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Working Capital Management and Financial Performance of Listed Deposit Money Banks (DMB) in Nigeria

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Abstract. The study investigated the effect of working capital management on the financial performance of listed Deposit Money Banks (DMB) in Nigeria for the period 2009 to 2023, 15 years. In doing so, cash management and receivable management constituting the independent variables were regressed on DMB's financial performance in Nigeria, as represented by return on asset (ROA). The study adopted firm size and firm listing age as the control variables. Data collected were analysed using the STATA V.14 econometric software package. The panel fixed and random effects were employed and estimated the model of the study using the appropriate techniques. Specifically, the results of the study showed that cash management had a negative and insignificant effect on financial performance while receivable management had a positive and significant effect on financial performance. Based on the findings of the study, it recommended that Management of deposit money banks should introduce for policies that would enhance swift conversion of receivable to cash to improve financial performance. Policies on trade receivable period should be shortened since the shorter the receivable period the higher the financial performance of listed deposit money banks in Nigeria.

Keywords: Cash Management, Deposit Money Banks, Panel Regression, Receivable Days, Return on Asset.

1. Introduction

Diverse facts exist about the relationship between working capital and performance of company. On the one hand, investments in working capital are found to improve company profitability since they increase sales growth and earnings development, suggesting that effective working capital management can be a key driver of business success (Baos-Caballero, Garca-Teruel, & Martnez-Solano, 2020; Aktas, Croci, & Petmezas 2015). Trade credit boosts sales and strengthens client connections, while stockpiling more inventory protects the company from price swings. Furthermore, short-term borrowing used to fund working capital have low interest rates and are not subject to inflationary risk (Mahmood, Han, Ali, Mubeen, & Shahzad, 2019). Overinvestment in working capital, on the other hand, necessitates financing and, as a result, more expenditures, and may also result in negative impacts and financial losses for shareholders (Chang 2018; Aktas, Croci, & Petmezas 2015).

As a result, a sharp decrease in the profitability levels of the company results from higher working capital costs as compared to the advantages of maintaining larger inventory or enabling consumers to use trade credit.

A few publications have recently claimed that there is a non-linear relationship between working capital investment and corporate profitability (Mahmood et al. 2019; Tsuruta 2018; Bot,oc and Anton 2017; Aktas et al. 2015; Mun and Jang 2015; Baos-Caballero et al. 2020). Based on a non-linear relationship, the optimum level of working capital (sometimes referred to as the break-even point) is the point at which working capital investments are assumed to positively affect corporate profitability. If working capital surpasses ideal levels, it could start to negatively impact business performance. An inverted U-shaped connection is a positive and negative combination with a break-even point (Mahmood et al. 2019).

Given that "entrepreneurial success might relate to the sheer fact of continuing to run the business" (Staniewski & Awruk 2019), an important consideration in the context of entrepreneurial success is the trade-off between working capital and business profitability. An increase in working capital may result in the opportunity cost of cash held in inefficient assets like inventories and accounts receivable (Tauringana & Afrifa, 2013). Because of the lesser risk, this will result in lower profitability (Nwankwo & Osho, 2010). Firms that take an aggressive strategy will benefit from better profitability as a result of more risk and reduced working capital (Nwankwo & Osho, 2010). This strategy would improve the firm's profitability by lowering the proportion of total assets in the form of net current assets (Garcia-Teruel & Martinez-solano, 2007).

In general, working capital has been the subject of numerous empirical studies. However, we observed that only the studies of Napompech (2012) were conducted using deposit money in Asia unlike those of Agha (2014); Safiah and Nizam, (2015); Hoang (2015); Haq, Sohail, Zoman, and Alam (2011); Iqbal, Ahmad, Kanwal, Sonia Anwar, and Hamad (2014); Pouraghajan and Emamgholipourarchi (2012) that used SMEs and Consumer goods firms; (4) Most of the past studies such as Agha (2014); Safiah & Nizam, (2015); Hoang (2015); Haq, Sohail, Zoman, and Alam (2011); Iqbal, Ahmad, Kanwal, Sonia Anwar, and Hamad (2014); Pouraghajan and Emamgholipourarchi (2012); Olaoye, Akintola, and Ogundipe (2019); Dinku, (2013); Oladimeji and Aladejebi (2020); Ailemen, Folashade, Agwu, and Adetula (2014); and Osuma, Ailemen, Osabohien, and Eriki (2014 used mostly OLS regression which does not capture the heterogeneity effect of banks from different years.

Even though research in this field has been conducted in Nigeria, we observed inconsistent findings. For instance, the studies of Olaoye, Akintola, and Ogundipe (2019); Dinku, (2013); Oladimeji and Aladejebi (2020); Ailemen, Folashade, Agwu, and Adetula (2014); reported a significant and positive effect of working capital proxies of inventory days, payable days, receivable days, and current ratio on profitability. However, a significant negative effect was documented by Osuma, Ailemen, Osabohien, and Eriki (2014). The inconclusiveness and empirical discrepancies observed in all of the investigations, especially when viewed through the contexts of developing and emerging economies and Africa, indicate the necessity for additional country-level testing to determine the feasibility and transferability of the influence of working capital management on financial performance in a market that is emerging, specifically in Nigeria.

Succinctly, this study therefore seeks to address these research problems by first employing a panel regression technique that can capture the heterogeneity effect present in the firm, ensure that a larger firm observation of deposit money banks over 15 years is used unlike previous studies of Agha (2014); Safiah and Nizam, (2015); Hoang (2015); Haq, Sohail, Zoman, and Alam (2011); Iqbal, Ahmad, Kanwal, Sonia Anwar, and Hamad (2014); Pouraghajan and Emamgholipourarchi (2012); Olaoye, Akintola, and Ogundipe (2019); Dinku, (2013); Oladimeji and Aladejebi (2020); Ailemen, Folashade, Agwu, and Adetula (2014); Osuma, Ailemen, Osabohien, and Eriki (2014 that use short periods and small firm observations. Furthermore, to the best of the researchers' knowledge, the study will be the first in Nigeria to examine the impact of working capital management on the financial performance of listed deposit money banks using the most recent data, including the COVID-19 pandemic of 2020.

2. Conceptual Clarification and Hypotheses Development

2.1 Firm Performance

Firm financial performance is commonly defined as a measure of how well a company uses its assets to generate revenue. It measures a company's overall financial health over a certain time period and can be used to compare the performance of identical organizations in related industries or across industries in general (Atrill, & McLaney, 2009). The financial statement, a product of accounting, is the primary source of data for determining firm financial performance. The financial statements include the cash flow statement, which displays the sources and uses of cash during a given period, the income statement, which details revenues, expenses, and profits, the balance sheet, which displays a company's assets, liabilities, and equity, and the statement of changes in owners' equity, which indicates changes in ow financial ratios show how the numbers in a financial statement relate to one another, are often used to reflect firm financial performance. Financial ratios can be used to calculate a company's profitability, efficiency, liquidity, gearing, and investment (Atrill, & McLaney, 2009). According to Atrill and McLaney (2009), the ratios that can be used to calculate the firm's profitability include return on assets (ROA), return on equity (ROE), and return on investments (ROI). These ratios show a company's success in creating profits or returns from its resources.

2.2 Working Capital Management

Working capital management includes the management of current assets and current obligations, and good working capital management guarantees that there is always a sufficient level of working capital (Kumari & Anthuvan, 2017). Working capital is the flow of available funds required to run a business. It consists of funds invested in current assets that, in the ordinary course of business, can be converted into cash in a short amount of time without losing value or causing disruption to the firm (Mohanty, 2013). It is a critical component in every organizational context that necessitates careful consideration, proper planning, and management (Owolabi & Alu, 2012). According to Korede (2017), a company's working capital strategies should address the management of inventories, trade receivables, cash, and short-term investments in order to reduce the risk of illiquidity and inefficiency. Additionally, as different firms have different needs for working capital, these regulations should consider the nature of the business. Profitability and a company's ability to use its working capital effectively are directly correlated.

As a result, effective and efficient working capital management is anticipated because it has a substantial impact on business profitability and sustainability (Agha & Mba 2014). The practice of preparing for the acquisition and use of short-term assets is known as working capital management (Ismail, Mohammed & Mohammed, 2015). According to Nwankwo and Osho (2010), effective Working Capital Management (WCM) is an ongoing process that encompasses various daily operations and decisions, impacting the firm's investment levels in different types of current assets and influencing the amount of short-term and long-term debt required to finance these assets.

3. Theoretical Review

The cash conversion cycle theory, risk management theory, stewardship theory have been widely adopted in diverse studies by researchers to provide theoretical understanding of the effect of working capital management and firm performance.

3.1 Operating cycle theory

The liquidity concept can be formed by studying a firm's balance sheet and income statement operating activity measurements. A clearer perception of the firm's liquidity in this case can be obtained by incorporating measures related to debtors (Accounts receivable) and stock (Inventory turnover) into the operating cycle concept rather than depending solely on the current and acid test ratios (Indicators of Solvency). This illustrates how production, distribution (sales), and collection are the three fundamental processes for working capital components. Weston and Eugene, 1979 Accounts receivable turnover measures how frequently investments in receivables are turned into cash. The average amount of outstanding accounts receivable for the company concerning annual sales is directly impacted by modifications in credit management and collection procedures. The kind of terms and policies made available to clients If not adequately assessed, receivables may become less liquid. Lower receivable turnover and a longer collection duration will indicate a decline in liquidity. Higher current and acid-test ratios would inevitably follow from businesses' decisions to hold onto sizable average receivable investments over extended periods. Laughlin and Richards, 1980 The quantity of raw materials, work-in-progress, and finished goods that a business turns into sales is known as inventory turnover. By employing manufacturing, distribution, and buying techniques that need a significant investment in stocks to meet projected sales, a lower turnover rate for inventory can be achieved.

If a company is unable to change its payment methods or have access to short-term financing, their decision may result in a longer and less liquid inventory period, which will be accompanied by higher current costs (Weston & Eugene 1979) The number of days per turnover accumulated for receivables and inventory approximates the firm's operational cycle. Incorporating the two into operational cycle concepts provides a more realistic, albeit incomplete, estimate of the firm's liquidity. Since of its time dimension, the operating cycle idea has limitations as a cash flow metric because it fails to consider the liquidity needs imposed on the firm, on its present liability commitments. Integrating a time pattern of cash outflow requirements on the firm's current liabilities is significant for liquidity measures as it evaluates the time pattern of cash inflows provided by its current asset transformation (Conversion) (Richards & Laughlin 1980).

4. Hypotheses Development

3.1 Cash Management and Firm Performance

Working capital and corporate performance were analyzed for 719 Polish-listed companies between 2007 and 2016 by Anton and Nucu (2021). Using panel data approaches (fixed effects, panel-corrected standard errors in models, and ordinary least squares) and a quantitative methodology, the study conducts its research. The empirical results indicate that the level of working capital and business profitability have an inverted U-shaped relationship, meaning that working capital increases firm profitability in Poland up to a point known as the break-even point. The break-even point is the point at which working capital starts to negatively affect corporate profitability. Both academic and practical advances are made by the research. Presenting fresh data on the nonlinear relationship between working capital management (WCM) and corporate performance in Poland adds to the body of knowledge on the topic.

According to practitioners, the findings emphasize the relevance of WCM for corporate profitability. Working capital (WC) and firm performance are investigated by Yousaf and Bris (2021). They selected a sample of 326 Czech enterprises from the Albertina database, including 20 accredited firms from the EFQM (European Foundation for Quality Management) Excellence Model. The Czech enterprises were drawn from three industries: manufacturing, automobiles, and construction. To obtain the results, they used a two-step system generalized method of moment (GMM) technique. The study results demonstrated that WC has a detrimental impact on firm performance; additionally, organizations with a quality certificate from the EFQM Excellence Model perform better. Previous research findings, which were held globally, and the present study findings will motivate Czech directors, managers, and leaders to participate in the quality award. Hence, the following hypothesis is stated:
$H0_1$: Cash management has no significant effect on the financial performance of listed deposit money banks in Nigeria.

5. Receivable Management and Firm Performance

Olaoye, Adekanbi, and Oluwadare (2019) employed a panel data methodology with various regression estimators to examine the relationship between working capital management and firm profitability: research from Quoted Firms on the Nigerian Stock Exchange. The study was based on a balanced panel of ten listed firms from 2008 to 2017. The return on assets was found to be negatively impacted by both the cash collection and payment periods; nevertheless, the impact was only statistically significant for the cash payment period at 0.064 ($p = 0.000$ 0.05) in contrast to the forecast for the cash collection duration at 0.032 ($p = 0.077 > 0.05$).

However, the impact was only significant for the current ratio, which was calculated at 8.172 ($p = 0.000$ 0.05), as compared to the estimate for the inventory period at 0.045 ($p = 0.438 > 0.05$). It was also shown that both the current ratio and the inventory period had a favourable impact on the return on assets. Shah and Khan (2018) investigated the relationship between profitability and working capital management in food and personal care products sector firms listed on the Pakistan Stock Exchange. The study's main goal was to discover the empirical relationship between profitability and working capital management in Pakistani enterprises in the Food & Personal Care Product industry. As a sample, eight companies from the Pakistan Stock Exchange are chosen at random. The financial reports of these companies provided secondary data for six years, from 2010 to 2016, which was analyzed in STATA software utilizing regression analysis and Pearson correlation coefficient methods. It is discovered that the variables Return on Assets (ROA), Average Collection Period (ACP), Inventory Turnover in Days (ITID), Average Payment Period (APP), current ratio (CR), and Sales Growth (SG) are positively correlated with each other. Except for ITID and SG, all of the relationships are significant. Hence, the study hypothesizes that:
$H0_2$: Receivable days has no significant effect on the financial performance of listed deposit money banks in Nigeria.

6. Methodology

The firm-level strategy will be used in this investigation. Furthermore, the firm-level strategy, which is grounded in the longitudinal study design, was utilized. The selection of this design is based on the fact that it spans fifteen (15) years. This means that deposit money banks registered on the Nigerian Stock Exchange floor will be employed between 2009 and 2023.

The period covered and number of banks is similar to the work of Hasna (2016) who used 12 banks in Tunisia for 10 years but an improvement to the work of Ibrahim (2014) who used 8 sampled Nigeria deposit money listed banks for the period of 2005 to 2012. According to data from the Nigerian Exchange Group (NGX), the study’s population consists of the nineteen (19) listed deposit money banks. The sampling strategy used is convenience or purposeful. Only the DMBs that were chosen were included in the Nigerian Exchange Group. Throughout the time frame from which the datasets were taken, their yearly financial reports were available. As a result, the sample consisted only of banks that had all the necessary information because of their ongoing operation. We have selected 12 deposit money banks for our final sample size: Access Bank, First Bank, Fidelity Bank, First City Monument Bank, Guarantee Trust Bank, Sterling Bank, Stanbic IBTC, Union Bank, Unity Bank, United Bank for Africa, Wema Bank, and Zenith Bank.

6.1 Model Specification

Our approach, which aims to capture the impact of working capital management on the financial performance of Nigerian listed deposit money banks, is detailed in this paper. Thus, the study adapted the model specified by Olaoye, Akintola, & Ogundipe (2019); Dinku, (2013); Oladimeji and Aladejebi (2020); Ailemen, Folashade, Agwu, and Adetula (2014); and Osuma, Ailemen, Osabohien, and Eriki (2014) which was modified for the purpose of establishing the relationship between the dependent variables and the linear combinations of several determining variables captured in the study. The short form of our model's econometric form is as follows:

$$FP_{it} = \beta_0 + \beta_1 CTAR_{it} + \beta_2 RECD_{it} + \beta_3 FSIZ_{it} + \beta_4 FIRA_{it} + \mu_{it}$$

Where:

FP = Financial Performance is Measured in terms of Return on Asset

CTAR = Cash Management

RECD = Receivable Management

FSIZ = Firm Size

FIRA = Firm Age

β_0 = Constant

β_1- β_4 = Slope Coefficient

μ = Stochastic disturbance

I = i^{th} banks

t = time period

7. Results and Discussion

Before examining any discrepancies with the fundamental presumptions of OLS regression, panel least square regression was performed in this research. To put it briefly, the tests for heteroscedasticity and multicollinearity are part of this diagnostic suite. Additionally, the researcher runs a normality test, correlation matrix, and descriptive statistics as part of an early pre-regression analysis.

7.1 Descriptive Analysis

In this section, for each of the explanatory or independent and dependent variables of interest, the researcher examines the descriptive statistics. The mean, standard deviation, maximum, and minimum are used to analyze each variable. The statistical data that is descriptive for the study are shown in Table 1 below:

Table 1: Descriptive Statistics

VARIABLES	MEAN	SD	MIN	MAX	NO OBS
RETA	1.48	2.83	-20.23	9.54	177
CTAR	14.36	10.07	0.58	59.10	177
RECD	1636.30	496.27	38	3145	177
FSIZ	9.02	0.54	7.93	11.70	177
FIRA	23.72	15.67	2	52	177

Source: *Author (2024) From STATA 14*

With a standard deviation of 2.83, the sample deposit money banks' financial performance as measured by return on asset (RETA) had a mean of 1.48. Return on asset, a proxy for financial success, had a high value of 9.54 and a minimum value of -20.23. It was noted that the standard deviation was 10.07 and the mean was 14.36 in the cash ratio (CTAR) instance. The mean of receivable management period (RECD) for the sample deposit money banks was 1636 days approximately, with a standard deviation of 496 days. For the control variables, it is observed that on average firm size (FSIZ) had a mean of 9.02 with a standard deviation of 0.54. It is also observed that firm listing age (FIRA) had a mean of 24years and a standard deviation of 16years.

Correlation Analysis

Utilizing the Spearman rank Correlation Coefficient (correlation matrix) to investigate the relationship between the variables, the study's findings are shown in the table below.

Table 2: Correlation analysis

VARIABLES	RETA	CTAR	RECD	FSIZ	FIRA
RETA	1.00				
CTAR	0.22	1.00			
RECD	0.06	0.06	1.00		
FSIZ	0.19	0.30	0.24	1.00	
FIRA	-0.21	0.15	-0.12	0.38	1.00

Source: *Author (2024) From STATA 14*

The results mentioned earlier indicate a positive and moderate relationship (p = 0.22) between the management of cash and financial performance in the case of the correlation between working capital management proxies and performance. Receivables management and financial performance have a weak but favorable correlation (0.06). The table indicates that the control variable, business size and financial performance have a small but positive correlation (0.19). The financial performance of the corporation and its listing age do, however, appear to be moderately correlated negatively (-0.21). Regression data, however, are required to verify our assumptions because correlation testing is unable to identify cause-and-effect relationships.

7.2 Regression Analyses

In particular, because the data had both cross-sectional and time series characteristics (2009 to 2023) (12 listed deposit money banks), a panel regression analysis was used in the study to test the hypotheses and investigate the cause-and-effect relationships between the independent and dependent variables. Below is a presentation and discussion of the panel data regression and an OLS pooled finding.

Table 4: Regression Result

	RETA Model (Pooled OLS)	RETA Model (FIXED Effect)	RETA Model (RANDOM Effect)
CONS.	-19.03 {0.000} ***	-6.10 {0.381}	-14.44 {0.014} **
CTAR	0.02 {0.245}	-0.00 {0.854}	0.11 {0.503}
RECD	0.99 {0.018} **	0.90 {0.045} **	0.86 {0.048} **
FSIZ	0.61 {0.085}	-1.39 {0.053} **	0.34 {0.434}
FIRA	-0.02 {0.075}	0.19 {0.007} **	-0.00 {0.860}
F-statistics/Wald Statistics	4.67 (0.01) **	2.33 (0.04) **	10.36 (0.11)
R- Squared	0.15	0.09	0.04
Adj. R-Squared	0.11		
VIF Test	1.12		
Heteroscedasticity Test	33.11 (0.00) ***		
Hausman Test		12.88 (0.0450) **	

Note: (1) bracket {} are p-values
(2) **, ***, implies statistical significance at 5% and 1% levels respectively
Source: Author (2024) From STATA 14

Table 4 above illustrates the OLS pooled regression results. The R-squared value of 0.15 indicates that the independent and control variables in the model jointly explained approximately 15% of the systematic variations in financial performance, as measured by return on asset in the pooled deposit money banks over the period of interest. The absence of other independent factors that could have an impact on financial performance but were included in the error term is the reason for the portion of financial performance that cannot be explained. The OLS regression model is valid and suitable for use in statistical inference, as indicated by the F-statistic value of 4.67 and the corresponding P-value of 0.0002, which both indicate that the model is statistically significant overall at the 5% level.

However, to confirm the OLS regression estimates even more, the study runs a few post-regression tests. From the table, it is observed that Cash management (Fixed effect = -0.00 (0.854)) as an independent variable to financial performance of listed deposit money banks appears to have a negative and insignificant influence on financial performance. A good and considerable impact on the financial performance of listed deposit money institutions appears to be attributed to receivable management (Fixed effect = 0.90 (0.045)) as an independent variable.

8. Discussion of Findings

According to the empirical findings, receivable management (Fixed effect = 0.90 (0.045)) appears to have a favorable and significant impact on financial performance when considered as an independent variable of listed deposit money institutions. According to the findings, deposit money banks in Nigeria perform financially better as their receivable days increase. An organization may track client credit, retain customer loyalty, and uncollected revenues by maintaining proper accounts receivable management. Gill (2011) asserts that the main objective of accounts receivable is to reach an optimal balance between cash flow management components. Cash flow management is the process of planning and controlling cash flow both into and out of a business, that is, cash flows within the business and cash balances held by a business at a point in time (Samilogu, 2008). Efficient accounts receivable management affords a firm improve on its profitability by reducing the transaction costs of raising funds in case of liquidity crisis (Ahmet, 2012). This result agrees with prior empirical results which show that receivable management has a significant positive effect on financial performance (Agha, 2014). Most specifically, the results did not tally with previous findings of various researchers that report that receivable management has a significant and negative impact on financial performance (Napompech, 2012). The results did not also tally with previous findings of various researchers that report that receivable management has an insignificant negative impact on financial performance (Olaoye, Akintola, & Ogundipe (2019); Dinku, (2013); Safiah & Nizam, (2015) and Hoang (2015).

The study documents that cash management (Fixed effect = -0.00 (0.854)) as an independent variable to financial performance of listed deposit money banks appears to have a negative and insignificant influence on financial performance. This result agrees with prior empirical results which show that cash management has an insignificant and negative effect on financial performance (Hoang (2015); Dinku, (2013); Anton & Nucu (2021); and Golas (2020). Most specifically, the results did not tally with previous findings of various researchers that report that cash management has a significant and positive impact on firm performance (Pouraghajan & Emamgholipourarchi (2012); and Haq, Sohail, Zoman, & Alam (2011). The results did not also tally with previous findings of various researchers that report that cash managwment has an insignificant positive impact on firm performance (Safiah & Nizam, (2015); Haq, Sohail, Zoman, & Alam (2011); Napompech (2012); Oladimeji & Aladejebi (2020); and Korent & Orsag (2018). Specifically, we opined that the ability of a bank to meet customers' withdrawal needs and other cash flows is a result of its cash management, therefore cash management is an essential factor in business operations and consequently, business profitability (Otekunrin et al., 2018). Padachi (2006) suggested that a company is obligatory to uphold equilibrium between cash position and its management with its profitability, since inadequate cash and excess cash have a significant effect on firms' profit. Cash operations in banks cannot be overemphasized.

9. Conclusion and Recommendations

A sharp rise in working capital investment costs relative to the advantages of granting consumers trade credit results in a decline in the company's performance. According to the non-linear relationship, working capital investments increase corporate profitability up to a specific amount, known as the break-even point or optimal level of working capital. Working capital might start to negatively impact a company's performance when it exceeds its optimal level. An inverted U-shaped relationship is a positive-negative combination with a break-even point. Taking into account that "entrepreneurial success can refer to the mere fact of continuing to run the business", It can be agreed that, in the context of successful entrepreneurship, the trade-off between working capital and profitability for a company is significant. The possibility of having funds tied up in unproductive assets like inventory and accounts receivable could arise from an increase in working capital. As a result, there will be less risk and so less profits. Aggressive organizations will result in lower working capital and higher profitability due to increased risk. By minimizing the amount of net current assets that make up the company's total assets, this strategy would increase enterprise profitability. There is a clear association between financial performance and working capital management.

According to the study, cash management significantly and negatively affects financial performance, whereas receivable management significantly and positively affects financial performance.

Diverse viewpoints regarding the connections between working capital management and financial success have been adequately established by this study. The study's conclusions lead the researcher to cautiously advise that, in order to improve financial performance, the management of these deposit money institutions should support laws that would facilitate the quick conversion of accounts receivable into cash. Since the shorter the receivable term, the better the listed deposit money banks in Nigeria perform financially, trade receivable policies should either be shortened or left unchanged.

The study has increased our understanding of working capital management in general as well as the relationship between profitability and working capital management. Furthermore, while firms have been established to improve profitability with a decrease in the working capital management by previous studies, this study shows that this is not always the case. However, our findings prove that banks are, in fact, better at balancing the decision between working capital management and commercial maximization regarding profitability. In particular, the study advances knowledge by using a panel regression technique to provide empirical results on the impact of working capital management on the profitability of listed deposit money banks in Nigeria. This technique can capture the heterogeneity effect present in the banks. Similar to the majority of earlier related studies, this one would not be finished without making a few recommendations for other academics who might want to carry out related study. This work still has to be completed in a few areas, like determining co-integration between other variables during structural breaks or modifications. Additionally, it would be beneficial to conduct comparable research that includes the non-financial sector. In addition, the researcher believes that additional working capital management factors will broaden the scope of the analysis and provide a wider range of potential policy recommendations.

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