NEAR EAST UNIVERSITY

INSTITUTE OF GRADUATE STUDIES

DEPARTMENT OF BANKING AND ACCOUNTING

THE EFFECT OF PROFITABILITY ON THE LIQUIDITY OF COMMERCIAL BANKS IN NIGERIA

M.Sc. THESIS

Olaitan ADENIYI

Nicosia

August, 2021

NEAR EAST UNIVERSITY
INSTITUTE OF GRADUATE STUDIES
DEPARTMENT OF BANKING AND ACCOUNTING

THE EFFECT OF PROFITABILITY ON THE LIQUIDITY OF COMMERCIAL BANKS IN NIGERIA

M.Sc. THESIS

Olaitan ADENIYI

Supervisor
Assoc. Prof. Dr. Aliya ISIKSAL

Nicosia
August, 2021

Approval

We certify that we have read the thesis submitted by **Adeniyi Olaitan** titled **"The Effect of Profitability on the Liquidity of Commercial Banks in Nigeria**" and that in our combined opinion it is fully adequate, in scope and in quality, as a thesis for the degree of Master of Educational Sciences.

Examining Committee Name-Surname Signature

Head of the Committee:.Asst. Prof. Dr. Ahmed Samour…..…..……

Committee Member: .Dr. Ala Fathi Assi……...……

Supervisor Assoc. Prof. Dr. Aliya Isiksal …….……...……

Approved by the Head of the Department

…../…../20…

……..
Title, Name-Surname
Head of Department

Approved by the Institute of Graduate Studies

…../…../20…

Prof. Dr. Kemal Hüsnü Can Başer
Head of the Institute

Declaration

I hereby declare that all information, documents, analysis and results in this thesis have been collected and presented according to the academic rules and ethical guidelines of Institute of Graduate Studies, Near East University. I also declare that as required by these rules and conduct, I have fully cited and referenced information and data that are not original to this study.

Olaitan Adeniyi

…../…../….

Day/Month/Year

Acknowledgements

A particular thank you to my supervisor, Assoc. Prof. Dr. Aliya Isiksal, for her direction, support, and motivation, as well as her never-ending encouragement. Her expertise and experience have given me tremendous opportunities to extend my horizons, and I've been able to produce meaningful and substantial work as a result.

I want appreciate my siblings Temidayo and Ifeoluwapo Adeniyi for their unending support.as well as Temitope Olujemisin for the endless encouragement and emotional presence over the years.

I would want to want to thank Aroun Rashid for all of his efforts from the start of this project till it was completed, and for aiding me by performing a fantastic job editing it. Also, without the assistance of my instructors at the Near East University, I would not have been able to complete my Masters Degree program; thank you so much.

Last but not least, I offer my warm thanks and genuine gratitude during the whole study to my beloved Parent Samuel and Agnes Adeniyi for your love, support and sacrifice. This MSc was a struggle that without you and your continual support I would never have accomplished. I am taught so much about sacrifice by your love, your support and continual tolerance.

Olaitan Adeniyi

Abstract

The Effect of Profitability On the Liquidity of Commercial Banks in Nigeria.

Olaitan Adeniyi

MA, Department of Banking and Accounting

August, 2021, 95 Pages

The challenge which has brought about this study is aimed to obtain the effect of profitability on the liquidity of commercial banks. Commercial banks data analysis between the year 2010 and 2019. The research uses secondary data with a constructive a Quantitative approach methodology and a generalized moment process technique to calculate the effect of the determinants. The survey consists of eleven banks, tracked for nine years and sampled annually with a substantial impact on bank liquidity. The LPT1 coefficient reveals that LLQ1 as well as LLQ2 have a negative association. The coefficient of gross domestic profit (LPT3) was computed and shows a beneficial connection with regard to LLQ1 and LLQ2, which both positive, correspondingly, and certainly attributed to the reason some external factors, i.e. LPT3 (GDP), possessed an influence on the liquid holding level of the Nigerian bank. This framework of this study, LLQ1 and LLQ2, among other liquid indicators, have been demonstrated to have a positive influence on LPT3. In terms of LLQ1 and LLQ2, the LLQ1 and LLQ2 coefficients for PT4 are both negative respectively. In conclusion, the findings of the study effort are believed to be realistic representations of the upsurge in the financial sector, particularly the commercial bank, in Nigeria during the past 10 years. As a result, the profitability and liquidity of the business were at the heart of this study effort, which was examined using variables developed and accepted by renowned and amazing writers, whose literature and empirical works were utilized to effectively assist the research job.

Key.Words: Bank Profitability, Nigerian commercial banks, commercial banks, financial organization, bank performance, Generalized Moment Method.

Table of Contents

CHAPTER III

CHAPTER IV

CHAPTER V

CHAPTER VI

List of Tables

List of Figures

List of Abbreviations

CASA	Current and Savings Account Ratio.
LOC	Line of Credit
DPD	Dynamic Panel Data
GMM	Generalized Moment Method
GDP	Gross Domestic Product
ERS	Elliot Rothenberg Stock
ROA	Return on Asset
ROE	Return on Equity
CBN	.Central Bank of Nigeria
ALM	Asset and Liability Management

CHAPTER I

Introduction

Today's commercial banks as a whole are more than just building facilities that serve as an aesthetics, physical structure or area for monetary transactions to take place between collective persons, entities, or collective of all; rather, the 24TH century commercial banks can be addressed as any channel (whether web based or the real tangible banking infrastructure) by at least one clients can productively and successfully implement a transitional pecuniary interchange. In addition, it is essential to remember that the commercial banks embed the need to generate profit as one of the major objectives. It is seen as the ease or rate of which available asset may be readily transformed into cash for the purpose of sustaining the operations of an enterprise or financial establishment that is measured in terms of liquidity (Fredrick, Omwoyo, & Zipporah, 2018).A bank may further be defined as a kind of financial organisation that is authorised to take deposits (both monetary and non-monetary) and to make loans to clients who are in need of financial assistance. Aside from traditional banking services, banks may also provide financial services, which could include wealth management (customers can access investment advisory services), currency exchange (which makes the process of exchanging currencies easier), and safe keeping services, which are typically reserved for higher tier customers. Retail banks, commercial or corporate banks, and investment banks are just a few of the many different kinds of financial institutions available to consumers and businesses. In the vast majority of countries, banks are controlled by the national government's apex banks or the central bank, respectively (Barone, 2021).

It is important to remember that when an asset is turned into fast cash through the process of "liquefying," the value of the asset changes little or nothing. Liquidation plays an essential function in enabling investors to take advantage of investment opportunities when the price of a portfolio is available for purchase. The degree to which commercial banks have the capacity to accomplish the obligatory responsibility to make requested draw-able cash

accessible on request is also considered in this assessment. while on the flip side Profitability, can be addressed as to the degree whereby the operations or engagements of commercial banks generate profit in the course of a particular as well as a certain amount of time, which is typically a financial year, as opposed to the rate at which they generate just profit being time bound and specific is essential. It implies that, as their name indicates (commercial), the banks as an institution have been created to provide services to their clients at a cost to them (Loo, 2007).

Moreover, in order to examine the feasible connection between liquidity of a commercial banking institution and profitability, There seem to be a variety of options , two ways to define, juxtapose , and associate liquidity to profitability in an enterprise or organisation, because the managers as well as the stakeholders have interest also concerned with obtaining income from any business opportunity and ensuring the fact that a banking corporation of that kind generates income and ensures that such income is upheld, as well as incentivized to do so by the government and other stakeholders (Al-Qadi & Khanji, 2018). They also state that there is a connection between the income earned by an organisation and the real profit earned by the organisation in their paper. According to a Pakistani research, the connection was found utilising measures such as the equity ratio, the return on asset, and the net profit margin, among others. According to the findings of the study, liquidity is strongly linked with and has a quantifiable impact that is identifiably measurable on profitability of a bank's operations. He also recapped the banking system will become increasingly insolvent if long-term lending continues unabated. He discovered in his research that there are few sources of evidence that may be utilised in the study areas to substantiate the forecasts regarding profit making and liquidity management of the financial institution.

Historic Path to Liquidity and Profitability

The Latium term "liquiditatem" was first used in the 1610s to describe the attribute of being monetarily liquid. The origin of the Latin term, as well as the era for which the word is dated by etymon line, indicates the fact that the aspect of liquidity is an essential facet that we should consider when it comes to the field of banking. It's also worth noting this term's use in the 1610s was not

stated as to whether it was linked with individual or commercial financing. in the 1600s, it’s also worth noting that the term's use in the then was not stated as to whether it was linked with individual or commercial financing.

In the ancient time barter system was the means of exchanging before money was gradually invested and adopted, hence the need to manage the stock for prospective exchange to meet timely demands (Uyan, 2017).it can be easily regarded as the first known form of liquidity management but in this context people produced their liquidity in form of farm produce other crafted items. The major players in this obsolete financial system were agents who possessed tools and other items that were of importance and or recurrently demanded by fellow individuals in need (Schulze, 1990). Accessibility to items and how quick such items can be made available was important. this means the barter agent can be regarded as being liquid in as much as it a was a pre-money era. Those who are in the barter system who receive commodities that are no longer useful may be confident that they will be exchanged for other item or services in the immediate future. As a result, since money did not exist at the time, the commodities that are transferred serve as both a commodity and a means of exchange in this system.in as situation whereby there the commodity available is surplus and the obtaining power which is also items or commodity, hence the challenge of holding items that are not required at the moment, this is how liquidity surplus gradually creep’s in. When products become excess, the owners took steps to protect them from robbery, deterioration, and pests, among other things. This resulted in increased effective ways to properly store surplus goods for later use without sacrificing their quality. In the early days of barter, both surplus and deficit were a concern. The emergence of liquidity may also be witnessed in eras when goods were traded for goods. (Acs, 2014)

Be a product circulates and becomes accepted through and over time, it might and gradually be regarded as money especially with the extent to which it facilitates exchange (Rothbard, 2008). As a result, the primary medium of trade becomes commodities that gain purchasing power, such as gold, silver, and other precious jewels. In ancient times, the above listed was utilized to hold value regardless of geography, religious ideological belief or regional cultural. In the account by Menger (1892), the cash theory is basically a theory of goods

or commodities, and the motivation for why precious metals were assumed to be cash, basically assumes speculations suitable for the sale of goods and which They received valuable incentives. Important existing metals are a source of trade because they sell better than any surviving item, and they are equipped with the appropriate and helpful elements of money. Natural scarcity, including geographic dispersion, ease of mining and production, low transit cost relative to value, indefinite durability, and comparatively low cost of hoarding are among Menger's arguments for gold becoming money. Gold is also easily identifiable due to its golden hue. Transactional commodities aided commerce and wealth creation while also allowing users to "arrange" liquidity in time and place, allowing them to reap the rewards of their effort not just in the present but also in the future. as well as other geographical places and locales. To put it another way, liquidity now has temporal and geographical aspects. Persons wish to obtain currency or cash in order to safeguard the riches for a long period of time and efficient. As a result, managing liquidity and profitability is as ancient as the bartering of goods for goods, transactional exchange, and storing of commodity with the hope of exchanging for value.

The Aim of the Thesis

The goal of this research is to empirically determine the impact of liquidity on the profitability of a group of commercial bank in Nigeria that’s are actively being supervised by the central bank. This empirical investigation also focuses on a selection of commercial banks that will be examined during the investigation. This study additionally attempts to evaluate the predictions that were generated throughout the research question, which was targeted at determining the bearing of profitability on commercial bank’s liquidity in Nigeria.

The Importance of the Thesis

The following topics are the focus of this research study: because the topic embodies, the purpose of this research is to empirically test the generated hypothesis about the influence of profit-making on the liquid holdings of Nigerian commercial firms. This study shall adopt a statistical program in the accordingly (Eviews 10) to research collected secondary information sourced from the commercial banks in study via annual report and relevant sources

that includes the central bank of Nigeria. This research project would also conduct a literature review of existing scholarly works, such as periodicals, journals, academic texts, and articles, in order to conduct a literature analysis of the research material related to both variables of the study (dependent, independent etc.). Finally, to address the primary question of whether liquidity has a traceable influence on the profitability of the banking institutions that are under investigation,

Hypothesis of the study

H1: Commercial bank liquidity in Nigeria has an impact on return on assets.

Ho: Commercial bank liquidity has no effect on return on asset

H2: The return on equity of Nigerian commercial banks is affected by liquidity.

Ho: The return on equity of the Nigerian commercial bank is not effected by liquidity.

H3: The total asset of a commercial bank is affected by the liquidity of the commercial bank.

Ho: The total asset of commercial banks is not affected by the liquidity of the commercial banks

H4: commercial bank liquidity has an impact on current and savings accounts ratio

Ho: Commercial bank liquidity has no impact current and saving account ratio

H5: The deposit-to-asset ratio of a commercial bank is influenced by its liquidity.

Ho**:** The deposit-to-asset ratio of the commercial bank has no influence on liquidity

H6: Commercial bank liquidity has an impact on the gross domestic product.

Ho: Commercial bank liquidity has an impact no impact on the gross domestic product

Significance of the Study

The paper seeks to investigates impact of profitability on active commercial Nigerian banks as well as in what way it could affect the liquidity of the carefully chosen banks, it is important in that it also contributes to the limited number of research work when it comes the aspects of liquidity when it comes to the perspective of the nation's monetary economic framework or in the context of in the nation, both of which are currently available. Because it emphasizes the significance of liquidity management to commercial banks and the possibility that it has a discernible connection to the profitability of commercial banks in Nigeria, this research study is timely and important. It will also serve as a model for future research in terms of the method utilized and additional theories which will be used to better understand the main factors in order to make the results more repeatable in the future.

The Scope of Study

Scope of the study pertains to the limits within which the research project will be conducted; this is often also termed the scope of research. To establish the scope of the study is to specify all elements that will be examined in your research project. The scope of the study also implies all those topics that will be addressed in the research endeavor. It specifies precisely the amount of material that will be covered by the methods of the study in order to arrive to more logical conclusions and provide convincing and acceptable responses to the research. Within the scope of this research, 12 years of financial statements for examination, as well as selected commercial banks in Nigeria, are being considered for inclusion (Private). This would at the same time cover the twenty-one (21) commercial banks amongst the twenty-two (22) commercial banks presently operating in currently Nigeria with full licenses. The whole current research doesn't really include a comprehensive range of the many commercial institutions in Nigeria under the central bank. it excludes the fin-tech companies which operate like commercial banks.

Limitation of the Study

This work was restricted in that it did not encompass fin-tech firms and virtual banking institutions banks, which have lately risen in the Nigerian financial industry, in order to adequately analyze the holistic role of profitability on the

liquidity in commercial bank’s system in Nigeria. Collecting commercial banks' chronological financial documents, in particular, those whose financial information is not easily and promptly accessible on the company's website. or are unavailable, was also a constraint encountered throughout the research, which necessitated communicating to the commercial bank for assistance. the research study's conclusion might also be jeopardized by a lack of time.

Structure of Research

The research work is organized in a way to include the introduction which as displayed in the table of content in page (iii) it includes the introduction section, which is the first section of this thesis study. It is designed to critically to grab the reader's attention right away to the motivation behinds the work expectation as well a summary. Give a strong focus, goal, and trajectory for the study. Background, this is the section in which the context of the entire research study is elaborated. This section discusses why this specific research subject is significant and necessary for comprehending the study's key points it also contain historical account give a solid foundation to the entire work. Aim of study, the aim of study conveys the research study's main objective or ambition; it encapsulates in a single line or more what is intended to accomplish at the end of this research project. the goal is defined and stated in such a manner that it can be understood when it is achieved. Hypothesis, this is a precise postulatory statement. A quantitative hypothesis consists of a null(*Ho*) and alternative (*Ha*) hypotheses that are either proven or refuted through rigorous statistical data analysis.in this study, hypothesis is coined form the conceptual framework. Importance of study, as the name implies it covers the relevance of the study on a general ground and course of study. Scope of study, the scope of the study, also known as the scope of research, refers to the parameters within which the research study will be carried out. To establish the study's scope, you must first identify all of the elements that will be addressed in your research project. Limitation of study, the limitation of the research are those aspects of the structure or procedures that impacted or compromised the interpretation and outcome of the research’s findings. And so on are all included in chapter one of the research. The next chapter will

mostly consist of a comprehensive theoretical literature review related to the study issue. The study's empirical literature is presented in the third chapter.

CHAPTER II

Literature Review

This chapter will examine a variety of scholarly sources in depth, as well as the perspectives of various published materials including writers with expertise in the areas of liquidity, profitability, and related elements of the research's core topic. A study of pertinent literature that demonstrates views about the impact of liquidity on commercial bank profitability or other literature correlated publications that points towards liquidity and profitability. It is crucial to note that the publications chosen to conduct this literature study are not restricted to journals and publications written by Nigerian scholar, conferences, textbooks, or other publications. Key elements such as the authors' thoughts, the notable factors elements and variables in focus, the concluding outcomes, and analytical methodologies will be examined when examining the appropriate information.

Liquidity and Profitability in Commercial Banks

Today 21st century banking is influenced and being shaped by technology and it is not stopping, Modern commercial banks are more than just physical structures or firm issuing automated machines and the cards to customer or a firm that provide a conducive environment for people, individuals, or groups to conduct monetary and credit transactions: it consists of more. Banks are any medium (virtual or real-time) through which one or more clients may or can successfully conduct transactional monetary exchange (Llewellyn, 1996).It is critical to recognize that a commercial bank is a for-profit business. The ease with which an asset, an investment or corporate commodity may be liquidated is referred to as liquidity. Or may be converted to cash in order to keep an organization's or commercial bank's operations running while meeting the demands of the customers (Fredrick, Omwoyo, & Zipporah, 2018). It's worth noting that when an asset is 'liquefied,' there's little to no change in value when it's converted to fast cash. One of the most important functions of liquidity is the capacity to access investment possibilities whenever the cost of a portfolio of such assets is within reasonable reach. This consist of the ability of

commercial banks to meet their legal obligation to make withdraw-able cash accessible on request. On the other side, profitability refers to the pace at which commercial banks' operations or engagements generate profit over a set frame of time, generally a financial year. As the term implies (commercial), banks are created to provide services at a fee to their clients (Loo, 2007).

Furthermore, there are several techniques to determine, compare, and relate liquidity to profitability in a corporate organization to be able to investigate the relationships amid commercial bank liquidity and profitability, as the owners and stakeholders are concerned with making a profit from any business portfolio and ensuring that such a corporation generates money that is sustained and grows over time (Al-Qadi & Khanji, 2018). The authors also assert that there is a link between a firm's sales earnings activities and the firm's real profit. The relationship was investigated using parameters such as return on asset, equity ratio, and net profit margin in a Pakistani study. Liquidity is closely related to and has a quantifiable impact on the profitability of commercial banks, according to the findings of the study. (Waleed, Pasha, & Akhtar, 2016) . additionally, the independent variables were current ratio and liquidity ratios studied against return on equity, return on asset, return on investment, earnings per share, net profit margin, Tobin Q, current ratio and liquidity ratio become dependent variables for the study. However, regarding his research, there are few sources of information that may be employed in the research field to back up his forecasts on the issue of bank liquidity on profitability or otherwise.

Liquidity is a critical component of a bank's successes or failures in the banking sector or enterprise. This emphasizes the necessity of recognizing liquidity risk; liquidity must be addressed in every investment since it is critical to achieving the institution's profit goals (Pape, 2020).

Also, Liquidity risk may also be defined as a bank or financial firm's incapacity to transform its present asset at the correct time when it is requested or required for conversion to cash upfront in order to meet demand or avoid loss upfront (Scannella, 2016).In a nutshell, funding liquidity risk is an aspect of liquidity risk , which is referred to as the inability of a bank to pay up its liabilities

owed to creditors when they are due, resulting in default and eventually collapse. Market liquidity risk, on the other hand, is the difficulty to quickly sell an asset for cash (Kenton, 2021).

The apex bank also sometimes referred to as the central bank has numerous responsibility to the banks under the supervision which includes a controlled liquidity levels and requirements, the central bank regulates and monitors the liquidity if the commercial banks. According to, it is feasible to deduce that the banking structure follows a beneficial procedure and method in the banking industry. The central bank is responsible for implementing rigorous policies that are both obstructive i.e. When apex banks implement restrictive monetary policy, they are attempting to stifle economic growth. The word "restrictive" refers to the banks' limitations on the availability of liquidity. It limits the amount of cash and credit that financial organisations may make accessible to their customers. It does this by increasing the cost of loans, credit cards, and mortgages, thus reducing the currency money supply. As a consequence, demand is suppressed, resulting in slower economic development and higher inflation. (Amadeo & Boyle, 2021) and expansionary i.e. An expansionary monetary policy by the central banks is referred to as a form of macroeconomic monetary policy which attempts to boost the pace of monetary expansion in order to support internal economic development. Increased money supply is required to sustain economic activity and growth. individual as well as customer expenditure and company capital investments are both enhanced as a product of the money inflow (Boyle, 2020). This method is based on daily assessments of the liquidity conditions in the banking sector, allowing decision-makers and action-takers to determine the amount of liquidity required at any one moment, as well as the scopes of liquidity to make accessible or withdraw from the sector as a whole (Ibeabuchi, 2007). Therefore, in nature in order to achieve price stability, stable interest rates, manage the nation's credit system, and safeguard the currency's value on the international market (Fadare, 2011).

In terms of stock assets accessible on the stock market, Nigerian commercial banks occupy a significant portion of the entire tertiary sector and financial sector. As a result, the banking industry, particularly the commercial banks,

must be supplied and adequately supported in order to maintain a functioning, stable system and a secure economy, emphasizing the necessity of profitability.

While the Second World War ended, there was a surge in domestic financial growth, with 185 alleged "mushroom banks" registering between 1947 and 1952, although many didn't actually begin operations. However, the number of banks that did begin operational activities did not succeed within a few years due to managerial mismanagement, insider lending, and insufficient capitalization. Only four of the banks established by local investors during this time period survived until the country's independence in 1960, all with the additional assistance of generous monetary assistance from government bodies, whose unambiguous responsibility was to assist indigenous banks in their efforts to financially support local organizations. By the mid-1950s, the indigenous financial boom had come to an end because of the implementation of the 1952 Banking Ordinance, where for the first time in Nigeria placed specific restrictions on banks, such as minimum capital requirements, and because of the loss of open certainty created by the collapse of local banks (Nwankwo, 1980). The role of banks as liquidity providers could also explain why lending and deposit-taking activities are still combined in the very same organization. Narrow banking, in which borrowing as well as collecting customer funds is separated it is handled in different types of organisational institutions, presently rare in reality currently. This suggested both two sections as contained in the financial books especially statement of financial position show a same functionality, such as liquidity arrangement on each side which are asset and liabilities. A component of it refers to shared cooperative activities between the sections, given that both anticipate that the banks retain large amounts of liquid asset resources: If store withdrawals and credit duty takedowns are not properly coupled, all dead-weight expenditures of keeping these liquid resources might be shared between the two activities.

The research study has been conducted when it comes to utilizing both primary and readily available data in which was computed via correlation analysis and done to come up with the final conclusions. (Olagunju, David, & Samuel, 2011) has a dominant opinion about liquidity and profit of commercial bank? The

authors findings exposed that there is indeed a clear link connecting liquidity administration and commercial bank profitability. The study also stated that in order the banks under study to run and thrive successfully, the bank administrative leadership must treat equally excess also inadequate liquidity as an 'illnesses', since they may quickly consume the bank's profit-making, lowering the bank's likelihood of attaining its profit-bearing aim. Sunny Obilor (2013) piloted a study in 2013 to decide the impact of liquidity management on the cumulative performance of financial institutions (selected commercial banks) in the country. In the study, he considered the impact of Treasury bills and Certificates of Deposit on the banks' operations, as well as the impact of cash position on the bank's profit. He came to the conclusion that in this research, the (ERS) was utilized to find correlations and regression analysis was employed to test the hypothesis. Liquidity management is a key problem in the financial sector, according to this study (Ibe, 2013). The goal of (Al-Qadi & Khanji, 2018) 's empirical study on the Jordanian trade service industry was to find recognizable connections regarding liquidity and profitability in the Jordanian trade service sector, based on the title of the journal. It moreover examines if financial liquidity indicators have a positive or negative impact on the profitability of the industries. ROE and ROA were used by Al-Qadi and Khanji.The study concluded that the independent (x) and dependent (y) variables had a clear statistically measurable relationship. Lastly, current and quick ratios have a substantial impact on return on assets. While discussing the definition of liquidity, Attila considers the role of money as well as current financial innovation as a component of liquidity. According to Asc (2014), liquidity is defined as the ease with which the money function transforms, resulting in a rise in loans and equity. Acs used an exploratory method to discover the development of liquidity by providing a step-by-step account of how liquidity evolved from the beginning and effectively demonstrating how the narrative has evolved through time.

Another study looked at liquidity banks in the Czech Republic (Vodova, 2011), with the goal of discovering and identifying the factors that influence liquidity in banking institutions. Over the course of eight years (between 2001 and 2009), discovery from the study found liquidity of banks of Czech Republic had

been seen to be positively related to capital adequacy, interest rate on loans, share of non-performing loans, and interest rate on interbank transactions over an eight-year period. In the journal, I divided liquidity risk into some dualistic categories: funding and market liquidity risk.

In 2014, another noteworthy piece of literature was released with the goal of determining the impact of profitability on the liquidity of Kenyan banking firms. The authors found as a consequence of examination of which took place in kenya on active 43 active banking institutions operating in commercial status in making use of annual data during the five-year period, as indicated elaborately in the journal's aim. The study was motivated by the necessity for commercial banks to really be completely alert to potential variables that they may manipulate to their profit-making advantage. Which is done as a descriptive study for supplementary data spanning the years 2009 to 2013, with obtained dataset coming via firms reports of the chosen firm. It's as well worth noting both inferential descriptive statistics remained utilized. Liquidity was investigated as an internal component related to the subject of this journal article, whereas profitability being examined and quantified as return on asset. Furthermore, the researchers note that investment primarily in assets would result in big profits and that keeping enough liquidity with regards to short-term securities could result in income. (Lukorito, Muturi, Nyang’au, & Nyamasege, 2014)

A Pakistani research work was also published that addressed both financial position and the measureable impact on liquidity in Pakistani commercial banks. The study was conducted to identify and evaluate the identifiable trade-off among both liquidity and profitability respectively within the banking sector during the period, and this spanned a five-year dated interval (2010 to 2015). Secondary statistical analyses were performed utilizing Ordinary Least Square method. The authors (Waleed, Pasha, & Akhtar, 2016) claimed in this study that the notion of managing liquidity is utilized to evaluate the bank's financial circumstances or status. The results of the four models in this literature, two of which showed a favorable impact the other a detrimental impact. The empirical findings also show that when account payables grow, the banking sector's

income might expand, implying that liquidity has an apparent influence in the group of Pakistani bank's profitability that were being studied. As a result, banking system's profitability will grow as long as it has access to liquidity when it is needed. According to them, liquidity sufficiency is a strategy that can help banks avoid financial crises and the dangers that come with them.

When it comes to evaluating the operative competence of banks in a notable altering financial climate, profitability is an essential criterion to consider. Researchers were able to discover a relationship amongst bank specific and macroeconomic variables in Latvian commercial banks over the period 2006-2011 (5 years) via their present study. Operating efficiency, portfolio composition, and management are all improved when profitability is achieved; nevertheless, capital and credit risks are harmed when profitability is not achieved. A favorable effect on profitability has been shown by the authors to be associated with improved operational efficiency, portfolio composition, and portfolio management. Profitability is measured by ROA, while profitability is measured by ROE has a positive impact on capital portfolio composition. In terms of macroeconomic variables, the writers have discovered that GDP possesses a favorable outcome regarding profitability as assessed by return on assets and return on equity, respectively. Given the shifting nature of macroeconomic indicators, banks should be able to foresee future crises and therefore prevent negative repercussions for the indicators particular to their industry or sector. However, this is a subject that is relevant not just for academics but it's also important for bankers individually, particularly aspects pertaining to bank management and shareholders. In a further study, the writer aims to compare the profitability of banks from throughout the whole European Union in order to identify any connections that may occur amongst the Latvian and foreign financial systems (Erina & Lace, 2013).

In addition, There is another piece of literature that addresses equally profitability and liquidity in actively operating banks: a Pakistani research study that was conducted between 2010 and 2015 (5 year period) to determine and evaluate the recognizable trade-off amongst liquidity and profitability in the banking system. The data were not raw primary resources and analysed

adopting the use of the OLS. The writers Waleed, Pasha, and Akhtar (2016) say throughout the course of their study that the idea of liquidity management is used to perform a review on the financial status or economic situation of the bank at the time of the check-in. There were four models tested in this literature, two of which showed a positive impact and one of which showed a negative effect. The empirical findings also indicate that when there is an increase in account payables, the revenue of the banking industry may be increased; as a consequence, liquidity appears to has a pocess a substantial effect on the amount of profit earned by commercial banks in Pakistan. As a result, as long as the banking industry has access to cash when it is required, its profitability will increase. According to them, liquidity sufficiency is a strategy for saving banks from financial crises and the dangers connected with liquidity shortages.

Concepts Liquidity

To start with, concepts are The underlying rules, assumptions, and circumstances that establish the criterion and restrictions in which accounting operates are known as accounting concepts. to put it another sense , this concepts are agreeably universally accepted principles of accounting that serve as the foundation for regularly preparing and dealing universal financial accounts. (Diamond & Dybvig, 1983). In the section the ideas of numerous scholars will be reviewed for better perspective to what liquidity mean and what it stands for and a better understanding on the role it plays in the financial world as well as commercial banks. Liquidity concerns cannot be overlooked, as seen by cash constraints experienced by several financial sector providers. Even if a financial firm is perfectly solvent, it can be liquidated if it is unable to generate adequate funds in terms of liquidity. The Federal Reserve, for example, ordered the shutdown of the Southeast Bank of Miami who had up to $10 billion in the 1990s because it cannot generate just enough liquidity to repay the Fed's loans. Furthermore, liquidity managers' competency is a key indicator of management's overall efficacy in attaining any institution's objectives.

Creating liquid loans with liquid demand deposits is a key role of banks in the economy, according to modern financial intermediation theory (Diamond &

Dybvig, 1983). A bank creates liquidity on its balance sheet by converting less liquid assets into more liquid liabilities. This shows that the banks might be capable of producing significant liquidity OBS that is no on the annual report (not included) via lending obligations and other direct assertion on liquidity resources (Kashyap, Rajan, & Stein, 2002).

Short-term, liquid liabilities (short-term deposits from customers ,clients ,users and firms) are converted directly to long-term, illiquid assets by the commercial bank ((Kashyap, Rajan, & Stein, 2002) It allows the prospective customers to level out their expenditure and investing tendencies. By serving this strategic economic purpose, banks effectively protect their customers from liquidity concerns. By providing liquidity to citizens, banks, on the other hand, they subject themselves to liquidity risk if the borrowers fail to repay the loan. This shift has the effect of raising society's overall welfare level.

the illiquidity of commercial banks is a condition that can be observed in both healthy and failing institutions. When consumers withdraw huge sums of money from a bank, a run on the bank occurs. It's possible that one bank's liquidity problem that lead to quick run will spread across others. Liquidity issues can quickly spread throughout the financial industry, ending in a catastrophic bank panic. Evidently, bank runs and panics are exacerbated by the lack of complete information and the concept of handling it at come first, come served in the reimbursement of deposits at par. To prevent possible bank runs, procedures for example deposit insurance, reserve requirements, and accessibility to the apex bank’s liquidity should be implemented (Diamond & Dybvig, 1983).The nature of the commercial banks as liquid suppliers illustrates possible reasons the commercial banks' lending and deposit-taking operations are intertwined. Keep in mind that lending and deposit taking are handled by separate financial organizations in restricted banking practice. However, this is no longer the case. A bank's balance sheet contains information on both its assets and liabilities nowadays highlight the same functional area, which is liquidity provision. Liquidity provision is making credit available to individuals who really need it while without jeopardizing the lending financial institution's liquidity at the particular time .This thus suggest that banks keep significant amounts of liquid assets with the aim

of sharing any dead-weight costs associated with holding them (Thakor & Ramakrishnan, 1984).Various authorities stand with the belief or claim that the demand deposit stimulates banks to give resources (liquidity) to borrowers; this is because if the complete face value of the loan is unable to be repaid, early loan liquidation could result in depositor making huge loss and, as a direct consequence, a bank run (Thakor & Ramakrishnan, 1984)

Liquidity is defined as a commercial bank's capacity to support asset growth (advances) and satisfy commitments by obligation (depositor claims) when they fall due for supply. The randomized nature of liquidity is highlighted by this definition (Kashyap, Rajan, & Stein, 2002).This aspect is critical such that in situations when credit lines (LOC) are used unexpectedly, such as untimely interest payments by selling, credit risk protection, unanticipated bank withdrawals, or untimely loan redemption . In an ideal world, banks would be able to evaluate their sensitivity to particular liquidity risk by evaluating a variety of probable results and their likelihoods, and then develop the appropriate response.

The funding and cash liquidity dimensions of bank liquidity are distinct but intertwined this are the two dimensions of bank liquidity. Asset or market liquidity describes the capacity of the market to borrow money; and asset or market liquidity denotes to the market's ability to sell-off or unwind asset positions.

Financial liquidity is required by leveraged organization which appears to be incapable or reluctant to trade its asset holdings in a judicious method. Similarly, a company who is faced with the inability to raise the required capital or fund may move to sell off or pledge an illiquid asset, which would be incredibly problematic. For facts, funds and asset liquidity tend to supplement one another since they interact as well. Nonetheless, if disruptions affect the financing (liability) spread to lending, then markets may be harmed during volatile times. Distress selling is a risk for firms that wish support their fund supply operations through amount of money that is loaned or a firm that us characterized with a poor cash position. The liquidity of the market is eroding there. this banking firms should have the ability to identify the maturity

profile of their assets and liquid assets to keep in order to meet a specific maturity mismatch criterion, i.e. they develop a strategy.

As a result, commercial banks must estimate the likelihood of further liabilities being created quickly enough to substitute them, i.e. managing financing liquidity risk. In reality, liquidity management is a cost-benefit analysis. The banks won't be able to do so. pay short-term obligations, i.e. manage asset liquidity risk, if they fail to do so (Thakor & Ramakrishnan, 1984) Surprisingly, well-managed commercial bank executives prefer to think about regular and stressful periods separately, because the likelihood of adjustments in the marketability of various asset classes and the maturity arrangement of liabilities may differ depending on the current situation. This is due to the fact that a banking institution will always have the capacity to fund its operation so long the bank is prepared to make payment at the price of the market otherwise sell pledge assets. Similarly, the banking firm might keep highly liquid assets with the aim of ensure liquidity, although this kind of assets will provide modest returns (Bindseil, Weller, & Würtz, 2003).

Theoretical Literature Review

Liquidity Theories

In terms of liquidity, banks are confronted with two major challenges. Liquidity generation and risk management are the responsibility of banks. Depositors and businesses benefit from liquidity generation, especially when alternative kinds of funding become problematic. Liquidity risk management is the process of ensuring a bank's own liquidity so that it can continue to perform its functions. The article by (Vossen, 2010; Vossen, 2010) focuses on the balancing act amongst a bank's inherent liquidity and its function as a liquidity generator, particularly in periods of economic hardship or downturn. Following the global financial crisis that started in 2007 and continues to damage the economy presently, this topic has received a lot of attention.

Commercial banks' fundamental goal of successfully producing liquidity while preserving financial position remains the same today. A financially healthy commercial institution was ensured by effectively and adequately managing liquidity and its linked assets. There are several viewpoints on how commercial

banks maintain their liquidity, all of which must be declared or as ordered by the central bank. There are indeed a variety of liquidity theories for asset management that specify how liquidity is evaluated and regulated in banks, as well as the way commercial banks might deal with liquid storage, surplus, and shortage.

Commercial Loan Theory

According to the commercial loan theory which (Chinweoda, Onuora, Ikechukwu, Ikechukwu, & Ngozika, 2020) is sometimes addressed also as real bills doctrine, a commercial bank ought always to make short-term self-liquidating industrious loans to businesses. the Self-liquidating loans are those that are used to fund the creation and development of products through the various economic phases which includes manufacturing, storing, transportation semi-finished or finished products, and distribution of product. According to this theoretical idea, if commercial banks issue self-liquidating productive loans for a short period of time, the central bank should lend to the banks on the security of such short-term loans. This concept ensures that each bank has the right amount of liquidity and that the entire economy has the right amount of money supply. By rediscounting authorized loans, the central bank was intended to enhance or eliminate bank reserves. commercial Banks were now able to acquire more cumulative reserves by further reducing the market value of the instrument or bills with the central banks as company grew and trade requirements increased. When business activities occupationally slowed and trade requirements decreased, the number of bills rediscounted decreased also , as did the source of bank reserves and the quantity of bank credit and physical cash (Chinweoda, Onuora, Ikechukwu, Ikechukwu, & Ngozika, 2020)

The ideologies that points out that lending that need to be done by the banking institution should be for short period of time also for reasons that can be evident enough to attain self-liquidation is one of the bank credit principles that has prevailed, not only as an assumption or theory but also in reality, in the history of the commercial banking system. historically significant in the development of the banking sector A commercial bank's primary function, according to the report's findings, is to "generate financial resources that would

just be adopted to facilitate production of items, help put in vehicles heading to marketplaces, as well as reaching the final products user and sometimes consumer, as well as make available funding to make compete pay of all finished goods, labour, as well as other assistance like services includes in the product development of the items and in the production." The following is Adam Smith's understanding with regards to bank liquidity: Short-term loans being used generally to fund commercially viable items in transit from maker to customer are the most liquid forms of loans a bank can issue. They are self-liquidating loans since the funded items will be sold shortly. The loan funds a transaction, and the transaction funds the borrower's repayment to the bank. Adam Smith termed these loans "liquid" since their goal and items used as guarantee of repayment were both liquid. Goods move quickly from manufacturers to wholesalers to major retail outlets, where cash-paying customers purchase them.

At initially, credit should have been given similarly to all classes, but this was rapidly overturned following a numerous accounts of let-downs highlighted the importance of the liquidity management principle in banking (Sklansky, 2010),A good instance, short-term commercial paper was best made as way loans should be issued, the managers of the United state bank were prevented from issuing on real estate properties or assets or leaning while having stock from customers as collateral, they were regarded as poor banking collateral the fact that large losses also occurred in the period in which Jones was the manager of the bank, consequently , stock related loans had greater possibility of locking up bank funds (Catterall, 1903).However, not everyone agreed with these stated points of view: Almost any American banker's previous knowledge showed that long-term loan-advances is not inconsistent with business banking, according to a Virginia legislative committee in 1816. Miller (Miller, 1972).Much of the support for commercial loans, sometimes known as "business papers," may be traced back to the public belief that a bank's principal purpose was to build the commonwealth. The Massachusetts Bank Commissioner frequently condemned the practice of purchasing commercial paper in New York subsequently this kind of borrowings appeared given to small and scaled sellers instead of another forms of borrowing. All the “non-

domestic monies borrowed” are deemed incredibly risky, and the financial institutions were thus established to meet the needs of their immediate surroundings, rather than to support the projects of distant cities. Many states especially in the USA have gone further as to force the lending firms to borrow a specific percentage of owned assets to individuals who cultivate for extended time frame. As a result, a terrible mentality, that prioritized the demands of local borrowers over liquidity and solvency considerations, has continued to some extent to the current day and is likely responsible for numerous bank failures.

Credit for commercial purposes According to this idea, bank loans should be used largely to fund production and transportation of products. A factory, for example, may choose borrow money from a lending bank to purchase raw materials or semi-finished goods and turn them into completed goods, and the producer must repay the loan when his goods are sold (Currie, 1931). A merchant or retailer may acquire a bank loan to purchase products in the right manner, anticipating that the loan would be returned from the revenues of the consumer's purchase. A farmer may take out a loan to buy feed to fatten livestock for sale. The selling revenues are utilized to pay off the debt. As a result, bank loans used to fund manufacturing and commerce in products are immediately liquidated. However, there are times when commodities do not readily enter the usual channels of commerce, or do so at drastically reduced rates, resulting in significant losses for the sellers. Borrowers found it difficult most times payback or complete repayment of even short-term loans in such situations, leaving the loan issuing commercial banks with frozen credit and unanticipated losses. Currie (1931) was a writer who lived in the United States during the Great Depression.

This is frequent, because it creates the impression of a short-term borrowing on a responsibility that is actually a longer-term loan. And has been been several examples in the past of businesses getting bank loans to fund factory and equipment expansions. Such borrowing is given frequently offered for three, six, nine, or twelve months with the promise of renewal, potentially at a lower interest rate. The ability to repay the loans in full was contingent on long-term profitability or the ability to raise cash in the security exchange (Currie,

1931). These were clearly not entirely short-term borrowing , rather those with longer maturities period. Banks issued short-term loans to acquire an adequate quantity of fixed assets whenever the current ratio is deduced to be favourable, the ratio calculated by placing current assets to current liabilities which was good.

Acquiring a loan or borrowing for a much more extended period of time need with an uncertain short-term commitment, on the other hand, may be detrimental from the borrower's perspective. Even if the banking institution approves the loan with the implicit assurance that it can be extended if business circumstances and the borrower's financial situation worsen, the bank has the right to demand repayment at maturity. A huge percentage of secured loans issued to people are hardly genuinely commercial loans in banks, particularly in metropolitan areas, and are assessed either by the purpose for the loan or by the duration of the loan. Loans to consumers were commonly backed by stocks and bonds during the stock market boom of the 1920s. These loans are frequently given indiscriminately in the hope of further stock market price increases. (Currie, 1931). Individual managers or proprietors who operate businesses, on the other hand, can borrow by assigning accounts receivable or pledging items such as eggs, butter, grain, or other acceptable collateral in some cases; secured loans of this sort can fulfil all of the requirements of a traditional commercial bank loan obtainment.

Despite the fact that secured loans to brokerage firms have a solid track record of security and regular payments, many of them are really not necessarily commercial loans in the traditional sense. Bank loans on the surrender value of insurance policies would not be considered loans to assist the transfer of goods if the money was used for security stocks or bonds. (Currie, 1931) Nevertheless, uncertainty regarding their ultimate worth or the likelihood of their liquidation in the near future shouldn't appear to be an issue. Consequently, one may question if conventional commercial loans include bank loans to commercial lending firms that fund retail instalment sales of other relatively long-lasting goods that are basically capital expenditures. Small personal loans will not be deemed loans for the movement of goods and

transportation, with liquidation arising from borrowers' sales of the commodities.

The whole emergence of consumer credit in the commercial banking system, i.e. modest individual borrowing, defied the traditional concept of commercial bank credit. It generally only included giving credit to ordinary people for individual consumption, rather than short-term commercial loans to support the production and also sale of commodities. Which was liquidated as a consequence of the borrower's sale of the goods.

Commercial Loan (Traditional) Theory and Liquidity.

Individual banks and the financial system as a whole discovered that bank credit was usually liquid in a growing economy, according to the older or conventional liquidity theory, which was developed decades ago. Business was flourishing, and commodities were flowing among individuals frequently through the channels of trade, presumably even at a rising pace (Villamil & Schreft, 1990), allowing most businesses to easily sell their inventories and fulfil their bank commitments if they so desired. With a rise in commerce (and in particular with an increase in price), bank loans tended to grow in size since it was financially advantageous to borrow money. Individual banks, as well as the financial system as a whole, may be deemed liquid for typical purposes in a successful and growing economy if they are evaluated in accordance with the criteria of conventional liquidity theory, which is now in use. Many companies may find it difficult to sell their inventory at prices that would allow them to pay off their commercial bank debts in the event of an economic downturn accompanied by decreasing prices (Villamil & Schreft, 1990). independently, a bank may be able to push the individuals who lend to convert their owned liabilities at the start of a economic depression, but any attempt by all banks, whether in a period of depression or prosperity, to force the liquidation of all their bank loans at the same time can cause in economic problems on a nation-wide scale. (Villamil & Schreft, 1990) The conventional idea to holding, according to popular belief, involves a flexible bank lending structure that enables bank loans to grow in times of economic growth while contracting in times of economic depression. To be clear, however, it should be noted that withdrawing a significant part of total outstanding bank credit

from the market at the same time would be economically catastrophic, whether the economy in a good state or in a crisis ,.

Shiftability Theory

It is the second most important explanation of bank liquidity, and it is known as the "shiftability" Theory. As defined by the shiftability theory, a bank's liquidity may be evaluated by the ease with which it can transfer its assets to other purchasers in return for cash at a reasonable rate. A new theory of liquidity with short maturities replaced the previous, conventional theory of liquidity with short maturities as the primary foundation for bank lending. This much increased capacity to transfer assets in an emergency certainly provided some impetus to longer-term bank lending during the Great Depression. Bond portfolios of banks, regardless of irrespective and if there exist marketplace for the financial instruments, seldom reflect lending or the use of bank money under the conventional definition of liquidity. selected bonds are not liquidated via the selling of commodities, as would be the case in a normal commercial transaction, but rather by the sale or transfer of the bonds by the bank towards another holder. The theory of transferability is a theory that states that something can be transferred from one place to another "states that, based on past experience, bond securities are frequently unable to be liquidated at maturity; that, Although the bond instruments may be converted on expiration, doing so is not desired; whereas when a single bank's obligations are required from, the only guaranteed source of liquidity in an urgent situation was its capacity to move resources towards other banks and get money from bond-specialist institutions.(Mitchell, 1923).

To be clear, the issue of liquidity in ordinary times isn't as big of an issue as it appears to be of expiring advances as it is a matter of transferring financial instruments to deposit institution in return for money. As long as the banking organisation could depend on different bank for assistance in times of difficulty, it is not necessary for it to depend on maturation of loans, i.e., banks simply required to transfer obligations and instruments. According to current thinking in banking circles, the best approach to reach the required side by side of funds is not to depend on maturation borrowings rather to accumulate a significant quantity of assets which can be moved directly to financial institutions prior to

their maturation if the need arises According to Moulton (1939), liquidity is associated to precaution The central banking system, according to Moulton, "is inherently apparent " During case regarding a brief liquidity crunch, commercial banks are expected to seek temporary accommodation from the central bank, according to this logic.

The shiftability hypothesis is not without its flaws and benefits, though. Because unsecured commercial loans made by a bank cannot be sold in the money market or transferred to other commercial banks, the first flaw is that it is not easily applicable to these loans made by other commercial banks (Prochnow, 1949). Potential purchasers of bank loans often do not have first-hand knowledge of the value of the liabilities of a large number of individual bank borrowers, which may be problematic. Even though some kinds of study, like that of prime bankers' acceptances and commercial paper, may also trade , this type of paper typically accounts for a tiny proportion of total bank loans (Prochnow, 1949), Moreover, in as much as the selling those instruments among banks can not result in an increase in the liquidity of the banking system as a whole, because a drop in pricing as well as a drop in commercial activity in terms of borrowing will accompany a decrease in the total quantity of lending, but banks' attempts to cut such debts quickly and in huge volumes put the firm under untenable pressure , wreak havoc and result in the collapse of the banking system as a whole. Overall, businesses sometimes cannot be abruptly deprived of the amount of credit to which they have become used without suffering catastrophic repercussions for both borrowers and lenders " (Durbar, 1922).

A specific application of shiftability theory is seen in bonds owned by banks, particularly marketable bonds, and involves the very substantial potential of assets being transferred from the individual financial firms to the Central Bank System (Morton, 1939). Thus we must have emphasised that the evolution of the corporate form has contributed to enhance the significance of the shiftability theory while simultaneously decreasing that value regarding conventional liquidity theory of finance. Because of this corporate structure, the issue of corporate bonds, which have been bought by banks, has been made feasible, as well as the use of corporate bonds and shares as guarantee

for bank loans (Morton, 1939). The long standing requirements for companies remain funded in part by bank bond portfolios and by the capital requirements of bank's credits in momentary or prolonged point, as a result of this. A banking organisation might possess minimal trouble in exchanging such assets and instrument, such as its bonds, to other individuals or firms while the economy is doing well. It would appear to be very challenging for most of the commercial agree at the same time to move a significant portion of their assets to additional individuals who possess it, especially at periods when the economy is generally prosperous, as a result of this.

Anticipated Income Theory

With regards to this theoretical idea, if decision makers discover that they are functioning below their goal or aspiration level, they may become less risk adverse and even more risk averse (Kahneman & Tversky, 1979). High variance (highly risky) options may have a greater chance of attaining the intended result than low variance (safe) alternatives. Alternatives This implies that accounting metrics are variable and tries to discriminate amongst different definitions of banking objective outcomes. Kahneman et al (1979) suggested anticipated theory seen to be description in events seen by Friedman and Savage and Swaim, that include Fishburn's idea of risk, — in other words, a high return compensates for a high risk.

(Payne 1980) et al. moreover, complements Kahneman1979 et al findings regarding the anticipated income theory. As a result, this leads to the fact that the anticipated theory, an individual may rationally exhibit varying forms of dodging uncalculated risks thus resulting to risk aversion throughout time, based on his relative position to required income. few among many bank agents, that appear to be hesitant regarding issue this time bound advances to businesses and industry at large, do not raise any objections to consumer borrowings; Consumers frequently approached for personal borrowings, which are payments to customers for such acquisition of televisions, washers and dryers, vehicles, furnishings, as well as other items. (Marvin 1949 et al.) These loans are not repaid from the borrower's sale of products in compliance with the commercial bank or traditional theory of liquidity, and the banks do not plan to liquidate the loans on the open market or through Central Banks. They are

to be liquidated out of the borrowers' expected income, hence the same liquidity theory applies to term loans and consumer loans. Citizens will have employment and income to repay their individual borrowings if the firms and sectors that provide period based loans are profitable and obtain earnings accessible in other to pay back their term loans. In our economy, the failure and success of these types of loans are extremely intertwined.

It's worth repeating that the old assumption established on the fact that the financial firms credits should be self-liquidating is unviable when put to the test of being liquidated not by a single bank but by the entire banking system. Individuals who oppose such notion argue that the said self-liquidating advances and borrowings cannot be liquidated at the significant level devoid of causing corporate catastrophe.

Likewise, individual banks may frequently switch moderate amounts of particular assets without suffering significant losses if other banks are more interested in acquiring them than in switching them. However, except for a central bank, when the banking system seem to be confronted with a period where in liquidity preference is dominant all through the banking system, the option to shift becomes greatly impossible to enact the theory. Liquidation of a bank loan, according to traditional liquidity theory, prevents the borrower from trading at the previous level.

Asset and liability management (ALM), which is the evaluation and administration of endogenous - financial, operational, and business - and exogenous risks, is an essential topic in strategic bank planning. The purpose of ALM is to optimise profits by allocating assets efficiently while keeping a manageable risk profile. The synchronised administration with regards to the banking firm’s statement of financial position to house alternate rates of interest and liquidity situations is recognised as asset and liability management (ALM). (Hennie & Sonja, 2003). momentarily, the ALM's goal is to maximise net interest income. Asset-liability management has progressed through time from a simple " gapping " processes at the maturation to market-centered processes that employ more advanced way of handling and hedging interest rate, liquidity, credit, and risk exposures (Ravindran, 2005). Considering the

growing complication of functioning in a international market, an efficient asset and liability management strategy is essential for longstanding accomplishment. (http://www.finser.com/) ALM is a multifaceted procedure which necessitates connections amongst various scopes at the same time. If the contemporaneous nature of the ALM is overlooked, lowering risk in one component can result in an unexpected increase in other hazards. With the rise and consolidation of financial institutions, as well as the emergence of new financial goods and services, the Asset Liability Management has changed significantly most especially during the last few decades. The types of endogenous and exogenous risks, as well as the connection that exist amongst them, have increased as a result of new information-based activities and financial advances.

As a result, the arrangement of balance sheet instruments now appears to become even more complicated, and banking system volatility has increased. As previously stated, banking has historically been a straightforward intermediation of deposits taken at a cheap cost. Bank executives avoided making difficult decisions on pressing challenges, particularly those involving loan volume, pricing, and investment. Consequently, throughout the 1970s and early 1980s, more and more bank managers were compelled to change due to the economic recession, unpredictable interest rates, and inflation. To make decent returns and maintain stable liquidity, asset and liability management become essential and required. Deregulation of the banking industry makes bank management far more difficult. Deregulation Additional competition was introduced accordingly.

Commercial banks, according to Sinkey (1992), used to conduct asset-liability management, although in a fragmented and ad hoc way and at various levels. the study points out that the corporate finance department was in charge of planning capital, the treasury group of risk management, and the investment planning department of investment functions.

Liquidity Preference Theory

Marimba in (2018) took note of the liquidity preference theory , In 1936, John Maynard Keynes proposed the liquidity preference hypothesis, which said that the supply and demand for money were the primary determinants of the

interest rate, with transactional, precautionary, and speculative motivations as the primary drivers. According to Weintraub (1958), when money is dispersed among players in the economic process, each pool of money stored reflects the demand for money, demonstrating that money is the most liquid of all assets. The monetary theory, which has consequences for interest rates, activity levels, and price levels, describes how and the reason people hold on to money rather than commodities or interest-bearing assets in their possession. The speculative motivation effectively describes why, after money saved have been collected, the instantaneous worry is how to spend the money that was saved up. According to Weintraub (1958), the most compelling argument for keeping money is the expectation that bond prices would decrease, and that the resulting capital loss will exceed the interest return. A speculative demand for money is defined as the possession of money serves as a channel of exchange whose value is contingent on the length of revenues received by the business or person who holds the money in question. The pricing levels and outputs are always in sync with the amount of cash that is needed at any given moment, regardless of the market. Because the value of money kept fluctuates in response to variations in the inflation rate in an economic system, the value of money held will fluctuate in response to fluctuations in the inflation rate in an economy. This fluctuation will have an impact on the profitability of a company.

Asset Management

this is established on the ground that the asset owned by the bank are divided into primary reserves(the bare minimum of funds in terms of currency-cash necessary by law to run a bank adequately), secondary reserves (This assets are frequently maintained in the form of investments that may be rapidly and cheaply translated to cash then utilized to fulfil unexpected commitments.), borrowings to customer, as well as investments, according to Kidwell (1990). Vault cash, deposits amongst other that are with bank branches, and the bank's cash holdings with the central bank are all examples of primary reserves. Primary reserves have a modest yield as well as a minimal risk. Short-term assets that may be converted quickly and without penalty are known as secondary reserves: Treasury bills and short-term securities are

examples. As a result, secondary reserves offer extra liquidity to the bank while also earning interest revenue. It is apparent from this plan that the bank's overarching goal is to retain the bare minimum of both the primary and secondary reserves. Nonetheless, the fluctuation of the volume of customer payment , additional liquidity providers, rules and regulation of the bank, and the banking organisation policy on managing risk necessity shall all be considered when calculating this minimal amount (Kidwel & Brown, 1990).This is established on the ground that financial instruments of the bank are divided accordingly to primary reserves, secondary reserves, bank loans, and investments, according to Kidwell (1990)**.** Vault cash, deposits amongst other that are with bank branches, and the bank's cash holdings with the central bank are all examples of primary reserves. the Primary reserves have a modest yield as well as a minimal risk. Short-term assets that may be transformed quickly even without cost are known as secondary reserves: Treasury bills and short-term securities are examples. As a result, secondary reserves offer extra liquidity to the commercial bank while also earning interest revenue.

It is apparent from this plan that the actual bank's overarching goal is to retain the bare minimum of both the primary and secondary reserves. Nonetheless, the fluctuation of cash supplied by customers, additional mean to obtain liquidity, operations rules, as well as risk position of the commercial bank should all be considered when calculating this minimal amount (Kidwel & Brown, 1990).

Profitability

Obtaining profits is a need and a primary goal for certain businesses. Fund administrators, for the most part, focus their efforts toward this goal in order to increase the value of investors and ensure their long-term survival. The role of business banks has remained central in the financing of economic activities in the various parts of the financial sectors throughout the years. Munyamboner, (2013)**..** In order to accomplish so, they must maintain their productivity (Ongore & Kusa, 2013). Beneficiaries result from this, but there is also a need for efficient banking at this period of growing competitiveness in international monetary exchanges (IMFs). Providing benefits is a basic need of every major

financial institution, and it is also the least costly source of money available. Especially if the advantages are re-invested directly into the company, bank perks may be a substantial source of value. This should compel secure banks, and as a result, high income may help to improve money-related stability (Olweny & Shipho, 2011).

In today's day and age, models that predict which companies will earn greater margins of revenue and in what manner rates would stay sustained in a financial sector wherein revenue will be the primary means of entrance have made it easier to better comprehend the profitability of a banking company. According to Athanasoglou et al. (2005), the Market Power and Efficiency Structure hypotheses, which were first proposed in the area of industrial organization theories, have been shown to be realistically relevant to the performance of commercial banks in the real world. According to Olweny and Shipho (2011), theoretical examination demonstrates the market power premise accepts that bank’s profit making is an element of external market elements, as well as efficiency structure premise is based on the fact that firm obtain great profits because of the fact that the banks indeed competent than others.

Market structure (the number and size distribution of firms in an industry) determines market conduct (the manner in which the organizations in that industry associate), which in turn determines firm performance, according to the structure–conduct–performance theory developed by 1980s (profitability).

When a commercial bank's liquidity requirements are not met, it becomes apparent that there are difficulties. Accordingly, while simultaneously striving for the profitability of such a deal. Furthermore, the lack of enough liquidity to the appropriate degree for the bank has a negative impact on the bank's good standing by causing customers to lose confidence in the bank, which in turn has a negative impact on the banking system and the financial industry in general (Alali, 2019).

Boredeleau and Graham (2010) found empirical evidence for a nonlinear connection between profitability and liquidity during the period 1997 to 2009,

demonstrating that there is a nonlinear relationship between the two. Literature on commercial banks has suggested that holding some assets in liquid form increases the profitability of the bank studied; however, it also suggests that over time based on extended period having more capital held will reduces the profitability of a banking firm; that is, the funding market compensates an individual banking firm to a specific extent for holding liquidity and thus plummeting the possible risk. Additionally, the corporate strategy and hazards involved with financing the specific market have an impact on the profit and liquid asset at the time of writing. As repeat, keeping more assets in terms of liquidity would result in a lower rate of return for the bank (Bordeleau & Graham, 2010).

Scholarly Perspective on Profitability and Liquidity Indicators

While the two most important components of this research have already been described in earlier pages, following a thorough analysis of related pertinent written literature as well as perspectives and outcomes of relevant and related literature, the sub variables for each variable will be discussed in greater detail later in this section. In this case, financial ratios will be utilized to highlight the element of the bank's profitability that is being discussed. This aspect and perspective are collectively coined from journalistic articles.

Bank Profitability Indicators

The ratio of net income to total assets on the balance sheet, or return on assets (ROA), is significantly more prevalent in liquidity management. This reflects the extent to which or the efficiency with which the banking organization is been able to convert items. The result of the return on equity (ROE) calculation provides information derived from the net income and total asset. in accordance with Lee and Iqbal (2018), the ratio is calculated by net income divided by total asset represented as a per-cent. This is adopted as an indication of proficiency and to monitor the volume of earnings generated from assets utilized in financial institutions. As a result, return on equity (ROE) will be used as a metric or as an indication of profitability, and it will be evaluated simultaneously with liquidity.

The return on assets (ROA) of a company is an estimate of how lucrative it is in relation to the assets or capitals it possesses or controls. It is used to compute how effective an establishment can be and to what extent quantity it produces in terms profitability. It is frequently adopted to make comparisons of two identical establishments with similar internal structures of operations to determine which is more profitable.

Return on equity (ROE) is a term that is often used in the calculation of profitability since it computes how much profit a commercial bank is generating without having to make a new investment of a certain amount. This is accomplished via the use of yearly data received from the bank's accounting records. The return on equity (ROE) evaluates a firm's ability to produce profit. This is calculated by dividing earnings by equity in order to determine the value of the stock at the moment. According to Lee and Iqbal (2018), it is a technique used to determine the volume of profit produced in proportion to the entire amount of shareholder's equity contained in the statement of accounts.

Considering that inflation is a normal economic progression that has been happening all over the world, it is essential to include inflation into fiscal planning for any company. Whenever the value of depreciation and stock consumption are taken into consideration throughout the year are calculated on the basis of their initial cost rather than the replacement cost, the profitability of a business is exaggerated, even when inflation is taken into consideration. the financial banks Commercial banks are very lucrative as a result of the fees they charge for their services to people, companies, as well as other establishments, as well as the income they make on the assets and securities that they hold.

The gross domestic product (GDP) of a nation is one of the most often used indicators to evaluate the economic growth of a nation (GDP). The Gross Domestic Product (GDP) of a country is determined by taking into consideration a variety of various elements of that nation's economy, such like total consumption and investment in the country. Since it reflects the entire monetary worth of an economy's goods and services over particular frame of time, the gross product remains arguably among most closely watched and

important economic indicator for both economists and investors alike. It is referred to as a calculation of the total size of an economy in most circles. The Gross Domestic Product (GDP) is the economic value of all completed goods and services produced within a country's borders in a certain period of time; this includes both domestic and international manufacturing output. Its only aim is to assess the financial health of a country. (Kramer, 2021)

The Deposit to Total Assets Ratio measures the range of assets supported by the constant deposit portion. The RBI will have an established baseline i.e. 50 percent indicator standard. When the is great ratio, then it healthier for the actual bank liquidity situation. The deposit base is likewise extremely small, as are the possibilities of encountering liquidity risk (Anitha & Priya, 2019).

Working Capital

Liquidity is measured using operating capital ratios, i.e. an indicator in commercial banks. the ratio also plans the banks' ability to make cash available for a short-term financial need (Shahid Qadir Dar, 2017). For a commercial firm, Hawley (2020) requires the working capital to function efficiently every day because cash is required in order to cover certain running costs such as bills, installations and raw materials for the manufacture of the company. A financial institution has adequate funds if the calculated test is positive whereas a negative outcome may show not enough cash to satisfy the company's essential needs. Liquidity in this context therefore aims to measure how banks can pay bills if necessary. The earliest symptom of liquidity problems is the negative work capital, which can transcend into full management problems if there are recurrent native working capital.

Current Ratio

For a certain year period, this is used to calculate the capacity of a financial form to fulfil the liquid obligation that is due. We want to determine the impact profitability of on the liquidity of active banks in the nation’s financial sector. The computation would remain utilised just an indication as well as method of computing liquid status while carrying out this research project. However on the basis of Fernando (2021), the current ratio is addressed as such for the reason that, when contrasted to several different methods, it incorporates

the maximising either the asset which are categorised as current in the financial report and the and liabilities which are regarded as current within financial statement. A cash flow statement is used to examine the connection between current-year commitments and current-year cash balances, as well as the relationship between assets that should be turned into cash within one year and liabilities that should be converted into cash within one year. It assesses if peradventure or not such a company would indeed be capable to meet its short-term financial commitments in the future. According to the literary works, a company's debt-to-equity ratio should be greater than 2.0:1 in order for it to be able to meet its commitments without acquiring further debt. Nevertheless, permissible current ratios differ across industrial sectors, and many businesses may function securely with current ratios lower than 2:1 (ACCA, 2019).

Quick Ratio

also known as the acid test ratio is used to determine how effectively a bank or financial institution is able to pay its short-term obligations. It is also known as the acid test ratio since it is used to the most convertible asset, which is the most liquid asset that may be transformed in a period of 90 days or less, as opposed to the most indebted asset. According to Hayes (2021), the acid test ratio shows a business's specific financial situation and evaluates the capacity of the company to fulfil short-term liquidity commitments. It compares the dollar (Naira) value of an asset that can be readily turned into fast cash with the amount of current obligations owed by a commercial bank, and vice versa. The result of dividing current asset by current liabilities is the percentage, which is an effective way of measuring liquidity in a financial statement. The quick ratio is used to determine how effectively a bank or financial institution is able to pay its short-term obligations. It's often known as the acid test ratio since it is used to the most convertible asset, which is the highly liquid asset that may be convertible in this sense in a period of 90 days or fewer, as opposed to the most indebted asset. According to Hayes (2021), the acid test ratio shows a business's specific financial situation and evaluates the capacity of the company to fulfil short-term liquidity commitments. It compares the dollar (Naira) value of an asset that can be readily turned into fast cash with the

amount of current obligations owed by a commercial bank, and vice versa. The result of dividing current asset by current liabilities is the percentage, which is a useful measure of liquidity since it is efficient.

Theoretical Review Conclusion

Commercial loan theory as indicated above based in relation to belief that banking firm as well as other financial institutions ought not to lend out money for an extended period of time in order to accomplish or acquire revenue that will be utilized and is efficient in generating cash. Commercial loan theory is time bound and exact in terms of time frame, which is why it is used for short-term loans. The traditional approach to making liquidity available on a timely basis, prior to the development of shift ability theory, was to issue loans and borrowings to small scale and commodity traders, with the reimbursement of these loans serving as a source of liquidity to meet the needs of depositors. This was followed by the development of shift ability theory. When prices are consistently dropping, as they are now, the commercial bank will have a significant problem since the company will be unable to generate the anticipated profits necessary to repay the loans it has extended to the business. The idea is founded on the premise that banks operate an elastic bank lending structure, which expands during periods of excess and contracts dramatically during periods of economic downturn.

Shiftability theory, as the name implies, dealt with the movement of assets from one banking system (individual bank) to another when such assets were needed with no regard for the asset's maturity. As noted above, in order for an asset to be transferred between banks as a consequence of liquidity requirements, the item to be transferred must be transferred without incurring any costs. It is far more practical and beneficial to use shift ability theory once it comes to short-term investment in the market, for instance treasury bills and bills of exchange, which are excellent instances of instruments that could be sold quickly whenever there is an urgent request to obtain funds.

This is referred to as the expected income hypothesis. This concept, as previously clarified, is based on the postponement of loan issuance extended by commercial banks in the United States. The anticipated income theory asserts notwithstanding of the way an enterprise appears organized, the bank

handing out the borrowed amount to such enterprise or person will use the expected income to repay the loan. Such loans are referred to be term loans or loans that are for a period of over a period of longer than a single year period. In this case, the amount borrowed to person or company was “guarantored” by assets in form of machines and fixed assets, and the amount obtained from such business deals is typically remunerated in gradual instalments as the debtor's income accumulates over time.

Empirical literature: Liquidity Effect on Commercial Banks.

Liquidity is clearly and undoubtedly key to any financial system strength, it is of great importance that a stable bank or financial institution in the short -rub can fall by a bank run if they are unable to their liquidity commitments or cash cover to meet immediate customers cash demands (Elliott, 2014).In a study that seeks in order to determine the connection among both liquidity risk and commercial bank failures Fredrick, Jeremiah, and Onsomu have collaborated on a study of 43 commercial banks in Kenya that were licensed as of the year 2013.The group of authors focused their study to the possible relationship that could spring out between liquidity risk and commercial banks failure in Kenyan commercial for a period of three(3) years. The study further emphases on capital adequacy market size earning of banks and also management quality. Major emphasis was made on liquidity risk, bank failure and they also stated that, no single measure of liquidity risk fits all research work, according to analyzed empirical data from the article. Liquidity risk was quantified using the liquidity coverage ratio and the net stable funding ratio and variables identified includes liquidity risk and bank management technique as controlled variables whiles bank failure as dependent variable. Correlation analysis Results reveals that, there exists a correlation between liquidity risk and the independents variables, the relationship between the bank failure and the explanatory variable results shows as low as -0.083. To three decimal places, the correlation results between liquidity risk, capital adequacy, asset quality, management quality, earnings, market sensitivity, and size (ASSETS) is 0.299, -0.352, -0.390, 0.248, 0.616, and -0.016.while capital adequacy had a negative correlation to asset quality at -0.151 , and also management capacity and capital adequacy shows a negative correlation and the same was obtained

regarding earning which was represented by the return on asset ratio at -0.12 the market sensitivity shows positive a correlation with a value of 0.185 different to that of capital adequacy.

"Logit" was utilized for the analysis of the relationship between variables in this study. Logit is considered desirable to establish the connection if any, that may be present amongst liquidity risk as well as bank failure for the reason that it held defines and also provides explanations of the associations that can exist amongst variables under investigation. Logit is likewise considered to be as basically GLM functionality. In line with the writers comparisons with regards to the large number of banks in the USA and to that in Kenyan republic which appear to be less in number, as a result of this we then acceptance of the Census Study Approach (Fredrick, Jeremiah, & Onsomu, 2018) essential elements to bring about credible results were the independent variables (Liquidity risk) control variables (Bank management techniques) and dependent variables (Bank failure) is the Dummy.

Another very important empirical work that was conducted by Petria, Capraru, and Ihnatov which was completed to assess the influential element regarding 27 banks within EU nations over a period of seven years' time frame. (Petriaa, Caprarub, & Ihnatovc, 2015) categorized these aspects into two. Specific factors of banks and Industry (considered to be internal and external variables), profitability of banks was studied by the use of return on asset (ROA) and return on equity (ROE) and the ROA was computed as a ratio. Factors utilized were capital adequacy, inflation, bank size, economic growth, market concentration, liquidity risk, business mix indicators and management efficiency.

In relations to the statistical package used to execute the analysis, the article fails to indicate and results reveals that, liquidity risk and credit risk have effect on banks profitability, the effectiveness of management and the diversity of the bank's operations have an influence on the bank's earnings. There seems to be a connection amongst market concentration, competition, and economic development in the banking industry, wherein bank profitability is measured by return on equity and return on assets.

(Hiadlovský, Rybovičová, & Vinczeová, 2016) in their study that was centered around the banking situation in Tunisia. Same as illustrated in many literature, results revealed that, liquidity is very important to the proper functioning of banks and the financial system and this is why we need to monitor the influence on the aspects or on how it relates to the objectives of financial organizations.

The needs and the essence to understand liquidity can also be seen in north African published work done by Mohamed Moussa which focused on the determinants of liquidity with 18 prominent Tunisia banks selected for the study. Moussa (2015) indicated that it is really intolerable to undervalue the significance of liquidity to commercial banks in the nation. However, the researcher is able to recognize determinants of liquidity with respect to commercial banks in Tunisian. Empirically, eighteen commercial firms was being studied and taken into consideration over a period (10) years' time frame and two category of liquidity was well-thought-out. liquid asset to total asset firstly and total loans to efficiency besides others. The static panel methods were adopted to estimates the data and also panel dynamic. The elements utilized includes financial performance, capital to total assets, operating cost to total asset to mention a few and results revealed that, all these variables do not any substantial influence on bank liquidity.

Another Literature to that strives to examine commercial banks in Greece profits determinants for a period between 1989 to 2000, Mamatzakis and Remoundos in respect of a sudden structural changes during the 1990s that was focused to meet the financial sectors the emerging needs at that moment. For the research enquiry to be operationalise, the researcher, used ROA as the dependent variable and ROE as independent variable with 128 observations respectively. Theoretical framework of Chamberlin and Robinson in 1993 was used to examined the bank and also used to adequately explain the organisational body performance (Structure Conduct Performance). However, it somehow supposed that management decisions and external environment affect commercial banks profit level and likewise effected by same Gilbert (1984) and Molyneux (1995) correspondingly. In the case of the double-facets coined by Mamatzakis and Remoundos (interior and exterior

influences) herewith, the profitability indicators that do not appear any challenges include ROA as well as ROE. Exterior forces engaged for review were monetary growth rate, performance of stock market, interest rate, market concentration and performance of stock market whiles, the internal factors consist of Liquidity, banks size, capital-to-risk weighted assets ratio etc. Results revealed a statistically significant and positive that's indicated, past profit incurred was a determinant of profit in the future. The ROA and ROE in this study are insignificant or little magnitude though 18% and 19% respectively, as stated by the outcome was not satisfactory an adequate amount of to be explained by the recent structural variations. A negative outcome and statistically insignificant as Personnel expenditure were tested against total asset to yield which means profitability reduces when there is any increase on expenditure. A negative statistically significant results exits between loans loss reserve impact on profitability, at 10% loan-loss isn't substantial therefore the downsided impact. (Mamatzakis & Remoundos, 2003).

Commercial banks management of Liquidity was elaborately studied using primary data and focuses to establishing the relation between liquidity and profitability in Nigerian commercial banks. The hypothesis considered were aimed to test if there exist any significant relationship between liquid funds availability and the profitability of commercial banks in Nigeria. the following variables were used, for the liquidity components cash balance with central bank of Nigeria, vault cash, money at call, discount house placement, treasury bills etc. The study concluded on the grounds of two major difficulties, a case therein, where the shareholders and depositors had different requirements. shareholders desire better and more returns form the banks operations and the depositors depend on the commercial banks to meet their demands in a timely and efficiently at all times, that is maximum liquidity at all time or as required by the depositors (Adebayo, Olanrewaju, & Oluwayinka, 2011) Findings indicates, there is a measurable link in Liquidity and profitability which means liquidity have considerable impact on profitability of commercial banks and vice versa. There is a positive relationship exist between the two parameters. The study was centered around obtained data via questionnaire

and also depending on secondary sources in other subsequent chapter that will adequately elaborated in details.

A study in the Ethiopia was done by Leykun (2016) to scrutinize the determining factor of liquidity on the banking system aimed to empirically scrutinize the indicators of liquidity using the Ethiopian banking system the study for a nine (9) years period and the Fixed effect unbalanced panel data computation model was adopted for data estimations. Leykun did not oversight the essence of the linear regression which was used to understand better the variables used to test the determinants of liquidity risk being studied. The variables used for this study are operational efficiency, capital adequacy, shares of loan in ratio to total asset, deposit volume and market power and competition found on liquidity risk.

Other Empirical literatures on Profitability and Liquidity.

Fadare (2011) published literature in reviewing the financial crisis period and the banking sector liquidity. The work was intended at investigating previous conclusions connecting to capital adequacy using banking sector liquidity factors. The study employed the use of the of linear square method to analyses time series data for the period of Twenty-Nine (29) years. Results with regards to the repressors were positively significant for the determination of the banking system liquidity over the 29 years' period where the P-value for borrowings to deposit ratio, liquidity ratio and money related policy respectively. Consequently, the bone of contention of the research on if banks output is impacted by the commercial banks loans exposure shows there were no particular methodology to address such question, in consideration of the fact that loan request of depends on the productive output stages. (Fadare, 2011) enumerated specific ideas during the study that deliberated on influence 2007 and 2009 global melt down. This visibly clear amongst the actual and assumed loan to deposit values. (Moore, 2011) in his work discussed situations wherein the definite value of loan to deposit ratio is larger compared to predicted, thus clearly indicates that the banking firms are not possessing sufficient liquidity and if vice versa forecasted is higher than the true value of loan to deposit ratio, thus insinuating banks in that particular period are possess liquidity which stands accordance with monetary framework.

The key viewpoints of size-up banking firms liquidity are firstly, from the Stock point of view, this view employs adopt the method of ratios from banks statement of accounts and the ratios consist of liquid assets ratio, loan to deposit ratio and annual return on investment and Secondly, flow standpoint that's regarded as most prevalent throughout as it entails supplementary information and no specific particular method by which the predictions of influx as well as discharge are made. (Moore, 2011) for effective portrayal and depiction, a good number of tables were used to present the research work final deduction. The objective of the investigation was aimed at elaborating on the financial crises effect on the conduct of banks and give rise to that liquidity of the commercial bank decreased to a minimum of 0.7% in the financial crisis time. An inverse relationship was also observed between the liquidity model and the present phase the entity is of the review time frame, even via liquidity of the banks improved to 0.17% just after 1.2 years of the global crisis. Bank liquidity then also observed to be below the fiscal anticipation and recorded at 0.8% this indicates the area were unable to effectively manage the crisis effects as policies instituted at that particular time were not that active enough to address the effects of the crisis. Many people began to utilize it of an estimation model to calculate loan to deposit ratio throughout the era when the crisis was prominent.

A published study in Uzbekistan on banking system liquidity strives at examining the impact of the central bank of Uzbekistan's policies in regard to the liquidity of the banking system. The study takes into consideration key items such as the Assets quality, deposits volume, equity funds on liquidity of commercial banks in the financial system. However, econometric models were used to efficiently illustrate the objectives of the study. The study investigated the liquidity of ten (10) commercial banks whiles the indicators where been monitored. In line with the selected model, other analysis was made such as the correlation-regression analysis. According to the statistical computational outcome of the study that aimed at understanding the effectiveness of the policies of Uzbekistan with regards to the liquidity of commercial banks especially the selected 10 under review. In (Tavasharovich, 2020) a study that concluded, that the availability of liquidity on demand must be timely to fulfill

the short-term obligatory requirement of banks and the supply of liquidity to clients must be absolute and complete based upon the liquidity request. The said publication provides answers to other questions of liquidity availability and also suggested that liquidity availability within the banking system is a key component for a stable and functional monetary system. The monetary system is highly reliant on the overall liquidity circulating within the banks in the system with the strategic objectives of fulfilling the obligation of the liquidity demands from individual customers and also businesses or firm's needs. In respect of policy and control via empirical evidence, it was concluded that the of central bank operation influence especially on liquidity was evident and commendable.

The study also highlighted that, there exist both controllable and uncontrollable factors that affect banks in contrast to that, that incorporate charter capital, the quality of bank assets held by banks over the study review period, banks deposit held , the extent of banks dependency on external funding sources , the image of the bank and the banks management team quality whiles the external factors which the bank have little or no control over are the economic and political environment , securities market, central bank financing, the apex financial institution supervising efficiency. In putting the method to operation before the computation of the R-square, a high precision was observed indicating the model was accurate to justify the process efficiently.

Just after the 2007/08 global economic recession which is responsible for a major collapse of giant financial institutions, stock market failure and also lead to many big economies to review their reporting standards and some made major changes, whiles others adopted new ones, all these factors gave rise to the emergence of the importance of liquidity and profitability as a key concern in today's competitive business environment. The current Covid-19 pandemic also poses a considerable global threat to the financial industry globally in the near future.

This study tends to examine the impact of liquidity management on the performance of banks. however, prior studies in this area shows mixed views on the relationship between liquidity management and profitability (Institution Performance). According to the Risk and Return theory, which states that the

higher the risk, the higher the returns and vice versa. This Study was aimed to check the relationship between the two in relation to Agriculture and customer goods sector in Indonesia within 2005-2013 and resulted, there is no relationship exit between liquidity and profitability as business are more profitable with lower liquidity in the view that funds could be used for more productive activities (Irawan & Faturahman, 2015)**.** (Roerink, 2014; Roerink, 2014) Bos Roerink in a study aimed at finding evidence of a relation between the two using the Static Trade- off and Pecking Order theory, resulted in a mixed relationship with moderate support on the both theories. The two theories came up with contradicting results using extremely different variables as the former indicates an inverse relationship whiles the later a mixed. These results provide room for more investigations in order to have a clearer understanding in this area.

Tarek A.Elsharif 2016, conducted a holistic research to examine the findings in relation to this studies through analysis of range of research and studies related the world over. The results were varied some shows a positive relationship whiles others proved otherwise. This clearly indicates that concepts are not in one size fit all but varies in line with methods and applications (Elsharif, 2016)**.**

A study conducted by Rizwan Ismail in Pakistan, consisting Karachi Stock Exchange (KSE)100 index, using the multiple regression analysis to establish the relationship, thereby high current ratio, and longer cash cycle conversion cycle leads firms towards better performance. The studies indicated that most of the independent variables well explained the dependent and concluded that there is a significant relationship between liquidity and profitability. (Rizwan, 2016), In a related study conducted in Liberia within 2006-2011, in 2011 using the same multiple regression analysis correlation design, identified a non-linear relationship between liquidity management and performance. In this study variables are limited to just liquid Asset ratio and deposit ratio which I believed are inadequate to measure the relationship among eight (8) commercial banks. (Botoe, 2011). Evidence shows that more and better research needs to be done to clearly ascertained the true relationship between liquidity management on banks performance as one indicated a positive and

the other negative. Also, different variables were used to arrive at their answers respectively.

Yusuf, Nwufo, Emmanuel and Chima in their Journal that investigate on the optimal synergy between liquidity management on bank performance in Nigeria using Multiple Regression, F-test to test the hypothesis at 5% level of significance. The result came out to be, there is a substantial optimal synergy that was noticeable amongst the variables liquidity management on performance. This indicates with optimal liquidity and profitability management; banks can achieve more when a balance is struck between the two. Independent variables like Loan Deposit Ratio and Total Asset Ratio are used to explained Return on Assets and Return on Equity in population of 40 quoted Banks in 2013 (Yusuf, Chima, & Nwufo, April 2019,). (Ibe, 2013) During the same year Sunny Ibe, investigated the same whereas only (3) Three banks were chosen at random to symbolize Nigeria's total banking industry. Cash and short-term funds, bank balances, and treasury bills and certificates are among the factors utilized in liquidity management, with profit after tax as a determinant of profitability. The stationary test model of Elliot Rothenberg Stock (ERS) stood utilized to evaluate connection of the factors being investigation, while regression model was employed to test the hypothesis. Liquidity management is a critical concern in the Nigerian banking system, according to the findings of this study. As a result, it is recommended that banks hire professional and qualified employees to guarantee that the appropriate judgments are made, particularly when it comes to the ideal amount of liquidity while still maximizing profit. These two studies even though with different methods and variable indicates the importance of the relationship but signal for more work to be done.

Table 1 Summary of literature review

Author	Sample	Duration	Method	Key Finding
Ogilo Fredrick, Omwoyo Jeremiah, Zipporah Onsomu	Kenyan commercial banks	2013-2016	Logistic regression analysis (Logit)	Liquidity risk and bank failure have a positive and significant association.

				There's a link between bank collapse and profits that's both positive and big. Bank failures have a considerable negative connection with market sensitivity. Earnings and asset quality both have a strong positive correlation. There is no link between bank failure and capital adequacy or bank size.
Petriaa, Nicolae; Caprarub, Bogdan; Ihnatovc, Iulian	1098 banks from EU27	2004-2011	Hausman test, Regression analysis	Bank profitability is assumed to be influenced by credit risk. The earnings of banks are affected by liquidity risk. The effectiveness of management had a measurable impact on bank profitability. Bank profitability is influenced by a variety of factors, including business diversification, market

				concentration/competition, and economic growth.
Mohamed Aymen Ben Moussa	18 Tunisian Banks	2000-2010	Statistic Panel Method of Panel Dynamic	It was discovered that performance has measurable effect on bank liquidity Other measures such as bank size ,loan to asset ratio deposit to asset ratio were not seen to have impact on the liquidity of the Tunisian banks
Hiadlovský, Vladimír; Rybovičová, Ivana; Vinczeová, Miroslava	188 Firms Slovakian Tourism Sector	2011-2014	Spearman's rho	Companies in the tourist business have had a long-term low level of average current and total liquidity, according to our research. In the industry, there is a clear correlation between profitability and liquidity ratios. The liquidity and operational sales profitability ratios were shown to have the strongest association. Systematic liquidity management improves the

				efficiency of procedures in a company's overall financial management.
Mamatzakis, E. Remoundos, P. C.	Private Greek Banks	1989-2000	seemingly unrelated regression (SUR)	There is little evidence of the phenomena of profitability persistence. Internal characteristics determined by bank management decisions and policy objectives. The variables associated with management decisions are discovered to have a significant impact on the profitability of Greek commercial banks.
Berdiyarov Bahriddin Tavasharovich	10 major commercial banks in Uzbekistan	2013-2019	Bivariate Analysis Regression-Correlation Analysis	The central bank's responsibility and critical role in ensuring commercial bank liquidity and the financial system's liquidity. In light of the discoveries of the examination, it is sensible to reason that financial framework

				liquidity involves ideal, complete, and continuous satisfaction of all money related responsibilities of the nation's financial framework, just as its dependability and adequate assets to meet monetary improvement needs.
Olagunju Adebayo, Adeyanju Olanrewaju David, Olabode Oluwayinka Samuel	Individual Questionnaire Respondents	2011	Pearson Correlation Analysis	For the success of their operations and existence, commercial banks should not forego efficient and effective liquidity management. The ideal liquidity level is achieved if commercial banks strictly adhere to the Central Bank of Nigeria's minimum liquidity requirement. Both a shortage of liquidity and a surplus of liquidity may evidently easily cause challenges regarding the

				bank's profit base by conflicting with the bank's efforts to attain higher levels of profitability.
Samuel O. Fadare	Central bank of Nigeria A financial statement and annual report are required.	1980-2009	Linear least square Regression Analysis	The findings imply that throughout times of economic or financial meltdown, deposit money institutions are much less liquid than benchmarks, and therefore obtaining liquidity monetary policies correct during these times is critical to the Banking Sector's sustainability.
Fentaw Leykun		2005 to 2014		The findings of the study indicated that the capital adequacy was discovered to possess a negative impact on commercial banks liquidity risk, total loan to total asset ratio's impact was negative as well as total deposit to total asset ratio have a negative impact on

				commercial banks' liquidity risk and are statistically relevant to the study The study's findings support the presence of the deposit crowding-out theory prevalent in the Ethiopian banking system, which is supported by the negative and substantial impact of capital adequacy. the study also indicated that the proportion of loans and deposits in total assets and liabilities, accordingly, shows a misalignment of money and asset management.
Jana Erina and Natalja Lace	In European economies, commercial banks, internationa l bank branches, and credit institutions operate.as well as	2006-2011	Correlation analysis and regression analysis	Profitability is an essential criterion for evaluating banks' operating efficiency in the developing financial climate. it was uncovered interconnection

	Latvian banks i.e. subsidiaries			s In Latvian commercial banks, there is a relationship between bank-specific and macroeconomic factors. Profitability has a direct influence on operational efficiency, portfolio composition, and management, according to the findings, but it has a negative impact on capital and credit risks as assessed by Return on assets., while ROE has a positive relationship on capital portfolio composition. Gross domestic product, as measured by the returns on assets and earnings (ROA and ROE), has been shown to have a positive impact upon profitability by the authors. Institutions ought have the capacity to predict future crises based

				on changes in macroeconomic data in order to avoid negative consequences for bank-specific indicators.

Conceptual Framework

The conceptual framework depicts the connection that exists amongst the variables under investigation. The study's goal is to determine the impact of bank liquidation, and as a result, independent variables and dependent variables are generated from a review of the literature, and many empirical reviews are conducted in accordance with the study's title. You may use the conceptual framework to visualize the results of your research as well as identify and sketch out the relationships that exist between the variables that you anticipate to discover in your investigation.

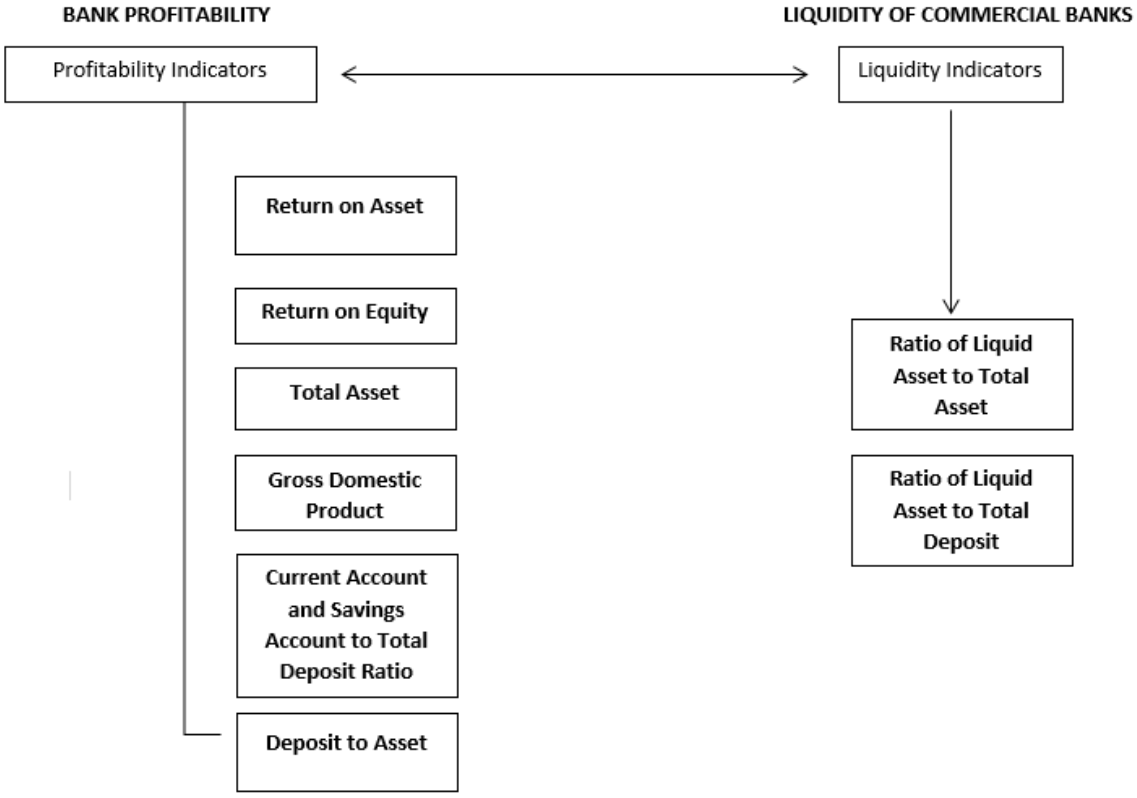

Figure 2:1 Conceptual Framework

CHAPTER III

Methodology

This segment includes techniques as well as processes on how the proposed hypothesis of this research will be tested to accept or not. This is a design of a qualitative nature research where secondary data obtained from selected commercial banks are utilized for analysis. The part also includes the method analyzed data findings will be monitored, other key areas, such design like data source model, population design etc. nevertheless, this part includes important information for replication reasons and also for any additional research.

Research Design

Based on the study it is concerned with determining the extent to which liquidity has an impact on commercial bank profitability, the quantitative research design will be appropriate in order to offer adequate responses to the study enquiries adopted for this study. In addition, an experimental approach will be used because the study is concerned with determining the extent to which liquidity has an impact on commercial bank profitability. Furthermore, the design that is chosen will be suitable for determining the connection that will be included in the research part of hypothesis testing.

Population of the Study

It is essential to highlight that the designated population of this research study, as mentioned many times, is the Nigerian banks which are operational they are 22 (twenty-two) commercial banks. Despite the fact that commercial banks have been the topic of many studies, the study population is critical because it specifies the particular element to be assessed, especially when they share comparable features and, in this instance, fulfil similar duties. The selected population for the study is taken from the website of the apex bank. (Central Bank of Nigeria, 2020).

Data Source and Collection method

The information for this research will be obtained from the public statement of financial position of the commercial banking organization in Nigeria that have been chosen. When compared to primary data extraction, which often yields more valuable information, clinical study yield is more attainable and information is protected against loss or theft. This indicates that secondary data is a valuable source of knowledge because it is readily accessible and long-lasting, and because it is organized in a way that can be rationally verified in a timely manner by those who are interested. The quality of the information, on the other hand, is improving. Aims at scrutinize the efficacy of liquidity on commercial bank efficiency with regards to internal performance, this research shall make use of secondary data, and Microsoft Excel 2016 would be used to arrange the information gathered.

Sampling Design

The number of commercial banks in Nigeria is shown in the table below. This research design is based on the number of existing populations, each of which has a financial report that is tested and evaluated in order to provide findings in regards to the impression of liquidity on commercial effectiveness of banks. As a consequence of some commercial bank's financial information unavailability, a non-probabilistic sampling method will be utilized for selection.

Table 2 Active Commercial banks in Nigeria

	BANK NAME
1	Standard Chartered Bank Nigeria Ltd
2	First City Monument Bank Plc
3	Ecobank Nigeria Plc
4	SunTrust Bank Nigeria Limited
5	Heritage Banking Company Ltd.
6	Citibank Nigeria Limited
7	Fidelity Bank Plc
8	Key Stone Bank
9	Union Bank of Nigeria Plc
10	First Bank Nigeria Limited
11	Access Bank Plc
12	Globus Bank Limited
13	United Bank For Africa Plc
14	Wema Bank Plc
15	Unity Bank Plc
16	Zenith Bank Plc
17	Providus Bank
18	Guaranty Trust Bank Plc
19	Polaris Bank
20	Sterling Bank Plc
21	Titan Trust Bank Ltd
22	Stanbic IBTC Bank Ltd.

Data Analysis

This section encapsulates the applicable techniques by demonstrating how hypotheses are tested in the newly constructed model. The skeletal component of collected data, which was collected over a ten-year period from selected commercial banks, includes the following variables: return on equity, return on assets, total assets, GDP, liquidity assets ratio, shareholder to total assets, savings and current account to total deposit, and liquidity to deposit ratio (as well as the other variables).

The intention of the enquiry is to investigate what connection amongst commercial bank profitability seen on liquidity of the chosen Nigerian banks under consideration. For this purpose, the utilization of panel data from eleven banks will be explored, and the data will be evaluated using the EViews 10 statistical software package In order to estimate data and define the

connection between the variables, the Generalized Method of Moment Model is used.

An often-used method in statistics is panel data analysis, which is a technique for estimating cross-sectional time series. (Hsiao, 2007) cites many advantages of using panel data, the most important of which is the ability to make more accurate conclusions since panel data often has more degrees of freedom and sample heterogeneity. Panel data analysis is a method for analyzing relationships among variables that makes use of cross-section time series (Greene, 2003). The below equation represents the general model of balanced panel estimation:

$$Y_{it} = \beta o + \beta 1\ xit, 1 + \beta \text{xit}, 2 + \cdots \beta k \text{xit}, \text{k} + Vit \qquad 0.1$$

Where by

I - is the unit of observation xit

k - the kth explanatory variable

t - the time frame

β_k - each explanatory variable's coefficient

β_o - the intercept

V_{it} - the error term

$$\boldsymbol{V_I = a_i + u_{it}}$$

V_i represents the disturbance term and U_{it} represent the idiosyncratic error as also a_i - for overlooked bank-specific influence outcome.

$$\mathbf{Y_{it}} = \boldsymbol{\beta_0 + \beta_1 X_{it} + \beta_2 X_{it} + a_i + u_{it}} \qquad 0.2$$

The above explanatory variables *Xit* are collected in two, *Xit*k with superscripts β_1 also β_2 indicating bank-macroeconomic internal factors and exact element in that order.

However, bank profits show the a propensity to persist in time, denoting informational vulnerability or ambiguity of macro-economic shocks, hindering

competitiveness in the market place to the They are highly associated with the causal factors, although they are orthogonal. to U_{it} (Berger, DeYoung, Genay, & Udell, 2000) Consequently, the GMM panel technique is implemented for this study.

Model Specification

Model specification looks into variables selection that is adopted to statistically operationalize the study objectives in order to achieve empirical exactness. (Allen, 1997) stated that, model specification is important but some of the time a misunderstood and or misinterpreted characteristic of regression. Model specification in regression, regulates variables that best fits for the regression and are derived from the theoretical frame work and not from the literature review and or empirical and methodology aspect. However, the model specification of the regression model briefly captures the different phase of the model development and if the model also exhibits Parsimonious features.

Return on equity, return on asset, current account, saving account, gross domestic product as independent or explanatory variables, the deposit to total asset ratio and total assets were used. As dependent variables, we looked at dependent variables, both of which is used to calculate the total liquid asset to total deposit ratio. The panel, according to Brooks (2008), retains the same individuals or objects and continues to monitor them throughout time. The following equation is used to describe the panel data model in this research.

$$Y= KY_{it-1}\ \ln\ (PT1) +\beta_2\ \ln(PT2) +\beta_3\ \ln(PT3) +\beta_4\ \ln(PT4) +\beta_5\ \ln(PT5) +\beta_6\ \ln(PT6) +\beta_7+\mu_{it}$$

Where:

Y= makes available determinant variables od total liquid asset to total asset ratio (LQ1) or liquid asset to total deposit ratio (LQ2).

Y_{it-1} – represents a lag variable on dependent variable measure ($LQ1_{it-1\ or}$ $LQ2_{it-1}$).

k	Speed of adjustment to equilibrium
CASA	Natural logarithm of Current Account and Savings Account
ROA	Return on Asset
ROE	Return on Equity
LDEP	Natural logarithm of Deposit ratio
TASSET	Natural logarithm of Total Asset
GDP	Growth Domestic Product
μ_{it}	error term

Test for Serial Correlation

Skewed estimates are likely to occur if serial correlation in the error is ignored and will lead to interpretation with errors. The Arellano and bond (1991)test and to be specific the AR (2) test, usually utilized to assess serial correlation in idiosyncratic errors and can also be considered as the strength of the configurative description.

The Theory for AR estimation is seen as follows:

H_o - The AR test for autocorrelation while dealing with a set of split residuals. in which there is no autocorrelation.

- This is seen in the first forms., the AR (1) estimation test generally rejects the H0.
- For the first variants, the AR (2) system evaluation is a lot more beneficial and functional as it can identify degrees of autocorrelation. If the system test (AR(2)) accepted and not declined. Recent Traditional moment criteria are now being used in research (Assume that the error structure is not serially correlated).
- **Different GMM Panel Method**
- GMM (Generalized Methods of Moments) is a panel data estimator and generally implemented to measure endogeneity. GMM Generalized estimation model development and panel data applications has in recent years gained a lot of traction.

- GMM estimates according to growth on empirical literature have gained global popularity and importance. The GMM as an estimator at first, benefited remarkably in variety of fields from its extensive adoption.
- General estimated equation I with two assumptions included is estimated by the fixed effect method. Starting with the observed heterogeneity, ai, which is linked with the explanatory variables Xit,k, we get the following formula: idiosyncratic errors, on the other hand, is untouched by the explanatory factors that are present. Ai is decreased or corrected as a consequence of using first difference GMM to minimize or adjust unobserved heterogeneity. It is the difference between one period and the next that is represented by the first difference; for instance, if the value of the variable y in specific times corresponds to yt–yt-1. Yt-1 is the result of a delayed epoch calculation. consequently, our (ii) would is to be lagged behind the actual value of the variable.
- $(y_{i2} - y_{i1}) = \beta_1 (x_{i2,1} - x_{i1,1}) + \ldots \beta_k (x_{i2,k} - x_{i1,k}) + (u_{i2} - u_{i1})$
- Both the individual effect and the constant term making have been eradicated by the first difference transformation.
- The GMM estimations of panel data model is be more efficient to handle panel data set.

Dependent Variables

Liquid Asset to Total Asset: liquidity variable is established to measure the actual facts in regards to a firm's liquidity position**.** It indicates the accessibility of fund to service debt and satisfy short term financial obligations as they fall due and also unforeseen need of individuals, groups etc. especially for active financial institutions (Sathyamoorthi, Mapharing, & Dzimiri, 2020)**.** Towards authenticate its assertion of this the procedure, further academics such as Salim and Bilal (2016) provides its relevance and can be computed as thus;

$$\mathbf{LIQASS} = \frac{\mathbf{Total\ Liquid\ Asset}}{\mathbf{Total\ Asset}}$$

Liquid Asset to deposit ratio: this ratio calculates as well as observe into cognizance of sensitive liquid assets in the report of condition or balance sheet to that of the deposits total. This ratio shows the banks' ability to meet

customers withdrawals as requested; (Bace, 2016). A ratio result of liquid assets to deposits that equal one (1) or greater that one indicates that, a bank can efficiently meet its customer needs as they arise and if on the other hand is less than one, this indicates that, the bank is not capable to meet clients request as they fall due.

$$\mathbf{LIQDEP} = \frac{\mathbf{Total\ Liquid\ Asset}}{\mathbf{Total\ Deposit}}$$

Explanatory or Independent Variable

Return on Equity (ROE): The ROE shows to what degree competent commercial banks activities are and also help us to well understand banks operations in general. The banks efficiency that's leads to the returns on investment of shareholders in terms of profitability. The ROE is calculated by dividing the annual report statement of profit and loss, Net profit over shareholder's equity. The return on equity is a measure of how profitable a company is in comparison to the amount of equity invested. Because investor's equity can be calculated by adding up all of the company's assets and subtracting all of its obligations, return on equity may be viewed of as a return on resources less the amount of liabilities.

$$\mathbf{ROE} = \frac{\mathbf{Net\ income}}{\mathbf{Shareholders\ Equity}}$$

Return On Asset (ROA): Return on Assets (ROA) is an acronym that stands for Return on Assets Running. Operating return on assets (ROA) is calculated in the same way as asset return, except instead of Net Income, it utilizes Earnings Before Interest and Taxes (EBIT). The operational return on assets (ORA) demonstrates how much money is brought into all assets by the company's operating salary produced per dollar of revenue. As an independent variable in this research, return on assets (ROA) will be compared to both the liquidities to deposit ratio and the liquidity to asset ratio, as well as the liquidity to deposit ratio. According to Jewell and Makin (2011), among so many financial ratios, return on assets (ROA) is one of the most significant, and it has been used to make a number of key discoveries. Given the numerous

variations, the primary goal of the return on assets (ROA) is to demonstrate how effectively management is utilizing its available assets to generate profits, as well as how profitable a bank can indeed be or is in comparison onto another commercial banks in the identical sector providing the similar services. The procedure for calculating the return on investment;

$$\mathbf{RoA} = \frac{\mathbf{Net\ Income}}{\mathbf{Total\ Asset}}$$

Total Asset: all assets of the selected banks can be extracted from their respective balance sheets over the 10 years' review period. No computation required as the exact values can be easily extracted for their annual Financial statement or balance.

Shareholder to Total Asset: When banks issue equity shares instead of loans, the quantity of assets produced is represented by this percentage (Hayes & James, 2021) Generally speaking, if the ratio of shareholders to total asset is lower, the greater the likelihood that the firm used more debt to acquire assets and if it higher, it indicates that a firm's debt has been treated in the same manner as the shares obtained or remunerated because of the owners.

$$\mathbf{Shareholder\ Equity\ Ratio} = \frac{\mathbf{Total\ Shareholder\ Equity}}{\mathbf{Total\ Asset}}$$

The features of the two basic categories of accounts in respect in this ratio are taken into higher consideration as stated by (Tuovila & Anderson, 2020). Bank's Deposit takings and or holdings is the main aspect being considered in this study. CASA an abbreviation that's represent current account and savings account is it of great significant in recognizing bank liquidity when dealings with bank deposits aspect. The procedure beneath shows that CASA is calculated in direct interaction to total deposit within a given period of time (StockEdge , 2018).

$$\mathbf{CASA\ Ratio} = \frac{\mathbf{CASA\ Deposits}}{\mathbf{Total\ Asset}}$$

GDP: represents a fiscal worth possessed by a nation nations finished merchandises and produce, GDP value was acquired from the International Monetary Fund (IMF) website, a secondary source data. GDP can be seen as an accurate evaluating scorecard for a country's economic situation. It's can be employed to calculate approximate and denote an economy growth proportion and can be obtained quarterly or annually, the data acquired represents annual GDP of the nation.

Table 3:Banks Data Under Consideration

The sample 11 of the banks that were available is shown in the table below.

S/N	BANK NAME
1	WEMA Bank Plc
2	Sterling Bank Nigeria Plc
3	Fidelity Bank Plc
4	Union Bank Plc
5	Ecobank Nigeria
6	Guaranty Trust Bank Plc
7	Access Bank Plc
8	Citibank Nigeria Limited
9	Unity Bank Plc
10	United Bank For Africa Plc
11	Zenith Bank Plc

Table 4: Expected Signs

Variable Classification	Variables	Measure	Expected Impact
Dependent Variable	Liquid Asset to Total Asset Liquid asset to Total deposit	Liquid Asset/Total Asset Liquid asset/Total deposit	
Independent Variable	Return On Asset Return On Equity Total Asset GDP	Net profit/ Total assets Net profit/Total equity	(-) (+) (+,-) (+)

CHAPTER IV

Findings and Discussion

In order to complete and give answers to the hypothesis and, in general, the research question, statistical analysis must include every detail as well as interpretation of the results to be used in conjunction with each other. This quantitative research study is designed to examine the connection that occurs concerning the liquidity of commercial banks in Nigeria and the profitability of the same institutions. Descriptive statistics, correlation matrix, and GMM are employed in this section (Chapter Five), and they are used to provide an elementary overview of both groups of variables, as well as to draw attention to any potential connections between factors; they are also employed to encapsulate the association between each variable as designated by the correlation matrix and GMM employed in this section (Chapter Five).

Descriptive Statistical Results Analysis and Correlation Matrix

Descriptive statistic

Description of the data collected. In this chapter, descriptive statistics will be computed so that the reader can have a general picture of the data gathered. Outliers in the data will be identified, and the kind of distribution (whether it is normal or not) will be determined from the output of descriptive statistics. Aspects of the output that are important to the analysis include measurements of mean, median, and mode, which are refers to as the central tendency. Measurement of dispersion including variable, percentiles, quartile, range, and Standard Deviation will also be included in the descriptive statistics. Output of descriptive statistics will also include normality measurement of the selected variables under investigation, particularly, the degree of sharpness measure, which refers to the kurtosis, and the degree of symmetry in the distribution degree, with this, Skewness. The profitability indicators, as well as all other variables except LLIQASS and LLIQDEP, are presented in this research thesis as descriptive statistics. The independent variables are defined as RoA and

RoE, whiles the dependent variables are delineated as all other variables except LLIQASS and LLIQDEP.

Table 5: Descriptive Statistics Results For Variables

	LQ1	LQ2	PT1	PT2	PT3	PT4	PT5	PT6
Mean	0.69256	1.26550	0.66566	0.56622	4.39E+11	0.01316	0.048169	4.56E+12
Median	0.69585	1.17495	0.64046	0.56099	4.27E+11	0.01019	0.06817	3.43E+12
Maximum	5.93964	10.7538	1.67947	1.34345	5.47E+11	0.13041	0.14062	1.89E+13
Minimum	0.00052	0.00087	0.10000	0.28397	3.61E+11	-0.06576	-0.77374	4.70E+11
Std. Dev.	0.54522	1.01173	0.26927	0.11389	5.79E+10	0.02115	0.12090	3.76E+12
Skewness	8.21629	7.67037	0.74645	2.83424	0.434493	1.10470	-5.60184	1.422362
Kurtosis	79.7538	72.1163	4.39159	21.3165	2.009128	14.7020	34.8863	4.990159
Jarque-Bera	28238.7	22973.5	19.0908	1684.95	7.961096	650.005	5235.369	55.24377
Probability	0.00000	0.00000	0.00007	0.00000	0.018675	0.00000	0.00000	0.000000
Sum	76.1822	139.205	73.2226	62.2846	4.83E+13	1.448624	5.29856	5.02E+14
Sum Sq. Dev.	32.4023	111.573	7.90344	1.41403	3.65E+23	0.048773	1.59323	1.54E+27
Observations	110	110	110	110	110	110	110	110

Source: Research data

Descriptive statistics are an essential component of research studies because they could be used to explain the fundamental characteristics of the collected data in a study, which is crucial. This report gives straightforward summaries of the sample and the measurements. Measures of central tendency and dispersion are utilized to characterize the quantitative data that has been gathered earlier in this study. Testing the normality of continuous data is a critical step in determining the measures of central tendency and statistical techniques for data analysis, particularly for large datasets. in situation whereby the data follows a normal distribution, there are a variety of techniques which can be utilized to objectively determine if the data is normal. These methods include numerical and visual methods, each of which has its own set of benefits and drawbacks (Mishra, et al., 2019).

In most cases, presenting such data in isolation is pointless since it will not lead to any significant conclusions. A summary statistic of our data set with or without analytical form is presented in lieu of specific case presentations to ensure that the information is readily digestible for the reader. Data presentation, collection, interpretation, and analysis are all part of the science of statistics (Mishra, et al., 2019).

The total number of observation in the descriptive statistics Table is 110, the table includes all variables such as the LIQASS, LIQDEP, CASA, DEPOSIT_ASSET, GDP.ROA, ROE, TOTALASSET. the dependent variables LIQASS has a mean value of 0.9001, LIQASS average value at 0.9001 indicates on an average, the value of total asset of the banks appears to be larger than the liquid asset it holds on an average. While the second dependent variables LIQDEP was computed to have a mean value of 1.3723 this indicating that the commercial banks possess more liquid assets in contrast to the total depots held by the commercial bank on an average the dependent variables. LIQASS and LIQDEP are liquidity indicators, the volume of liquidity held in contrast to both the total asset and the total deposit held by the bank is obtainable via the ratios. Maximum values for both dependent variables are 7.7474 and 11.6810 respectively. This represent the region of the data collected exhibiting the highest values, this also indicate the commercial back having the highest value of liquid asset at the period of time. At the maximum point, too much liquidity can appear to be a problem as it could indicate risk aversion and holding idle funds. CASA in the table above has a mean value of 0.6179, at this mean value this suggest that current account was significantly less than that the total saving account balances at this time, (Tuovila & Anderson, 2020) suggested the use of CASA because in brings about increased profit thus, with a maximum value of 1.5108 , A greater ratio indicates that a bank's deposits are concentrated in current and savings accounts rather than term deposits. This is advantageous for a bank since it obtains funds at a cheaper cost. So, the CASA ratio is a measure of capital raising cost and thus reflects bank's profitability or probability of producing profit. Also, respectively, the minimum value at 0.9615 is an indication of a vice versa circumstance. ROA has an average value of 0.0197, at the average point

we can neither categories the value as a good or bad return on asset as a favorable return on asset can be dependent on the bank itself, the holistic ROA of the banking industry to mention a few. Minimum and maximum values are at 0.0966 and 0.1956 respectively. RoE is computed by dividing both net income and the equity shareholders and has a maximum value of 0.2813 and the lowest value at less than 0.0987. Generally, when a bank has a poor return on equity (ROE) over an extended period of time, it simply indicates that the commercial bank at the period is not particularly efficient at producing profits. In other words, it also informs prospective investors that the bank is not worth investing in since the management team is unable to make effective use of the funds raised from investors. The normal skewness distribution of the variables in this research has a skewness of 0 (zero). Similarly, a kurtosis of 3 can be mesocratic in consideration, both statistics are trusted and utilized for the objectives of obtaining an understanding of the study shape of distribution. LIQASS, value of skewness is 8.199121 and with a 79.52490 kurtosis value, and it can conclude that, LIQASS is with a positive distribution skewness and same as its leptokurtic as 79.52490 is greater than the standard value of three (3). The same interpretation goes for LIQDEP with also a positive skewness value of 7.650893 and also with an equal-squared of 71.87116 kurtosis value. An eminent long right tail which is as a result of a positive skewness and can be leptokurtic in respect of the values being greater than three (3). CASA on the other hand, does not possess a positive skewness, meanwhile with a normal skewness of 0.729146 and 4.466187 of its leptokurtic value, which is regarded as leptokurtic in respect of the fact that the value is greater than three (3). Almost all other variables, like deposit assets and GDP are with values above the kurtosis value of three, indicating that they are both long-right tailed and leptokurtic, as well.

Table 6:Correlation Statistics and Matrix

	LLQ1	LLQ2	LP1	LP2	LP3	P4	P5	LP6
LLQ1	1.000000							

LLQ2	0.989553	1.000000						
	71.33136	-----						
LP1	-0.050217	-0.021695	1.000000					
	-0.522526	-0.225512	-----					
LP2	-0.080959	-0.223809	-0.189496	1.000000				
	-0.844121	-2.386422	-2.005635	-----				
LP3	0.040600	0.030317	0.117551	0.064875	1.000000			
	0.422273	0.315203	1.230152	0.675621	-----			
P4	-0.250994	-0.208756	0.179361	-0.253572	-0.036184	1.000000		
	-2.694671	-2.218327	1.894704	-2.724234	-0.376278	-----		
P5	0.089292	0.126891	-0.084888	-0.273624	0.101341	0.168514	1.000000	
	0.931670	1.329440	-0.885380	-2.956414	1.058620	1.776662	-----	
LP6	0.020304	0.056772	-0.110852	-0.255232	0.077351	0.202031	0.340100	1.000000
	0.211047	0.590942	-1.159155	-2.743313	0.806271	2.143769	3.758472	-----

EViews 10 was adopted to generate the correlation matrix of the variables in this thesis research as shown in Table 2. The correlation matrix is used to discover and detect the degree of correlation between the previously mentioned variables, as well as any current multi collinearity issues that may emerge as a consequence of the previously produced model. In the section below the correlation matrix, the findings of the correlation analysis will be given.

In the correlation matrix's table of variables, the dependent and independent variables are presented side by side. A vast number of figures are included in the table above, some of which are positive and some of which are negative. In addition, the correlation finding and the degree of significance are given. As seen in the table above, a correlation coefficient of 1.0 implies that each

variable is linked with itself and is denoted by 1.0. As a consequence, the higher the correlation output, the stronger the relationship. Correlation is considered to be the study of a linear relationship between variables. On the other hand, a strong correlation means that if one variable rises, the other will climb as well. Furthermore, a correlation matrix with negative correlation values (negative correlation values) shows that the two variables have a negative connection. This does not indicate that it has a smaller or larger significance to relatively other variable when it comes to influence.

Possessing 1% level of significance, for dependent variable LLQ1 seems positively correlated with the LLQ2 at (r = 0.99, p = 0.000), implying that any upsurge of LLQ1 shall result in a rise in LLQ2 of 0.98. here it demonstrates that it is non negative connection, much as LPT3 shows a progressive connection with LLQ1 at 5% significant level (r = 0.038 p = 0.3242), indicating that the relationship is positive at this level of significance.

The LLQ1 to LPT1 correlation output shows a negative relationship, signifying that a piece growth in LLQ1 would lead to a decrease in LPT2 at 5% significance level, where the main control factors shows an adverse effect

The correlation result pertaining to LLQ1 and PT4, that were denoted by logarithm representation of total liquid asset ratio to total asset and PT5 correspondingly 5% level of significance (r = 0.089., p = 0.931), in addition, the estimated output of LLQ2 to PT5, which are at the same time positively connected to the main factors (r = 0.126., p = 1.23) at a 1% level of significance. That means increasing a single of the factors will result in a rise in the other; for example, increasing the PT5 will result in a measureable upsurge as seen in LLQ1 variable.

Table 7: Estimation Output For GMM LLQ1 and LLQ2

	LLQ1		LLQ2	
	COEFICIENT	**T-STATISTIC**	**COEFICIENT**	**T-STATISTIC**
LAGGED VARRIABLE	0.059913	3.995954	0.035420	3.205602
LP1	0.399284	1.353275	0.264662	0.502611
	(0.1797)		(0.6166)	*
LP2	-1.306415	-1.401394	-2.272193	-2.419580
	(0.1649)	***	(0.0178)	**
LP3	0.388757	0.991875	0.739347	0.565398
	(0.3242)	**	(0.5734)	
P4	-30.04676	-6.398140	-25.15406	-7.240355
	(0.0000)		(0.0000)	
P5	5.649805	1.401930	4.435609	0.412742
	(0.1648)	*	(0.6809)	
LP6	-0.040366	-0.200647	-0.333494	-0.727329
	(0.8415)		(0.4691)	
AR (1)	0.0049		0.0049	
AR (2)	0.2403		0.2387	

In the above table, the levels of significance are denoted as " * "whereby " * " denotes significance is 0.1 i.e. 10%, " ** ' denotes significance is 0.05 i.e. 5%, ," *** " denotes significance is 0.001 i.e. 1%.

Regression of Measured Variable LLQ1

(LLQ1)=0.059913(LQ1(-1))+0.399284(LPT1(-1))-1.306415(LPT2(-1))0.388757(LPT3)-30.04676(PT4(-1))+5.649805(PT5(-1))-0.040366(LPT6(-1))

Regression of Measured Variable LLQ2

(LLQ2)=0.035420(LLQ2-1)+0.264662(LPT1(-1)) -2.272193(LPT2(-1))+0.73947(LPT3(-1)) -25.15406 (PT4(-1))+4.435609(PT5(-1)) -0.333494 (LPT6(-1))

LLQ1 and LLQ2 represents the liquidity ratios which represents liquid asset to total asset ratio and liquid asset to total deposit ratio respectively. While LPT1, LPT2, LPT3, PT4, PT5 and LPT6 represent current account savings account ratio, deposit to asset ratio, gross domestic product, ROA, ROE, total asset respectively are independent variables. data produced in the table was computed and estimated from EViews10 program for windows. The LPT and PT variables represents the aspect of the bank that indicating profitability and has coefficient accordingly indicate the kind of relationship each profitability variable exist in relation the dependent variable to the of and Probabilistic figures when compared to the dependent variables.

LPT1 ratio is the first under consideration and it represents, current account saving account ratio. The LPT1 coefficient specifies a positive relationship to LLQ1 as and also LLQ2 at 0.399284 and 0.264662 respectively, taking into consideration the positive association as shown by the GMM computed output , it is of clear evidence that, the in regards of liquidity in times it increases as a result of an augmented supply that can be ascribed to the commercial banks operational activities will cause in an upsurge seen on amount of liquidity.

According to the generalized method of moment, the coefficient of the gross domestic profit (LPT3) was computed and shows that it does not exhibit a negative association with regards to LLQ1 and LLQ2, which are 0.388757 and 0.739347 accordingly and is attributed to evidence, some fiscal factors like LPT2 (GDP) possess an impact evident on commercial banks level of liquid holdings level in a country like the Philippines (Ross, 2020). LLQ1 as well as LLQ2, among other liquid indicators, have been shown to have a beneficial impact on LPT2 in the context of this study effort. ROA which is represented by PT4 in the above table, in respect to this study is based on previous published literature and empirical investigations, is selected as an independent factor to assess the feasibility of the impact on liqudity indicators in order to

determine whether or not the effect is viable. The LLQ1 and LLQ2 coefficients for PT4 are -30.04676 and -25.15406, respectively, the dependent variables LLQ1 and LLQ2, Accordingly. In other study as in (Noman, Pervin, Chowdhury, & Banna, 2015) recognize LPT4 (ROA) as a profitable parameter that may be used to determine profitability. In the case of ROE, however, this cannot be stated since the coefficient establishing the relationship specifies that the relationship has a positive link to LLQ1 and LLQ2.

Hypothesis mentioned in the initial chapter, main aim to research project aimed in order to examine the factors that affect the profitability of Nigeria's private commercial banks in order to determine how profitable they are. in addition, Additionally, as highlighted in the previous chapters of the research work, the aforementioned hypotheses were developed early in the research based on the thought extracted from numerous publications and scholarly material and served as a guide towards the statistical analysis path the process through which they were evaluated and the observations addressed to be able to accomplish the overall goal of addressing the research question.

H1: Commercial bank liquidity in Nigeria has an impact on return on assets.

Ho: Commercial bank liquidity has no effect on return on asset

H2: The return on equity of Nigerian commercial banks is affected by liquidity.

Ho: The return on equity of the Nigerian commercial bank is not affected by liquidity.

H3: The total asset of a commercial bank is affected by the liquidity of the commercial bank.

Ho: The total asset of commercial banks is not affected by the liquidity of the commercial banks

H4: commercial bank liquidity has an impact on current and savings accounts ratio

Ho: Commercial bank liquidity has no impact current and saving account ratio

H5: The deposit-to-asset ratio of a commercial bank is influenced by its liquidity.

***Ho*:** The deposit-to-asset ratio of the commercial bank has no influence on liquidity

H6: Commercial bank liquidity has an impact on the gross domestic product.

Ho: Commercial bank liquidity has an impact no impact on the gross domestic product

CHAPTER V

Discussion

In this section of this research work, the sixth chapter emphasizes on summing up the entire research work and elaborate conclusion of the study while touching on all the chapter or sections of work. This final chapter draws form the introduction of the first chapter to the finally outcome of the statistical analysis and how it has relatively answered the main question of the research study. Below the overview of each chapter in elaborate paragraphs, research summary, conclusion of research, recommendations and opportunity for further studies.

Overview and Summary of the Research

Research Overview

Chapter 1

The Initial chapter contains the introduction and background of study, relevance of Liquidity and Profitability as well as a look at the early origin of bought concepts. Other sections include objective of the research, hypothesis if the study scope and limitation of the research study.

Chapter 2

Consist of a holistic literature review of the liquidity and profitability to commercial banks highlighting the views of scholars via published articles, conferences, journals, textbook etc. Other part of the chapter includes theoretical review acknowledging theories that suits the research study and the chapter also included concepts of liquidity and profitability separately

Chapter 3

The empirical literature review was the subject of this chapter's discussion. Numerous writers and researchers are mentioned in the chapter, which included multiple academics doing a study of the current literature on bank profitability factors that are specific to commercial banks, as well as drawing final conclusions based on their empirical findings and review of the literature.

The methods used to illustrate how this connection between independent and dependent variables, liquidity and profitability, and the study population being review, which is the Commercial banks in the nation under study, are the main principles of this study, as are the population under investigation.

In Chapter 4

This chapter offers sufficient information. The research sample strategy, the study population, and the data source that was used in the study were all examined. For the study of panel data, the quantitative approach was utilized, and the generalized moment technique was used. Also discussed were the variables that were selected for the research, as well as the hypotheses that were tested for each variable.

In chapter 5

Computed result and analyzed data are discussed in details.

The Research Summary

To express it simple terms, the Nigerian Central bank has repeatedly emphasized the importance of liquidity in the context of commercial banks. Thus, topics such as liquidity requirements are a significant element of the financial discussion and a cause of stress, particularly when there are rumors of takeovers or mergers. The findings of the study effort are believed to be realistic representations of the upsurge in the financial sector, particularly the commercial bank, in Nigeria during the past 10 years. As a result, the profitability and liquidity of the business were at the heart of this study effort, which was examined using variables developed and accepted by renowned and amazing writers, whose literature and empirical works were utilized to effectively assist the research job.

The issue statement revolved on the importance of liquidity in commercial banks and the impact of such liquidity on the earnings of the banks. The coefficients of each variable were calculated based on the methodology of the research study, and a number of statistical analyses were conducted to test for statistical significance, and also to examine the clear features or characteristics of each variable as displayed in the descriptive statistics, among other things. In addition, the GMM wherein the relationship in among

component is explained to represent real parameters by the generalized moment criterion, that is anticipated figures, is also included in this section, they are the sample counterparts of the moment conditions in the same way.

CHAPTER VI

Conclusion and Recommendation

In the final section of this research work, the sixth chapter emphasizes on summing up the entire research work and elaborate conclusion of the study while touching on all the chapter or sections of work. This final chapter draws form the introduction of the first chapter to the finally outcome of the statistical analysis and how it has relatively answered the main question of the research study. Below the overview of each chapter in elaborate paragraphs, research summary, conclusion of research, recommendations and opportunity for further studies.

Conclusion of the Study

To put it simply, the Nigerian central bank has repeatedly highlighted the significance of liquidity in the context of commercial banks. Thus, topics such as liquidity requirements are a significant element of the financial discussion and a cause of stress, particularly when there are rumors of takeovers or mergers. The findings of the study effort are believed to be realistic representations of the upsurge in the financial sector, particularly the commercial bank, in Nigeria during the past 10 years. As a result, the profitability and liquidity of the business were at the heart of this study effort, which was examined using variables developed and accepted by renowned and amazing writers, whose literature and empirical works were utilized to effectively assist the research job.

The issue statement revolved on the importance of liquidity in commercial banks and the impact of such liquidity on the earnings of the banks. The coefficients of each variable were calculated based on the methodology of the research study, many arithmetical studies were conducted, including tests for arithmetic viability as well as examinations of properties one parameter as shown in data summary tables, amongst other tasks. Furthermore, the GMM wherein the model variables are specified by means of actual structure by GMM components, is also included in this section. They are the sample

counterparts of the moment conditions in the same way that the sample moment conditions are the sample moment conditions.

Recommendations

Recommendations on the scope of the study and how it might be of greater use to policymakers and the banking industry as a whole are made. This research study is divided into many components, each of which is significant in its own right. However, areas such as the literature review, empirical review, and methodology should not be neglected for their importance.

I believe that it is impossible to emphasize the importance of previous studies on the importance of liquidity and how to properly monitor the movement of money throughout the banking system and within the monetary institutions. One of the most important aspects of banking is the transfer of money or credit, and the flow of money or credit may make or break a financial system. Although the central banks of countries such as Nigeria are adept at monitoring the inflows, outflows, and holdings of the financial institutions under their supervision, the findings of this research suggest that the apex bank should maintain a close eye on the operation of commercial banks so as to sufficiently ensure adequate liquidity management.

No doubt, there is a pressing need to understand profitability, and while there are numerous, broad, and endless approaches to doing so, this research has chosen to focus on the part of making the best use of selective variables that best explain both variables, i.e. the liquidity of commercial banks and the profitability of those active banks, so that policymakers can consider the limited other aspects of the sub-sector.

Opportunity for Further Research

Indeed, in the course of carrying out this research project on the profitability and liquidity it is imperative to not that in as much as this study sort out to meet the gap initial discovered in the first chapter and coined from to create the main and research question. No research work is all encompassing in scope and Gaps will always exist for further study or more elaborate study. This means in as much as this research work has covered the scope as stated in the research objective, this brings rise to further study and thus prospective aspect

can be addressed include the time frame of the study as this present study covers only a ten-year period, as an outcome of unavailability of some commercial banks when the bank table is compared to the data extracted table its evident that some banks are missing, the sample size was also not sufficient owing to the banks not making theory annual reposts available first hand

After finalizing the study, for financial organizations as commercial banks, the importance of liquidity management cannot be overstated. Furthermore, management should make profitability in contrasted to liquidity a paramount concern. The concept of profitably and liquidity is very important and elements such as uncontrollable factors e.g. GDP and economic factors should be taken to cognizance when addressing profitability and liquidity.

References

ACCA. (2019). *Ratio Analysis : ACCA Global*. Retrieved from An ACCA Global web site: https://www.accaglobal.com/vn/en/student/exam-support-resources/fundamentals-exams-study-resources/f2/technical-articles/ratio-analysis.html

Acs, A. (2014). The evolution of liquidity. *SSRN Electronic Journal*, 1-17.

Adebayo, O., Olanrewaju, D. A., & Oluwayinka, S. O. (2011). Liquidity Management and Commercial Banks' Profitability. *Research Journal of Finance and Accounting*, 24-38.

Alali, S. M. (2019). The Impact of Bank Liquidity on the Profitability of Commercial Banks: An Applied Study on Jordanian Commercial Banks for the Period . *International Journal of Economics and Financial Issues*, 24-28.

Allen, M. P. (1997). Model specification in regression analysis. In M. P. Allen, *Understanding Regression Analysis* (pp. 166-167). Boston : Springer .

Al-Qadi, N. S., & Khanji, I. M. (2018). Relationship Between Liquidity and Profitability An Empirical Study of Trade Service Sector in Jordan. *Research Journal of Finance and Accounting*, 153-157.

Al-Qadi, N. S., & Khanji, I. M. (2018). Relationship Between Liquidity and Profitability: An Empirical Study of Trade Service Sector in Jordan. *Research Journal of Finance and Accounting*, 153-157.

Amadeo, K., & Boyle, M. J. (2021, January 26). *US Economy : Monetary Policy* . Retrieved from The Bnalance Web site : https://www.thebalance.com/restrictive-monetary-policy-definition-purpose-tools-3305884

Anitha, S., & Priya, S. (2019). Liquidity Risk Analysis in Scheduled commercial banks . *Liquidity Risk Analysis in Scheduled*, 424-428.

Arellano, M., & Bond, S. (1991, April). The Review of Economic Studies. *vol 58*(2), 277–297.

Athanasoglou, P. P., Brissimis, S. N., & Delis, M. D. (2005). Bank-specific, industry-specific and macroeconomic determinants of bank profitability. *Journal of International Financial Markets, Institutions and Money, VOL 18 (2)*(18, 121–136.).

Bace, E. (2016). Bank profitability: Liquidity, capital and asset quality . *CORE*, 327-331.

Bank for International Settlement. (2013). *Basel III: The Liquidity Coverage Ratio and liquidity risk monitoring tools.* Switzerland: Bank For International Settlement . Retrieved from A. BIS Web Site .

Barone, A. (2021, March 21). *Banking : Investopedia*. Retrieved from A, Investopedia Website: https://www.investopedia.com/terms/b/bank.asp

Berger, A. (1995). The Profit-Structure Relationship in Banking--Tests of Market-Power and Efficient-Structure Hypotheses. (C. a.-S. Journal of Money, Ed.) *Journal of Money, Credit and Banking , vol. 2*(2,).

Berger, A., DeYoung, R., Genay, H., & Udell, G. (2000). Globalization of Financial Institutions: Evidence from Cross-Border Banking Performance. *Finance and Economics Discussion Series*, 1-114.

Bindseil, U., Weller, B., & Würtz, F. R. (2003). Central Bank and Commercial Banks' Liquidity Management - What is the Relationship? *Economic Notes*, 37-66.

Bordeleau, É., & Graham, C. (2010). The Impact of Liquidity on Bank Profitability. *Bank of Canada Working Paper*, 4-22.

Botoe, C. B. (2011, June). Impact of liquidity on Performance on Banks in Liberia . Monrovia, Liberia.

Boyle, M. J. (2020, November 21). *Monetary Policy : Federal Reserve* . Retrieved from A, Investoprdia Web site : https://www.investopedia.com/terms/e/expansionary_policy.asp

Brook, C. (2008). *Introductory econometrics for finance, Cambridge University Press, Cambridge (2008).*

Catterall, R. C. (1903). The Second Bank of the United States. In R. C. Henry. Chicago : University of Chicago Press.

Central Bank of Nigeria. (2020). Retrieved from Central Bank of Nigeria Web site: https://www.cbn.gov.ng/Supervision/Inst-DM.asp

Chinweoda, U. O., Onuora, U. R., Ikechukwu, E. M., Ikechukwu, A. C., & Ngozika, O. A. (2020). Effect of Liquidity Management on the Performance of Deposit Money Banks in Nigeria. *The Journal of Social Sciences Research*, 300-308.

Chisimbili, R. H. (2015). Financial Development And Economic Growth In Tanzania. *A Dissertation report Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Science in Accounting and Finance*, 80.

Currie, L. (1931). PhD thesis: Bank assets and banking theory. *Journal of Economic Studies*, 235-243.

Diamond, D. W., & Dybvig, P. H. (1983). Bank Runs, Deposit Insurance, and Liquidity. *Journal of Political Economy*, 401-419.

Dr Abata, M. A. (2014). Asset Quality and Bank Performance: A Study of Commercial Banks in Nigeria. *Research Journal of Finance and Accounting, vol 15*(8).

Durbar, C. (1922). *The Theory and History of Banking.* New York and London, : G.P. Putnam's sons,.

Elliott, D. (2014, April 30). Liquidity and the Role of the Lender of Last Resort. New York, Massachusetts Avenue , United States .

Elsharif, T. A. (2016, June). The Impact of Liquidity Management on Profitability.

Erina, J., & Lace, N. (2013). Commercial Banks Profitability Indicators: Empirical Evidence from Latvia . *IBIMA Publishing*, 1-9.

Fadare, S. O. (2011). Banking Sector Liquidity and Financial Crisis in Nigeria. *International Journal of Economics and Finance*, 3-11.

Fernando, J. (2021). Current Ratio. *Current Ratio*.

Francis, M. E. (2013). Determinants of commercial bank profitability in Sub-Saharan Africa. *International Journal of Economics and Finance,, 5*(9), 134-147.

Fredrick, O., Jeremiah, O., & Onsomu, Z. (2018). The Relationship between Liquidity Risk and Failure of Commercial Banks in Kenya. *Universal Journal of Accounting and Finance*, 7-13.

Fredrick, O., Omwoyo, J., & Zipporah, O. (2018). The Relationship between Liquidity Risk and Failure of Commercial Banks in Kenya. *Universal Journal of Accounting and Finance, 6*(1), 7-13.

Gilbert, A. (1984). Studies of bank market structure and competition: A review and evaluation. *Journal of Money, Credit and Banking*, 617 - 645.

Greene, W. H. (2003). A latent class model for discrete choice analysis: contrasts with mixed logit. *37*(8).

Hawley, J. (2020). Does Working Capital Measure Liquidity? *Corporate Finance Acounting* .

Hayes, A. (2021). Quick Ratio. *Corporate Finance and Acconting* .

Hayes, A., & James, M. (2021, April 13). *Financial Ratios: Investopedia* . Retrieved from Investopidia : https://www.investopedia.com/terms/s/shareholderequityratio.asp

Hennie, V. G., & Sonja, B. B. (2003). Analyzing and Managing Banking Risk : A Framework for Assessing Corporate Governance and Financial Risk Management, Second Edition. *World Bank*, 1-367.

Hiadlovský, V., Rybovičová, I., & Vinczeová, M. (2016). Importance of liquidity analysis in the process of financial management of companies operating in the tourism sector in slovakia: An empirical study. *International Journal for Quality Research* , 799-812.

Holtz-Eakin, D., Newey, W., & Rosen, H. (1988). Estimating Vector Autoregressions with Panel Data. (G. Imbens, Ed.) *Econometrica, vol 56*(6).

Hsiao, C. (2007, March). Panel data analysis—advantages and challenges. *Wang Yanan Institute for Studies in Economics, 16*.

Ibe, S. O. (2013). The Impact of Liquidity Management on the Profitability of Banks in Nigeria. *Journal of Finance and Bank Management*, 37-48.

Ibeabuchi, S. N. (2007). Overview of Monetary Policy in Nigeria. Economic and Financial Review. *Central Bank of Nigeria*, 15-37.

India, T. (2018, July 3). *Dissertation Writing: Tutors India* . Retrieved from A. Tutors India Web site : https://www.tutorsindia.com/blog/comprehending-the-theoretical-framework-and-empirical-framework-in-dissertation-research/

Irawan, A., & Faturahman, T. (2015, August 2nd). A STUDY OF LIQUIDITY AND PROFITABILITY RELATIONSHIP:. Bandung, Indonesia.

Issaya, M. (2013). Determinants Of Profitability Of Domestic And Foreign Commercial Banks In Tanzania A Case Of Commercial Banks Listed In Dse. 99.

Jewell, J. J., & Mankin, J. A. (2011). What Is Your Roa? An Investigation Of The Many Formulas For Calculating Return On Assets. *Academy of Education Leadership Journal*, 79-91.

Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision under Risk . *Econometrica* , 263-292.

Kashyap, A. K., Rajan, R., & Stein, J. C. (2002). anks as Liquidity Providers: An Explanation for the Coexistence of Lending and Deposit-taking. *The Journal of Finance*, 33-73.

Kenton, W. (2021, Feb 10). *Corporate Finance & Accountong* . Retrieved from Investopedia : https://www.investopedia.com/terms/l/liquidityrisk.asp

Kidwel, F., & Brown, K. (1990). *Investment Analysis and Portfolio Management 10th Edition .* United State : South-Western Cengage Learning .

Kramer, L. (2021, April 25). *Econimics: Investopedia* . Retrieved from A, Investopedia Web site : https://www.investopedia.com/ask/answers/what-is-gdp-why-its-important-to-economists-investors/

Lee, M., & Iqbal, N. (2018). Profitability Determinants of Commercial Banks: in the Context of Bangladesh. *Developing Country Studies*, 101-113.

Lee, M., & Iqbal, N. (2018). Profitability Determinants of Commercial Banks: in the Context of Bangledesh. *Developing Country Studies*, 101-113.

Leykun, F. (2016). Determinants of Commercial Banks' Liquidity Risk: Evidence from Ethiopia. *Research Journal of Finance and Accounting*, 47-61.

Liua, H., & Wilson, J. O. (2010, July). Competition and Risk in Japanese Banking. *The European Journal of Finance*.

Llewellyn, D. T. (1996). Banking in the 21st Century:The Transformation of an Industry. *Research Papers in Economics*, 141-179.

Loo, M. A. (2007). *A Survey of Liquid Managenet Approaches and Their Effect on Profitability of Commercial Bank in Kenya .* Nairobi : University of Nairobi .

Lukorito, S. N., Muturi, W., Nyang'au, A. S., & Nyamasege, D. (2014). Assessing the effect of liquidity on profitability of commercial banks in Kenya. *Research Journal of Finance and Accounting*, 145-152.

Mamatzakis, E., & Remoundos, P. C. (2003). Determinants Of Greek Commercial Banks Profitability, 1989 - 2000 . *Πανεπιστήμιο Πειραιώς* , 84-94.

Marimba, K. A. (2018). *Effect Of Inflation Rate On Profitability Of Commercial Banks In Kenya.* Nairobi: University of Nairobi.

MBEKOMIZE, C. J., & MAPHARING, M. (2017, April). Analysis of Determinants of Profitability of Commercial Banks in Btswana. *International Journal of Academic Research in Accounting, Finance and Management Sciences, vol 7*(2).

Menger, K. (1892). On the Origin of Money. *The Economic Journal*, 239-255.

Miller, H. E. (1972). *Banking Theories in the United States before 1860.* Harvard University Press.

Mishra, P., Pandey, C. M., Singh, U., Gupta, A., Sahu, C., & Keshri, A. (2019). Descriptive Statistics and Normality Tests for Statistical Data. *Annals of Cardiac Anaesthesia*, 67-72.

Mitchell, W. F. (1923). The Attack Upon the Theory of the Liquidity of Bank Earning Assets . *The University of Chicago Press* , 243-261.

Molyneux, P., & Forbes, W. (1995). Market structure and performance in European banking. *Applied Economics*, 115-159.

Moore, W. (2011). How do financial crises affect commercial bank liquidity? Evidence from Latin America. *MPRA Paper 21473*, 3-24.

Morton, W. A. (1939). Liquidity and Solvency . *The American Economic Review*, 272-285.

Moussa, M. A. (2015). The Determinants of Bank Liquidity: Case of Tunisia. *International Journalof Economicsand Financial Issues*, 249-259.

Munyamboner, E. (2013). Determinants of commercial banks' profitability in Sub-Saharan Africa, . *International Journal of Economics and Finance,* , 134-147.

Noman, A. H., Pervin, S., Chowdhury, M. M., & Banna, H. (2015). The Effect of Credit Risk on the Banking Profitability: A Case on Bangladesh. *Global Journal of Management and Business Research: CFinance*, 41-48.

Nwankwo, G. (1980). *The Nigerian financial system.* London: Macmillan.

Olagunju, A., David, A. O., & Samuel, O. O. (2011). Liquidity Management and Commercial Banks' Profitability in Nigeria. *Research Journal of Finance and Accounting*, 24-38.

Olweny, T., & Shipho, T. M. (2011). Effects Of Banking Sectoral Factors On The Profitability Of Commercial Banks In Kenya. *Economics and Finance Review*, 01-30.

Ongore, V., & Kusa, G. (2013). Determinants of Financial Performance of Commercial Banks in Kenya. *International Journal of Economics and Financial*, 237-252.

Pape, F. (2020). Rethinking liquidity: A critical Macro-finance view. *Finance and Society,*, 67-75.

Petriaa, N., Caprarub, B., & Ihnatovc, I. (2015). Determinants of banks' profitability: evidence from EU 27 banking system. *Procedia Economics and Finance*.

Prochnow, H. V. (1949). Bank Liquidity And The New Doctrine Of Anticipated Income. *The Journal of Finance*, 289-314.

R, P. J., Mathew, D. B., & Shradha, M. K. (2006, June). Impact Of Inflation On Bank's Profitability" A Study On Select Banks Profitability. *International Journal of Emerging Technologies and Innovative Research, vol 6,*(6), 38-44.

Ravindran, k. (2005). Use of Derivatives in ALM. *Treasury Management*, 7.

Rizwan, I. (2016, June 2). Impact of Liquidity Management on Profitability of Pakistani Firms: A Case of KSE-100. karachi, Pakistan.

Roerink, B. (2014, July 3rd). Testing the static trade-off theory and the pecking order theory of capital structure:. Amsterdem, The netheland.

Ross, S. (2020, May 3). *Economics : Investopedia* . Retrieved from An. Investopedia web site: https://www.investopedia.com/ask/answers/070615/what-correlation-between-money-supply-and-gdp.asp

Rothbard, M. (2008). The Mystery of Banking. *Ludwig von Mises Institute*.

Salim, B. F., & Bilal, Z. O. (2016). The impact of liquidity management on financial performance in Omani banking sector. *International journal of applied business and economic research.*, 545-565.

Sathyamoorthi, C., Mapharing, M., & Dzimiri, M. (2020). Liquidity Management and Financial Performance: Evidence From Commercial Banks in Botswana. *International Journal of Financial Research*, 399-413.

Scannella, E. (2016). Theory and regulation of liquidity risk management in banking . *International Journal of Risk Assessment and Management*, 4-21.

Schulze, G. G. (1990). Reasons Behind Barter Reconsidered. *ECONSTOR*, 1-20.

Shahid Qadir Dar, A. A. (2017). The Working Capital and Its Ratios: A Qualitative Study . *International Journal of Statistics and Actuarial Science* , 24-30 .

Sinkey, J. F. (1992). *Commercial bank financial management in the financial-services industry.* New York: Macmillan.

Sklansky, J. (2010). The Moneylender as Magistrate:Nicholas Biddle and the IdeologicalOrigins of Central Bankingin the United States. *Theoretical Inquiries in Law*, 319-359.

StockEdge . (2018, December 18). *Tutorials: StockEdge* . Retrieved from Stock Edge website : https://blog.stockedge.com/casa-ratio/

Tavasharovich, B. B. (2020). Impact Of The Monetary Policy Of The Central Bank On The Banking System Liquidity. *International Journal of Economics, Business and Management Research*, 1-19.

Tefera, S. (2014 January). Factors Affecting Banks Profitability: An Empirical Study on Ethiopian Private Commercial Banks. *Presented in Partial Fulfillment of the Requirements for the Degree of Master of Science (Accounting and Finance)*, 89.

Thakor, A. V., & Ramakrishnan, R. T. (1984). Information Reliability and a Theory of Financial Intermediation. *Review of Economic Studies* , 415-432.

Trujillo-Ponce, A. (n.d.). What Determines The Profitability Of Banks? Evidence From Spain. 1-35.

Tuovila, A., & Anderson, S. (2020, December 20). *Banking : Investopedia* . Retrieved from Investopedia: https://www.investopedia.com/terms/c/current-account-savings-account.asp

Uyan, O. (2017). Barter As An Alternative Trading And Financing Tool And Its Importance For Businesses In Times Of Economic Crisis. *Journal of Economics and Financial Accounting*, 282-295.

Villamil, A. P., & Schreft, S. L. (1990). Liquidity constraints in commercial loan markets with imperfect information and imperfect competition. *Work Paper Series* , 90-10.

Vodova, P. K. (2011). Determinants of Commercial Banks' Liquidity in the Czech Republic. *Recent Researches in Applied and Computational Mathematics*, 92-97.

Vossen, B. v. (2010). Bank Liquidity Management. *Business/Business Administration*, 1-20.

Waleed, A. (2016). Exploring The Impact of Liquidity on Profitability : Evidence From Banking Sector of Pakistan. *Journal of Internet Banking and Commerce*, 6.

Waleed, A., Pasha, A. T., & Akhtar, A. (2016). Exploring The Impact of Liquidity On Profitability: Evidence from Banking Sector of Pakistan. *Journal of Internet Banking and Commerce*, 1-6.

Weintraub, S. (1958). *An Approach to the Theory of Income Distribution.* Michigan: Greenwood Press.

Yusuf, M. O., Chima, E. I., & Nwufo, C. I. (April 2019,). Optimum Synergy between Liquidity and Profitability Management of. *International Journal of Academic Research in Accounting, Finance and Management Sciences*, pp. 138–148Vol. 9, No.2,.

Zampara, K., Giannopoulos, M., & Koufopoulos, D. N. (2017). Macroeconomic and industry-specific determinants of Greek bank profitability. *nternational Journal of Business and Economic Sciences Applied Researc, 10*(1), 13-22.

Plagiarism Report

THE EFFECT OF PROFITABILITY ON THE LIQUIDITY OF COMMERCIAL BANKS IN NIGERIA

ORIGINALITY REPORT

7%	2%	3%	5%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	Submitted to Deptford Township High School Student Paper	1%
2	Herbert V. Prochnow. "BANK LIQUIDITY AND THE NEW DOCTRINE OF ANTICIPATED INCOME", The Journal of Finance, 12/1949 Publication	1%
3	Submitted to Yakın Doğu Üniversitesi Student Paper	<1%
4	Samuel O. Fadare. "Banking Sector Liquidity and Financial Crisis in Nigeria", International Journal of Economics and Finance, 09/23/2011 Publication	<1%
5	Submitted to Asia e University Student Paper	<1%
6	Submitted to CVC Nigeria Consortium Student Paper	<1%
7	www.investopedia.com Internet Source	<1%

Ethics Committee Approval

YAKIN DOĞU ÜNİVERSİTESİ

BİLİMSEL ARAŞTIRMALAR ETİK KURULU

28.09.2021

Dear Olaitan Adeniyi Tolulope

Your project **"The Effect Of Profitability On The Liquidity Of Commercial Banks In Nigeria"** has been evaluated. Since only secondary data will be used the project it does not need to go through the ethics committee. You can start your research on the condition that you will use only secondary data.

Assoc. Prof. Dr. Direnç Kanol

Rapporteur of the Scientific Research Ethics Committee

Direnç Kanol

Note: If you need to provide an official letter to an institution with the signature of the Head of NEU Scientific Research Ethics Committee, please apply to the secretariat of the ethics committee by showing this document.