want to send money home via the banking system.

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