Analysing the Effect of Net Cash Flow from Financing Activities on Liquidity of United Bank for Africa (UBA)

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ABSTRACT

This work investigated the analyse the effect of cash flow from financing activities of United Bank for Africa (UBA). This study adopted a design known as the ex-post facto research design using secondary data from the Nigeria Bureau of Statistics for the period of 2009 to 2021.Ordinary Least Square Regression analysis was used to determine the effect of net cash flow from financing activities and how it effect liquidity of United Bank for Africa. Simple regression was used as technique of data analysis collected through secondary source. Loan to deposit ratio was used as proxy for bank liquidity while the independent variable was net cash flow from financing activities (nCFF) of United Bank for Africa. The study revealed that there is positive and insignificant effect of nCFF on the liquidity position of United Bank for Africa. The study then recommends that preparers of financial statements should view the statement of cash flow as an important component of the annual report, while investors should conduct a careful analysis of the statement of cash flow in making investment decisions.

1.0 Background to the study

Today, banks play a significant role in financing commercial businesses. They facilitate trades by organizing receipts and payments and this way develop the markets on one side and lead micro and macro savings towards the commercial businesses and economic activities on the other side. Hence, banks provide economic growth and development this way. Banks are subject to different challenges such as cash management as one of the most important of them (Fabozzi, 2005). In case of banks, cash management refers to predicting and providing required liquidity with lowest possible expenses(Fabozzi,2005). The main reason for cash management is to provide banks with resources obtained from short-term and micro deposits while investment facilitation is executed on assets with low degree of liquidity. Therefore, the primary objective of banks is to provide a balance between short term financial obligations and long term investments. If an insufficient amount of liquidity is kept up for this, banks will be at risk of lack of capability to fulfil obligations and eventually go bankrupt. On the other side, excessive amount of liquidity will lead to inefficient allocation of resources, reduction in the efficiency ratio and consequent loss of the market.

When liquidity analysis is investigated, cash flow data is far more reliable than the balance sheet information. Balance sheet data and information are stationary and indicate the statutes of a

business at a specific period of time, whereas cash flow statement indicates changes in financial statements. Cash management is important in terms of firms with financial activities, considering increasing changes and competitions in societies today. Financial managers' ability to understand and to respond properly and quickly to the market status and its changes is an advantage for financial institutions. Therefore, such managers should be aware of various characteristics of the institutional activities including cash management as the most important of them. Managers should also provide financial reports based on financial recorded information, return and cash management (Arabmazar&Ghanbari, 1997).

Insufficient liquidity is associated with the institution's lack of capability of fulfilling its financial obligations. This can lead to forced sales of assets and in extreme cases can lead to bankruptcy of the financial institution. Therefore, financial managers have realized that company liquidity ratios including current ratios, net working capital and so forth are important in order to determine the sufficient amount of cash capital for fulfilling the obligations (Wang, 2002).

Theoretically, the most important decisions among all the decisions of a finance manager are investment decisions and financing decisions, and these are core part of cash flow decisions (Khalid &Szabist, 2018). These two are the key issues ever discussed in corporate finance. Both have major effect on firm's performance as well as firm's growth. Again, the Keynesian theory holds that there are three reasons for holding money in cash; one is the need of maintaining liquidity, the second is for transaction, the speculative and precautions motives. The assumption is that speculative motive is the need to hold cash to improve performance when need arise for purchase, or favourable exchange. The precautionary motive is the only need to hold cash to cater for unexpected events. The transaction motive is the need to have cash on hand to pay daily expenses (Ali, Alireza, and Jalal, 2013). One fascinating thing about the Keynesian theory is that it presents the motives for holding cash which cannot be overemphasized when relating it to the liquidity positions of banks.

Empirically, Ali, Alireza and Jalal (2013) studied the association between various earnings and cash flow measures of firm performance and stock returns in Iran with simple and multiple regressions to analyse the data for a period of nine consecutive years from 2003 to 2011. The study revealed that company's performance and cash flow have a significant negative relationship. Nwanyanwu (2015) did a study on the relationship between operating cash flow activities and organization performance in the hospitality and print media industry in Nigeria. The findings revealed that operating activities affect profitability. Parsian& Amir (2013) carried a study on the effect of operating cash flow on profitability in Tehran stock exchange. The study was conducted to relate the influence of different component of cash flows on profitability growth. The study found that different operating cash flow components affect profitability.

United Bank for Africa Plc (**UBA**) is a Multinational pan-African financial services group headquartered in Lagos Island, Lagos and known as Africa's Global Bank. It has subsidiaries in 20 African countries and offices in London, Paris and New York. In December 2021, UBA received its banking license to commence operations in the UAE. It is listed as commercial bank by the Central Bank of Nigeria. The shares of stock of the group are listed on the Nigerian

Stock Exchange, where they trade under the symbol: **UBA** The Group Chairman of the bank is Tony Elumelu and the GMD/CEO is Oliver Alawuba.

United Bank For Africa is a large financial services group in Nigeria and on the African continent. As of December 2021, the group's financial assets were valued at ₦8.5 trillion (US$20.1 billion), with shareholders' equity of ₦724.1 billion (US$1.8 billion). At that time the group employed 20,000+ people. The group maintains subsidiaries in Nigeria, Ghana, Benin, Ivory Coast, Burkina Faso, Guinea, Chad, Cameroon, Kenya, Gabon, Tanzania, Zambia, Uganda, Liberia, Sierra-Leone, Mozambique, Senegal, DR Congo, Congo Brazzaville, Mali, the United States of America, the United Kingdom, France, and UAE

The British and French Bank Limited (BFB) commenced business in Nigeria in 1948. BFB was a subsidiary of Banque nationale pour le commerce et l'industrie (BNCI) in Paris, which transformed its London branch into BFB as a separate subsidiary. Banque Nationale de Credit and two British investment firms, S.G. Warburg and Company and Robert Benson and Company, held shares in BFB.

Following Nigeria's independence from Britain, UBA was incorporated on 23rd, February 1961 to take over the business of BFB. In 1970, UBA listed its shares on the Nigerian Stock Exchange and became the first Nigerian Bank to undertake an Initial Public Offering (IPO).

Today's UBA emerged from the merger of the dynamic and fast-growing Standard Trust Bank, incorporated in 1990, and UBA, one of the biggest and oldest banks in Nigeria. The merger was consummated on August 1, 2005, and was one of the largest mergers completed on the Nigerian Stock Exchange (NSE). Following the merger, UBA further expanded its brand through acquiring Continental Trust Bank that same year. In 2006, UBA acquired Trade Bank, which was under liquidation by the Central Bank of Nigeria at the time.

UBA had another successful combined public offering rights issue in 2007 and made further acquisitions of three liquidated banks: City Express Bank, Metropolitan Bank, and African Express Bank. UBA also acquired Afrinvest UK, rebranding it UBA Capital, UK. The quest to build a strong domestic and African brand intensified in 2008 when UBA made further acquisitions of two liquidated banks: Gulf Bank and Liberty Bank.

1.5   Research Hypothesis

The following hypotheses were formulated based on the reviewed literatures:

   H1o   The net cash flow from financing activities significantly affect liquidity of UBA.

2.0 LITERATURE REVIEW

Conceptual Review
Concept of Cash Flows from Financing Activities

This is the third part of the statement of cash flows. Before explaining these activities, it is important to understand what financing means. Taillard (2012) describes financing as "…the

process of acquiring capital to fund a start-up, an expansion, basic operations or whatever else the company needs the extra funds for." Financing could be either internal or external. Retained earnings are the resources for internal financing. However, external financing involves two key resources which are equity and debt. The sale of company shares to investors provides cash, whereas, loans and the sale of bonds constitute the methods for debt financing. Consequently, financial markets should be used for external funds (Subramanyam& Wild, 2014).

Cash flows from financing activities is defined as "…the remaining of activities that cannot be classified either as operating or investing" (Kousenidis, 2006). Precisely, cash investments of company owners, cash repayments of loans, cash dividends received by shareholders and the supply of stocks or bonds constitute these cash flows (Kramer & Johnson, 2009).

Cash investments of company owners refer to share repurchases which arise due to their sale bysome shareholders (McLaney&Atrill, 2014). There are various reasons for this to occur. Firstly, there could be a decrease in share prices which provides a good opportunity for share acquisitions. Secondly, these shares could be a part of company strategy to protect itself from hostile takeovers. Thirdly, they could be given to key executives for additional compensation (Kramer and Johnson, 2009). Cash repayments of loans exist as a result of the loans which are provided for companies. In this respect, cash is necessary in satisfying the expectations of creditors. As a result, they influence financing activities adversely. On the other hand, cash dividends are one of the ways to utilize money in companies. Therefore, they have the same effect as cash repayments on cash flows from financing activities (Taillard, 2012).

Financing activities may produce cash inflows or outflows which are affected by financial strategies of companies. For instance, in the period of expansion, cash inflows are usually observed since there could be insufficient cash flows from operating activities which requires the sale of shares or debt securities for the maintenance of company operations. In contrast, operations need relatively lower amount of financing in the period of maturity (Mc Laney &Atrill, 2014). More specifically, the supply of stocks or bonds in financial markets could be regarded as the essential cash resources for firms (Boyd *et al*., 2014). With respect to financing, (Kargin&Aktas, 2011) describe cash flow patterns by considering business cycles. Furthermore, (Orhan&Basar, 2015) note that there are cash outflows related to financing activities of the companies listed on Istanbul Stock Exchange 100 Index. As a result, companies' financial structure or the exchange of cash between the firm and its shareholders and creditors could be clearly observed by examining this part of the cash flow statement (Vause, 2014). In Turkey, most companies use their retained earnings and short-term bank credits for financing because of the insufficiency of long-term resources in capital markets. These resources are mostly used by the government through the issuance of government bonds due to budget deficits (Gursoy, 2012).

Therefore, companies, which have access to long-term resources, could be regarded as financially strong. The amount of these resources might be observed in financial statements. In this respect, cash flow statements help analysts to understand the use of long-term and short-term financial resources on cash basis (Libby, Libby & Short, 2014).

Concept of Bank Liquidity

According to Anyanwu (1993) liquidity simply means the ability to convert an asset to cash with minimum delay and minimum loss/cost. In the portfolio of commercial banks, liquidity assets play a very crucial role because banks operate largely with the funds borrowed from depositors in form of demand and time deposits. These liquidity assets are the essential balance sheet items which have the capacity to maintain the confidence of depositors which is the most valuable intangible asset of the commercial banking business (Spindt, 1980).

In particular, the fundamental traditional role of banks through converting deposits which are liquid liabilities to illiquid assets (Loans), which caused maturity gap due to different maturity periods and affected bank liquidity situation, therefore banks tends to lessen of this gap by holding liquid assets (Diamond &Dybvig, 1983). In a major view, banks tend to hold liquid funds for four basic reasons: the first one is to meet whatever legal reserve requirements may be imposed by central banks or authorities. The second reason is to provide payment for services provided by banks. The third reason is to meet anticipated demands of depositing customers withdrawing cash. The fourth reason is to meet anticipated increases in loan demand (Fleming, 1974).

Moore (2010) explained that banks needs to hold liquid assets to meet their customers' need of cash. If a bank does not have the liquidity needed to satisfy its customers demand, then it either has to borrow on the interbank market or the central bank, which incur an "interest penalty". Therefore, bank liquidity situation affected by its holding of liquid assets such as cash, reserves, marketable securities that can be easy to convert when needed to ensure bank ability to deal with liquidity needs or "shocks". In addition, bankers should assess their liquidity position considering bank's access to funds as well as its cost of funding. Therefore, banks should concern about their liquidity position in a daily basis; and monitor both expected and unexpected cash flow, to be insure of their capacity to meet the need of cash readily and timely at reasonable price (OCC, 2012).

It is noted that what determines the liquidity of an asset is still a disputed issue among theorists, the conventional wisdom gained from banks management literature, an asset can be liquid if it has low risk (e.g. government securities) with a short maturity (less sensitive to interest rate movements) (Alger&Alger, 1999). Assets classified regarding to its liquidity to liquid, semi-liquid or illiquid based on the ease, cost, and time for banks to obtain liquid funds to meet customers' demands (Berger &Bouwman, 2009). To sum the above, it can be said that an asset is liquid if it can be converted quickly to cash when needed without unacceptable losses.

In general, Banks can use multiple strategies to insure having adequate levels of liquidity. The first strategy is to hold short asset maturities that mature during the period of a cash crunch and it is generally liquid. The second strategy is to lengthen liability maturities, which the longer-term liability, the less likely that it will mature while a bank is still in a cash crunch. The third strategy is to issue more equity in which common stock is roughly equivalent to a bond with a perpetual maturity, with added advantage that no interest or similar periodic payments have to be made (Dividends are normally paid only out of profits and are discretionary). The fourth strategy is to cut back the volume of lines of credit and other contingent commitments to pay out cash in the future, reduce the potential outflows, thereby improving the balance of sources and uses of cash. The fifth strategy is to obtain liquidity protection. A bank could pay for a line of credit from another

bank, to guarantee the availability of cash in the future, if needed. Alternatively, in some cases depending on a central bank. In some countries, banks have assets pre-positioned with their central bank that can be used as collateral to borrow cash in a crisis (Elliot, 2004).

According to Nwankwo (1991), adequate liquidity enables a bank to meet three risks. First is the funding risk – the ability to replace net outflows either through withdrawals of retail deposits or nonrenewal of wholesale funds. Secondly, adequate liquidity is needed to enable the bank to compensate for the non-receipt of inflow of funds if the borrower or borrowers fail to meet their commitments. The third risk arises from calls to honour maturity obligations or from request for funds from important customers.

Adequate enables the bank to find new funds to honour the maturity obligations such as a sudden upsurge in borrowing under atomic or agreed lines of credit or to be able to undertake new lending when desirable. For instance, a request from a highly valued customer. Adequate liquidity is also needed to avoid forced sale of asset at unfavourable market conditions and at heavy loss. Adequate liquidity serves as vehicle for profitable operations especially to sustain confidence of depositors in meeting short run obligations. Finally, adequate liquidity guides against involuntary or non-voluntary borrowing from the regulatory authorities where there is a serious liquidity crises, the bank is placed at the mercy of the Central Bank, and hence the control of its destiny may be handed over.Having adequate or sufficient liquidity to meet all commitments at all times at normal market rates of interest is indispensable for both large and small banks (Nwankwo, 1991). Liquidity is the life blood of a banking setup.

Liquidity of banks can be defined as "the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses" (BIS, 2008). In addition, it can be "a measure of bank ability to readily find the funds it may need to meet demands upon it" (Elliot, 2014). Moreover, can be "a measure of the ability of bank and ease with which assets can be converted to cash so banks can meet its obligations at time without unacceptable losses" (Fekadu, 2016).

According to the definitions mentioned above, it is clear that liquidity is considered vital for banks. Therefore, banks should concern about their liquidity position while operating. Thus, banks can have adequate liquidity through holding buffers of liquid assets such as cash or reserves on its balance sheet which are easy to convert into cash when needed or by researching funds from marketplace to ensure their ability to meet customers' demands and meet their obligation.

Summing up the above, the bank should concern about its liquidity management and tries to have adequate level of liquidity by diversifying its funding sources, not just focusing on deposits as the only source for creating liquidity. Banks can look at loans portfolio as a source of liquidity, where bank can sell or liquidate some of them in the secondary market. And they should also care about market base activities that could be used to as alternative source of funding needed by bank, such as issue of commercial paper or covered bonds (Angora&Roulet, 2011).

2.2 Theoretical Review
Theory of Financial Intermediation

The theory of financial intermediation was first formalized in the works of Goldsmith (1969), Shaw (1973) and Mckinnon (1973), who see financial markets (both money and capital markets) playing a pivotal role in economic development, and attributing the differences in economic growth across countries to the quantity and quality of services provided by financial institutions. Supporting this view is the result of a research by Nwaogwugwu (2008) and Dabwor (2009) on the Nigerian stock market development and economic growth, the causal linkage. However, this contrasts with Robinson (1952), who argued that "financial markets are essentially hand maidens to domestic industry, and respond passively to other factors that produce cross–country differences in growth. Moreover there is general tendency for supply of finance to move along with the demand for it. The Robinson school of thought therefore believes that economic growth will bring about the expansion of the financial sector.

In addition, the process of growth has feedback effects on financial markets by creating incentives for further financial development. McKinnon (1973) in his thesis argued that there is a complimentary relationship between physical capital and money that is reflected in money demand. This complimentary relationship, according to McKinnon (1973), links the demand for money directly with the process of physical capital accumulation mainly because the conditions of money supply have a first order impact on decision to save and invest. .

Structural problems such as market inefficiencies were identified and emphasized by the structuralist school of thought as the principal cause for economic backwardness of developing countries. They criticized the market clearing assumptions implicit in the financial liberalization school, especially the assumption that higher interest rates attract more savings into the formal financial sector (Van Wijnbergen, 1983). They also stressed that in the event that informal sector agents substitute their deposits for that in the formal sector due to high interest rates, the unexpected consequence will be an adverse effect on financial intermediation and economic growth.

Empirical Review
2.3   Review of Empirical Studies

Sulayman (2014) did a work on liquidity analysis using cash flow ratio as compared to Traditional Ratio in the pharmaceutical sector in Jordan, the study shows that a number of companies that had good traditional ratios while their cash flow ratios were weak but the cash flow ratios showed a better liquidity position. The study conclude that cash flow ratio provide more information than traditional ratios in increasing liquidity position of the company.

Nwanyanwu (2015) Evaluated cash flow and organizational performance in Nigeria and hospitality and print media industries: Using a pilot study, 45 SMEs in those sectors were sampled. It was found that with advances in technology and quality of services delivery which create competitions, hospitality and print media organizations should develop strategies to enhance their cash inflow.

Kajananthan and Velnampy (2014) carried out a study on liquidity, solvency and profitability analysis using cash flow ratios and Traditional Ratio. Using communication sector in Siri Lanka, the study provided evidence of the importance of using the cash flow ratios as a means of testing the validity of the conclusions made from analysis of traditional liquidity ratios alone. The study shows that some Tele comm. Companies are good traditionally yet the cash flow ratios projected a different perspective. They conclude that cash flow ratio is a more holistic approach to the analysis of the liquidity position of companies and in during so becomes a means for making better decisions.

Adelegan (2003) carried out an empirical analysis of the relationship between cash flow and dividend changes in Nigeria. The research used the ordinary least square (OLS) method to analyze the data on a sample of 63 quoted firms in Nigeria over an under testing period time 1984-1997 the result reveal that the relationship between cash flow and firm performance is positively significant.

Amah, Ekwe and Uzoma (2016) examined the relationship between cash flow and performance in the Banking sector of Nigeria. The study involved a survey of four (4) Banks quoted in the Nigeria Stock Exchange. Data were obtained from the annual report and accounts of selected Banks. The data were subjected to statistical analysis using correlation technique. The result of the study revealed that operating cash flow has a significant and strong positive relation with performance in the Banking sector in Nigeria, it was also reified that investing cash flow and financing cash flow have negative and weak relationship.

Nyabwarga, Ogera, and Nyakurdi (2013) carried out Empirical Analysis of the liquidity, solvency and financial Health of Small and Medium sized Enterprises in Kisii Municipality, Kenya. The purpose of this study was to carry out a financial diagnosis of small and medium enterprises (SMES) financial performance by focusing in their liquidity, solvency and profitability positions using ratio analysis. The findings of the study showed that liquidity position of SMES, their solvency and financial health were low. Also the result of the study shows that there is a significant impact of current ratio, quick ratio and debt to total assets on return on assets (ROA). The study recommended that liquidity, solvency and financial health of SMEs should be an integral part of their policy frame work.

Bingilar et al (2014) did a study on cash flow and corporate performance. A study of selected food; and beverages companies in Nigeria, the data for the study involved 6 food and beverage companies. The data were subjected to multiple regression technique. The result of the study revealed that operating and financing cash flow here significant positive relationship with corporate performance in the food and beverage sector of Nigeria.

Darabi, Adeli and Torkamani (2012) conducted a study on the effect of cash flow shocks on capital and asset structure evidence from Tehran stock exchange. External financing, operating cash flows, investments and Dividend. This study methodology was an applied, descriptive regressive research. The researcher used the Pearson correlation and simple liner regression to analyze the data of a sample of 57 listed companies for the years 2005-2010. The results showed that there

was a meaningful relationship among the operating cash flows, investment and dividends. The research results also showed that financial constraints do not affect sensitivity of cash flow.

Habib (2011) investigated current cash flow, stable profitability and growth opportunities on the stock returns in Australian stock exchange. The objective of the study was to establish the relationship between current cash flow, stable profitability and growth opportunities. The study surveyed 7,229 companies listed on the Australian stock exchange between 1992 and 2005. Data analysis was carried out using a multiple regression model and the results of the analysis show that firms with greater growth opportunities and free cash flow have a higher value price, and additionally operating cash flow is positively related to stock return while profitability is short-term.

Parsian& Amir (2013) carried a study on the effect of operating cash flow on profitability in Tehran stock exchange. The study used 42 firms sampled from Tehran stock exchange. The study adopted multiple regression models to analyze the data and provide a basis for the conclusion made. The study found that different operating cash flow components affect profitability. The study concluded that profits are improved for banks extremely throughout the financial years. The use of cash flows from operating activities has a great influence on profitability with negative effect. Further the findings recommended that net income from depreciation expense, increase in current liabilities, decrease in current assets and decrease in current liability should be analyze with profitability. The study failed to include correlation analysis to which was essential for determining the relationship between operating cash flows from Cash generated from operation and profits from operations on financial performance.

Manyo (2013) studied the effect of investing activities on performance of Nigerian manufacturing firms. The study objectives were examined the effect of account receivable on investing activities in Nigerian firms, relationship between cash flows from operating and profitability of a firm and to determine the effect of receivables and inventories account for a significant proportion. The study used 12 manufacturing firms listed. The study employed correlation analysis. The study found that the current asset of manufactures is more than half of the entire firm's performance. The study also recommended that the receivables and inventories account affect performance measured by total on assets of the firms. This study did fail to analyze financial performance with investing cash flows using descriptive statistics.

Oyieko, Nyang'au and Chesoli (2018) evaluated the effect of cash flows management activities on financial performance of manufacturing firms listed at Nairobi Securities Exchange. The researcher used a descriptive research design to describe cash flow management activities of manufacturing firms listed at Nairobi Securities Exchange which is based in Nairobi, Kenya. The target population comprised of 7 listed manufacturing firms in the NSE Report for the period 2007 to 2016. The study found that Unga limited applied profit from operations to consider operating cash flows. Further, BOC limited also applied Purchase of PPE to consider investing cash flows to a great extent as indicated by a mean value and standard deviations. Using correlation results, the study found that there existed positive correlation between operating cash flows, and financial performance on return on equity. The study concluded that cash flow management activities are statistically and significantly related in predicting return on asset of listed manufacturing firms.

The study concluded that use of cash flow management activities led to significant effect in financial performance.

3.0   METHODOLOGY

This study adopted the ex-post facto research design using secondary data from annual reports of the bank for the period of 2009 to 2021. The population of the study cover all the UBA banks in Nigeria from 2009 to 2021. Because of the reliability of the data, the study relied on data provided for in the financial statement (cash flow and balance sheet) of UBA Nigeria Plc. Ordinary Least Square Regression analysis was used to determine the relationship between the variables of the study. The data was analyzed using E-views 10.0. The hypotheses of the study was analyzed using the probability value of the regression estimate.

Model Specification

The model specification for the analysis is as follows:

$$Y_{it} = \beta_o + \beta_1 X_{it} + U \text{ -}\quad\text{-}\quad\text{-}\quad\text{-}\quad\text{-}\quad\text{- (1)}$$

Where
- Y_{it} = dependent variable (financial performance measure)
- β_o = the intercept term
- X_{it} = independent variable
- β_1, = Regression coefficient
- U = error term
- t = time unit (t = 1, 2… 9 years)

The functional relationship in a model form is:

Dependent Variable: Bank Liquidity (LQR) $= \dfrac{CustomerLoans}{Customerdeposits}$

independent Variables: Net cash flow from financing activities (nCFF)

$LQR = f (\text{nCFF})\text{---}(2)$

The above is the implicit form of the model,

Where,
LQR= Liquidity of Bank
nCFF   = Net cash flow from financing activities

The model is written in explicit form and it reflects the dependent variable and the independent variables for the study with the error term.

$LQR_{it} = \beta_0 + \beta_1 nCFF_{it} + \mu_{it}\text{- -}\quad\text{-}\quad\text{-}\quad\text{-}\quad\text{-}\quad\text{-}\quad\text{- (3)}$

Where:
β_0 = the intercept term

β_1 = Regression coefficients

μ_{it} = Stochastic error terms

t   = The time unit (t= 1, 2 . . . 9 years)

4.0 RESULTS AND DISCUSSIONS

4.1 Descriptive Statistics

Table 4.1: Descriptive Statistics

	LQR	nCFF
Mean	62.72092	-10654.33
Median	63.92544	-20156.50
Maximum	80.15287	183475.0
Minimum	45.29923	-130594.0
Std. Dev.	11.67020	93508.28
Skewness	-0.107499	0.595290
Kurtosis	2.125035	2.659887
Jarque-Bera	0.405894	0.766578
Probability	0.816322	0.681616
Sum	752.6511	-127852.0
Sum Sq. Dev.	1498.129	9.62E+10
Observations	12	12

Source: Researcher

The results of the descriptive statistics above shows the value of observations, that is mean, median, maximum, minimum, standard deviation and the sum of mean deviation. The dependent variable which is bank liquidity, as proxied by the ratio of loan to deposit ratio, has a minimum of 45.399% and a maximum value of 80.15%. In the same measure, the maximum and minimum values for nCFF are -N130, 594.00 million and N183, 475.00 million respectively. The figure shows that the data is normally distributed.

4.2 Model Estimation and Hypotheses Testing

The OLS technique which was used for the data estimate is shown bellow;

4.2.1 Model Estimation

The functional model was estimated thus:

Table 4.2: Descriptive Statistics

Dependent Variable: LQR
Method: Least Squares
Date: 07/25/23   Time: 04:21
Sample: 2009 2021
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
nCFF	3.60E-05	3.03E-05	1.190315	0.2680
C	63.74360	2.542693	25.06932	0.0000
R-squared	0.603077	Mean dependent var		62.72092
Adjusted R-squared	0.454231	S.D. dependent var		11.67020
S.E. of regression	8.621494	Akaike info criterion		7.407595
Sum squared resid	594.6413	Schwarz criterion		7.569231
Log likelihood	-40.44557	Hannan-Quinn criter.		7.347752
F-statistic	4.051688	Durbin-Watson stat		1.040489
Prob(F-statistic)	0.050407			

Source: Researche's Computation

From the result above, the R – squared value shows that 45.42 percent of the variance in the liquidity position of UBA is due to changes in the net positions of financial cash flows. Thus, the remaining 54.58 percent was due to changes in other factors not included in the model.

The estimated model from the coefficients is stated below:

LQR = 63.74 + 3.6nCFF

From the model estimation above, nCFF has positive relationships with the liquidity position of UBA.

4.2.2   Hypotheses Testing

To test the hypotheses, we will use probability criteria, if:

$p > 0.05$:   Accept H_O.

$p < 0.05$:   Reject H_O.

Testing of Hypothesis

The net cash flow from financing activities significantly affect liquidity of UBA.

Table 4.3: Extraction for Testing Hypotheses

Variable	Coefficient	t-statistic	Prob.	Remark
nCFF	3.60E-05	1.190315	0.2680	**Accept H:2**

Source: Researcher

From table 4.3 as issued in the regression revealed that there is a positive and insignificant relationship between the net cash flow from financing activities and the liquidity of UBA. The result means that a single unit increase in nCFF leads to an increase of 3.60 units in the liquidity of UBA in Nigeria. Since the computed probability value of nCFF (0.2680) is above the critical test level of 0.05 (i.e. $P > 0.05$), we accept the null hypothesis and conclude that there is no sufficient statistical evidence to show that net cash flow from financing activities significantly affect the liquidity of UBA.

4.3   Discussion of Results

From the findings, it was established that positive and insignificant relationship between the net cash flow from financing activities and the liquidity of United Bank for Africa. This finding is confirmed by the p-value which was 0.2680. The value is more than 0.05 (5 %) level of significance. The coefficient sign of the parameter estimate is positive. This result agrees with the positive impact as postulated by Adelegan (2003), and that of Bingilar et al (2014) who found that financing cash flow have significant positive relationship with corporate performance in Nigeria.

5.0 CONCLUSION AND RECOMMENDATION

5.1   Conclusion

The purpose of this study was to provide a deeper understanding of the current role of net cash flow from financing activities on the liquidity positions of United Bank for Africa. In the first section, the issues that aroused interest in this work are highlighted under the research background, after which certain issues arose that the study aimed to address.

The second section was devoted to a review of related literatures. As such, this research was rooted in the path of various authors and researchers in the field of cash flow and liquidity positions. This is done under three main headings, namely; conceptual framework, empirical framework and theoretical framework.

In the third section, the approach adopted in conducting this study is presented in a systematic way. The study relied on sample data from the annual reports of United Bank for Africa. The tool of regression analysis for the study is proposed in section Three.

The fourth section focuses on the presentation and analysis of data and the evaluation of hypotheses. The data collected is presented in tables. Specifically, descriptive statistics are first performed as an initial analysis and then the model is estimated using the Ordinary Least Squares Regression procedure.

The study relied on Universal Bank for Africa liquidity ratio (as proxied by loan-to-deposit ratio) and nCFF (net cash flow from financing activities of United Bank for Africa).

The study set out to examine the effects of cash flow management decisions on the liquidity of United Bank for Africa from 2009 to 2021. This study's empirical findings revealed that the net financing activities have positive and insignificant impact on the liquidity position of Universal Bank for Africa.

5.2   Recommendations

On the basis of the findings of this study, the following recommendations are made.

Preparers of financial statements should view the statement of cash flow as an important component of the annual report, while investors should conduct a careful analysis of the statement of cash flow in making investment decisions.

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