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Cash Flow Activities And Financial Performance Of Deposit Money Banks In Nigeria

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ABSTRACT
Liquidity has become an important factor in running of businesses and organizations. As a result of this, the study investigated the nexus between cash flow activities and financial performance of deposit money banks in Nigeria. The study covered the period 2009-2023. Return on assets was adopted as proxy for financial performance while operating, financing and investing cash flow activities were recognized as important cash flow activities. Panel data (fixed effect) technique was employed to analyze the data. Findings showed that operating cash flow activities positively and significantly affected return on assets of deposit money banks in Nigeria. However, investing cash flow activities exerted negative and significant effect on return on assets of deposit money banks in Nigeria. The study showed that financing cash flow activities positively and insignificantly affected return on assets of the deposit money banks. In conclusion, the study argued that corporate cash flow activities had significant effect on return on assets of deposit money banks in Nigeria. The study recommends that deposit money banks in Nigeria should strengthen their operating cash flow activities so as to significantly increase their financial performance. This can be achieved by promptly offsetting their current liabilities as well as ensuring prompt handling of their current assets including marketable securities.
Keywords: Operating cash flow activities, financing cash flow activities, investing cash flow activities, financial performance

1.1 INTRODUCTION

The liquidity position of firms is of immense importance to their survival in the global economy inherently competitive in nature. One fundamental measure of liquidity of the firm is it cash flow activities. It is against this backdrop that International Accounting Standards regulation No. 7 emphasized the importance cash flow statement preparation as a way to show how much cash a firm generated and how such cash were utilized in each accounting year (IAS, 2009; Dibie, 2022). Thus, apart from Statement of financial position of the firm, Statement of profit/loss and other comprehensive income, Statement of changes in equity, Notes to the accounts; Statement of cash flow features prominently in organizations' annual financial reports (Etim, Daferighe, Enang & Nyong, 2022).

Beyond taking its right of place in the annual financial reports of firms, cash flow activities showcase the real situation of every organization given that it is devoid of economic manipulations that influence a firm's net profit. In addition, cash flow activities highlight the company's ability to invest in fixed assets, inventories, account receivables and marketable securities in order to generate profit. Narrowing it down, with positive cash flow firms are able to settle debts, re-invest in their operations, pay their shareholders' their dividends, offset its operating expenses and provide a hedge against future financial challenges (Boluwatife, 2022).

From the foregoing, many have argued that cash flow activities were the life-wire of every business. The central argument is that for any business to engender sales' growth and higher earnings, it needs cash to invest in inventories, receivables and fixed assets as well as have ability to make payments for her operating expenses (Etim *et al*, 2022; Boluwatife, 2022). However, some scholars have negated the formers' opinions as they argued that high level of cash flow activities does not automatically translate to high profits. They went further to argue that having positive cash flow would not on its own make a firm to enjoy increased value added whether by having increased profitability or increased performance (Ofoegbu & Okoro, 2020).

In Nigerian banking sector, the role of cash flow cannot be underestimated. Previous experiences in the country have shown instances of banks becoming distressed as well as failing. Between the 1930s and 1950s, several commercial and merchant banks in Nigeria have experienced distress or failure including Alpha Merchant Bank, Financial Merchant Bank, African Continental Bank (ACB) Plc and National Bank Plc (Uzokwe & Ohaeri, 2012). In 2009, Oceanic Bank was declared distressed owing to mismanagement of depositors' funds among other reasons (MOUAU, 2023). Similarly, All States Trust Bank became liquidated in 2005 because of issues that had to do with utilization of bank's fund for property development by associated companies which were later leased by the bank but denied the bank the capacity to generate reserves to absorb operational losses (Akin-Johnson, 2005). In all the cases of distress/failure enunciated above, it is arguable that the banks acted in such ways that denied them enough cash flow thereby resulting in illiquidity (Sanusi, 2010; Uzokwe & Ohaeri, 2012). With this illiquidity, the banks could not meet their liabilities as and when due thereby leading to poor performance.

1.2 Statement of the problem

In spite of the huge role of cash flow activities to the performance of firms, empirical evidences from scholarly works over the years tend to be contradictory. While some scholars found that operating cash flow, financing cash flow and investing cash flow activities spurred performance of the firms, others came up with contrary evidences suggesting that cash flow activities do not have positive effect on firms' performance. For instance, Amuzu (2010), Nwanyanwu (2015), and Al Selehat and Al-Nimir, 2017) found a positive effect of cash flow activities on performance of listed firms. On the other hand, Hong, Shuting and Meng (2012) and Bingilar and Oyedonghan (2014) found that cash flow activities had negative effect on performance of listed firms.

In addition and more conflicting is the fact that some other studies found operating cash flow and investing cash flow activities exerting positive effect on firms' performance while financing cash flow activities had negative effect on firms' performance. Still in other studies, there was evidence of operating cash flow and investing cash flow activities having negative effect on the performance of firms while financing cash flow activities had positive effect on the performance of firms (Ikechukwu, Nwakaego, & Celestine, 2015). Based on the foregoing, there are indications that show that the relationship between cash flow activities and firms' financial performance has remained controversial and inconclusive. Thus, to add to the body of knowledge, this study sought to determine the nexus between corporate cash flow activities and financial performance of deposit money banks in Nigeria.

1.3 Objectives of the study

The broad objective of the study was to examine corporate cash flow activities and financial performance of deposit money banks in Nigeria. The specific objectives of the study were as follows:

(i) To analyze the effect of operating cash flow activities on return on assets of Deposit Money Banks in Nigeria.

(ii) To investigate the effect of investing cash flow activities on return on assets of Deposit Money Banks in Nigeria.

(iii) To assess the effect of financing cash flow activities on return on assets of Deposit Money Banks in Nigeria.

1.4 Research questions

Answers were sought for the following questions:

(i) What is the effect of operating cash flow activities on return on assets of Deposit Money Banks in Nigeria?
(ii) How do investing cash flow activities affect return on assets of Deposit Money Banks in Nigeria?
(iii) To what extent do financing cash flow activities affect return on assets of Deposit Money Banks in Nigeria?

1.5 Research hypotheses

Three hypotheses were tested in the study and they are as follows:

(i) H_0: Operating cash flow activities do not have significant effect on return on assets of Deposit Money Banks in Nigeria.
(ii) H_0: Investing cash flow activities do not have significant effect on return on assets of Deposit Money Banks in Nigeria.
(iii) H_0: Financing cash flow activities have no significant effect on return on assets of Deposit Money Banks in Nigeria.

1.6 Scope of the study

The study covered the period 2009 to 2023. The year 2009 was adopted as starting period so as to capture the 2009 global financial crisis era when cash flow activities of institutions, including the deposit money banks, were adversely affected. In addition, five deposit money banks classified as "top five banks" were selected as the sample size. The banks include; United Bank for Africa Plc (UBA), Guaranty Trust Bank Plc (GTB), Access Bank Plc, Zenith Bank Plc and First Bank Plc.

2.1 Conceptual review

In the study, cash flow activities were looked at with emphasis on operating cash flow activities, financing cash flow activities and investing cash flow activities.

2.1.1 Cash flow activities

To conceptualize cash flow activities, it is imperative to understand what cash flow stands for. Cash flow entails inflows and outflows of cash and cash equivalent within an enterprise. It is regarded as a direct measure of liquidity and therefore a contributing factor in corporate performance of an enterprise. In accounting, cash flow activities are those pools of cash that an enterprise invests in its fixed assets, inventories, account receivables and marketable securities that results in enterprise value added. Thus, an enterprise may be engaged in positive cash flow activities or negative cash flow activities. Positive cash flow activities entail increase in the enterprise's liquid assets which provides it with a buffer against future financial challenges. On the other hand, negative cash flow activities occurs when there is decrease in an enterprise's liquid assets which hinders it from having buffer against future financial challenges.

2.1.2 Operating cash flow activities

Just as the name suggests, operating cash flow activities is simply sum total of all the cash handled by a firm in the course of carrying out its operations. This is therefore one key indicator of a firm's ability to earn cash from its activities and as such helps in determining the profit of the firm. Most importantly, operating cash flow activities are broadly categorized into two namely operating cash inflow activities and operating cash outflow activities. On the operating cash inflow components, certain items are germane and they include cash payments to suppliers and employees, cash receipts from sale of products and services, cash receipts from fees, commissions and other services (Boluwatife, 2022). In the operating cash outflow components, certain activities are recorded including paying loan interest, dividends and other expenses made by the firm in the course of carrying its businesses and transactions (Stom & Wepukhulu, 2019).

2.1.3 Financing cash flow activities

Financing cash flow activities are financial activities involving a firm's long term cash (capital) handling (Stom & Wepukhulu, 2019). Based on this conceptualization, financing cash flow activities is acknowledged to involve such actions that alter a firm's share capital as well as long term debt structure. As portrayed in the Statement of Cash flow of the firm, financing cash flow activities are broadly categorized into two; financing cash inflow activities and financing cash outflow activities (Nangih, Ofor & Ven, 2020). Cash inflow cash activities include receipts from issuance of equity shares, debentures,

receipts from loans obtained etc. On the other hand, cash outflow activities include activities emanating from long term bank loans, loan repayments, interest paid on loans, finance lease repayments etc (Nwaiwu & Oluka, 2017).

2.1.4 Investing cash flow activities

As the name suggests, investing cash flow activities are activities related to investment made by the firm. Primarily, it has to do with purchase and sale of long term assets and other investment that are not cash equivalent (Appah, 2018). As a result of this, investing cash flow activities showcase the potential of a firm to generate future profits and cash flow from new asset investment with the target of enhancing the firm's growth and expansion (Nangih, Ofor &Onuorah, 2020). Comprehensively, investing cash flow activities include purchase and sale of equipment, real estate investments, payments to buy debt instruments from other entities, payments to buy land, plant and equipment etc (Stom & Wepukhulu, 2019).

2.2 Theoretical framework

Agency theory

The framework upon which the study was anchored is the agency theory. The agency theory was postulated by Jensen and Meckling in 1976 and emphasizes the relationship between principals (owners of the business) and agents (managers). One key assumption of the agency theory is that agents (managers) are expected to act in such a way that would benefit the principals by ensuring that the company value added is high. However, the agency theory argued that despite how rational the managers are expected to be, they might end up pursuing their own selfish interests which may be detrimental to the performance of the firm in particular and the interest of the shareholders in general. It further argued that the managers in the quest to satisfy their selfish interests might make decisions that are not aimed at adding value to the firm. Based on the irrationality of the managers, there arises the need to have Statement of Cash flow activities in the annual reports of firms. Such information as it pertains to cash flow activities will enable shareholders (owners) of the firm know the true (real) situation of the company. This theory is appropriate for this study because it brings to fore the need for managers to publish information on cash flow activities through which the shareholders can assess the financial performance firms.

2.3 Empirical review

Vast array of empirical studies had been carried out on the relationship between cash flow and performance of firms. For instance, Oroniran, Abdullahi and Olanisebe (2023) examined the impact of cash flow management on firm profitability of listed consumer goods industry in Nigeria. Panel data (fixed effect) technique was employed in analyzing the data. Findings showed that operating cash activities had negative and significant effect on return on assets while investing cash activities had negative and insignificant effect on return on assets. In addition, the study showed cash flow activities from operating activities had negative and insignificant effect on return on equity while cash flow activities from investing and cash flow activities from financing had negative and significant effect on return on equity of listed consumer goods industry in Nigeria.

Etim, Emmanuel, Ekwere and Nyong (2022) explored cash flow management and financial performance of selected listed companies in Nigeria for 2013-2019 and 63 listed companies in the Nigerian Stock Exchange was selected for the research. Panel data regression technique was employed to analyze the data. Findings showed that operating cash flow margin, operating cash flow ratio, investing cash flow ratio and net cash flow ratio had positive and significant influence on return on assets while financing cash flow ratio had negative and insignificant effect on financial performance of selected listed companies in Nigeria.

Effect of cash flow on corporate performance in consumer goods sector in Nigeria was studied by Boluwatife (2022) for 2011-2020. Eleven (11) selected companies were adopted as sample size. Ordinary least squares (OLS) multiple regression technique was employed. Findings showed that operating cash flow had positive and significant effect on corporate performance in consumer goods sector in Nigeria

while investing cash flow and financing cash flow had negative and insignificant effect on corporate performance.

Undertaking a study of cash flow management and financial performance of listed manufacturing firms in Nigeria, Dibie (2022) made use of cash conversion cycle, creditors payment period and cash flow margin as explanatory variables. Arellano and Bond dynamic panel data technique was employed in analyzing the data. Finding showed that cash conversion cycle, creditors' payment period and cash flow margin had positive and significant impact on financial performance of listed manufacturing firms in Nigeria.

Deviating completely, Ekwunife and Okoro (2022) determined the effect of cash flow on corporate sustainability in Nigeria and Ghana for 2013-2017. Cash flow from investing activities, cash flow from operating activities, cash flow activities from financing activities and free cash flow were components of cash flow activities considered in the study. Employing panel data technique, the study showed that cash flow from investing activities and cash flow from financing activities had negative and insignificant effect on corporate sustainability. Nevertheless, the study showed that cash flow from operating activities and free cash flow had positive and significant effect on corporate sustainability in the two countries.

Odo and Ohazuluike (2021) examined the effect of cash flow on financial performance of food and beverage firms in Nigeria. Three (3) food and beverage companies were used as the sample size. Ordinary least squares (OLS) regression technique was employed. Findings showed that operating cash flow activities, financing cash flow activities and investment cash flow activities had positive and significant effect on financial performance of food and beverage firms in Nigeria.

Cash flow management and industrial firms' performance in Nigeria was investigated by Idamoyibo, Abner, Prince, Orugun, Emmanuel and Udo (2021) for 1999-2020. Twelve (12) listed firms was the sample size for the study. Panel data regression technique was employed to analyze the data. Findings showed that current ratio, efficiency, size and tangibility had positive and insignificant effect on firms' performance in Nigeria while cash flow ratio had negative and insignificant effect on firms' performance in Nigeria.

Itan and Riana (2021) investigated the impact of cash flow statement on firm value in Indonesia for 2015-2019. Tobin's Q was adopted as proxy for firm value. Fixed effect model of panel data technique was employed to analyze the data. Findings showed that operating cash flow had positive and significant impact on firm value while investing cash flow and financing cash flow had negative and significant impact on firm value. Furthermore, the study showed that managers' holding ratio and board size had significant impact on firm value in Indonesia.

Investigating the effect of cash flow on performance of listed deposit money banks in Nigeria, Ofoegbu and Okoro (2020) made use of data for2006 -2015. Ordinary least squares (OLS) technique was employed. Findings revealed that operating cash flow had negative and significant effect on return on investment; negative and insignificant effect on return on equity; positive and insignificant effect on earnings per share. Investing cash flow had positive and insignificant effect on return on investment and earnings per share while it had negative and insignificant effect on return on equity. Finally, the study showed that financing cash flow had positive and insignificant effect on return on investment, return on equity and earnings per share of deposit money banks in Nigeria.

Omiete and Wobo (2020) analyzed cash flow, liquidity and capital structure on profitability of quoted manufacturing firms in Nigeria for 2010 -2019. Generalized Methods of Moments (GMM) technique was employed in analyzing the data. Findings showed that cash conversion cycle and debt-equity ratio had positive and significant effect on profitability while liquidity ratio ha negative and insignificant effect on profitability of quoted manufacturing firms in Nigeria.

The effect of cash flow statement on companies' profitability of selected firms in Nigeria was studied by Okpe, Duru and Alor (2015) using data for 2009-2013. Ordinary least squares (OLS) technique was employed to analyze the data. Operating cash flow and financing cash flow had significant effect on companies' profitability of firms in Nigeria. In addition, the study showed that investing cash flow had significant effect on companies' profitability of firms in Nigeria.

Similarly, Duru, Okpe and Chitor (2015) analyzed the effect of cash flow statement on company's performance of food and beverages companies in Nigeria for the period 2007 to 2011. Ordinary least squares (OLS) multiple regression analysis was conducted on the data. Findings showed that operating cash flow and financing cash flow had positive and significant effect on company's performance while investing cash flow had negative and significant effect on company's performance in Nigeria.

3.0 RESEARCH METHODS

3.1 Research design

Ex-post facto research design was adopted in the study given that there are already existing data on the variables of interest including return on assets, operating cash flow activities, financing cash flow activities and investing cash flow activities. These variables are devoid of manipulation by the researcher as they can be lifted from the annual reports and financial statements of accounts of the deposit money banks in Nigeria.

3.2 Sources of data

Data for the study was collected from annual reports of the selected banks including United Bank for Africa Plc (UBA), Guaranty Trust Bank Plc (GTB), Access Bank Plc, Zenith Bank Plc and First Bank Plc. Data on operating cash flow activities, investing cash flow activities and financing cash flow activities shall be collected from the Statement of Cash flow segment.

3.3 Model specification

The model for the study was specified as:

ROA = f (OPCFA, INVCFA, FINCFA) ……. (3.1)

Transforming equation (3.1) into panel econometric equation, the model became:

$ROA_{it} = \beta_{0i} + \beta_1 OPCFA_{it} + \beta_2 INVCFA_{it} + \beta_3 FINCFA_{it} + \mu_{it}$ …….. (3.2)

Where:

ROA = Return on assets

OPCFA = Operating cash flow activities

INVCFA = Investing cash flow activities

FINCFA = Financing cash flow activities

β_0 = Constant term

i = Bank-specific effect (i.e. 5 Deposit Money Banks)

t = Periodic effect (i.e. t = 2009-2023 = 15 years)

$\beta_1 – \beta_3$ = Coefficient parameters of explanatory variables

A priori, $\beta_0 > 0$, $\beta_1 > 0$, $\beta_2 > 0$ and $\beta_3 > 0$

3.3 Data analytical technique

The study employed panel data (fixed effect) technique in order to analyze the data collected. This technique was employed because of the cross-sectional and time series nature of the data.

4.1 DATA ANALYSIS

4.1.1 Unit root test result

Table 1: Levin, Lin & Chu unit root test result

Variables	LLC t-statistic		Probability values		Order of Integration
	Level	1st Difference	Level	1st Difference	
D(ROA)	0.53593	-2.57269	0.7040	0.0050	I(1)
D(OPCFA)	1.28300	-2.74759	0.9003	0.0044	I(1)
D(INVCFA)	0.46194	-3.09653	0.6779	0.0010	I(1)
D(FINCFA)	-1.41275	-3.53642	0.0903	0.0002	I(1)

Source: Researcher's computation (2024) using e-views 10 software package

Due to unstable nature of time series data, which if used in their unstable nature, leads to spurious regression results, there was need to find out if the variables were stationary before adopting them for the

study. The study employed Levin, Lin & Chu test for stationary testing. From the result in table 1 above, it was revealed that return on assets (ROA), operating cash flow activities (OPCFA), investing cash flow activities (INVCFA) and financing cash flow activities (FINCFA) were not stationary at levels. This is because their probability values which were (0.7040), (0.9003), (0.6779) and (0.0903) exceeded the test significant value (0.05).

Thus, the researcher further subjected the non-stationary variables (ROA, OPCFA, INVCFA and FINCFA) to first differencing and it was shown that they were stationary at first difference given that their probability values became lower than the test significant value (0.05). Thus, the variables were seen to be integrated of order one (i.e. I(1)). Having determined the order of integration of the variables, there was a justification to carry out a cointegration test. The cointegration test was done to determine if the variables have long run equilibrium relationship amongst them.

4.1.2 Cointegration test results

Table 2: Pedroni Residual Cointegration test result

Panel Statistic	Statistic	Prob. Value	Weighted Statistic	Prob. Value
Panel PP-Statistic	12.77725	0.0003	12.52117	0.0002
Panel ADF-Statistic	12.22772	0.0007	12.68604	0.0001

Source: Researcher's computation (2024) from e-views 10 software package

The study employed Pedroni residual cointegration test. From the panel PP-statistic, evidence supported existence of long run relationship among the variables as both probabilities of un-weighted statistic (0.0003) and weighted statistic (0.0002), respectively, were below the test significant level (0.05). Similarly, the panel ADF statistic had the probabilities of un-weighted and weighted statistic (0.0007) and (0.0001), respectively, were less than the test significant level (0.05). Based on these outcomes, the study concluded that there existed long run equilibrium relationship among the variables in the model.

4.1.3 Panel data regression results

Table 3: Pooled-effect, Fixed-effect and Random-effect Results for ROA Model

	Pooled-effect	Fixed-effect	Random-effect
Variable	**(ENVA)**	**(ENVA)**	**(ENVA)**
C	48919448	58446172	48919448
	(4.72)	(11.02)	(9.31)
	{0.0000}	{0.0000}	{0.0000)
OPCFA	0.114374	0.086861	0.114374
	(1.66)	(2.49)	(3.28)
	{0.1013}	{0.0159}	{0.0017}
INVCFA	-0.316116	-0.159659	-0.316116
	(-2.87)	(-2.78)	(-5.66)
	{0.0057}	{0.0073}	{0.0000}
FINCFA	-0.251984	0.013832	-0.251984
	(-2.08)	(0.20)	(-4.10)
	{0.0419}	{0.8417}	{0.0001}
	Prob.(F) = 0.000002	Prob. (F) = 0.000000	Prob. (F) = 0.000002

Source: Researcher's computation (2024) from e-views 10 software package

4.1.4 Post-estimation tests

Table 4: Hausman test result

Test Summary	Chi-square statistic	Prob.
Cross-section random	177.264258	0.0000

Source: Researcher's computation (2024) from E-views 10 software package

To determine whether the fixed-effect model or random-effect model best explains the outcome of the study, the researcher carried out the Hausman post-estimation test. From the result, the probability value (0.0000) was less than the test significant level (i.e. $p < 0.05$). Thus the study rejected the null hypothesis that the individual-level effects are adequately modeled by random-effects model. Hence, the alternative hypothesis was accepted and it was concluded that the fixed-effect model was more appropriate. With this outcome, the fixed effect model was adopted in the discussion of findings.

4.3 DISCUSSION OF FINDINGS

First, the study showed that operating cash flow activities had positive and significant effect on financial performance of deposit money banks in Nigeria. This finding corroborates Etim *et al* (2022) which found that operating cash flow had positive and significant effect on performance of listed companies in Nigeria (using return on assets as proxy for performance). It also corroborates Itan and Riana (2021) which found that operating cash flow had positive and significant effect on firm's value added (proxied by Tobin's Q) in Indonesia. However, this outcome contrasts Ofoegbu and Okoro (2020) which found that operating cash flow activities had negative and significant effect on performance (proxied by return on investment) of listed deposit money banks in Nigeria. Perhaps, this finding might be attributed to high liquidity requirements of deposit money banks. Such high liquidity needs of the banks necessitated the 2005 consolidation exercise in the Nigerian banking industry which was aimed at boosting the abilities of commercial banks in Nigeria to meet up with both their short run and long run obligations including lending to their customers. It is argued that banks having high operating cash flows meant that they have sources of funds to carry out their operating activities.

Second, the study showed that investing cash flow activities had a negative and significant effect on financial performance of deposit money banks in Nigeria. This finding is in line with the works of Oroniran *et al* (2023) which found a negative and significant effect of investing cash flow activities on performance (proxied by return on equity) of listed goods companies in Nigeria. On the other hand, the study contrasts the works of Etim *et al* (2022) which found that investing cash flow activities positively and significantly affected performance (proxied by return on assets) of listed companies in Nigeria. Perhaps, this finding might be attributed to inability of Nigerian deposit money banks in offering long term loans. With such disposition, it is unlikely that the financial performance of the Nigerian banks would be positively enhanced.

Finally, the study showed that financing cash flow activities had positive and insignificant effect on financial performance of deposit money banks in Nigeria. This outcome is in tandem with the works of Duru *et al* (2015) and Ofoegbu and Okoro (2015) which found that financing cash flow activities had positive effect on companies' performance in Nigeria. Nevertheless, the outcome of this study contrasts Itan and Riana (2021) which found that financing cash flow activities had negative and significant effect on firm value in Nigeria.

5.1 Summary of Findings

The importance of cash and cash flow to the performance of firms has been vigorously debated over time. Due to role of cash flow in the activities of deposit money banks, five deposit money banks classified as "top five" namely First Bank Plc, United Bank for Africa, Guaranty Trust Bank Plc, Access Bank Plc and Zenith Bank Plc were adopted as the sample size. Employing panel data regression technique, due to the time series and cross-sectional nature of the data used, the study determined the effect of operating cash flow activities, investing cash flow activities and financing cash flow activities on return on assets of deposit money banks in Nigeria. Findings from the fixed effect model showed that operating cash flow activities had positive and significant effect on return on assets while investing cash flow activities had negative and significant effect. Finally, the study showed that financing cash flow activities had positive and insignificant effect on return on assets of deposit money banks in Nigeria.

5.2 CONCLUSION

Empirical findings of the study showed that operating cash flow activities positively and significantly affected return on assets of deposit money banks in Nigeria. This reinforces the belief that no firm can survive in the long run without generating cash flow from operations. However, investing cash flow activities exerted negative and significant effect on return on assets of deposit money banks in Nigeria. With this, it is evident that investing cash flow activities of the banks has a way of undermining the performance of the banks. Furthermore, the study showed that financing cash flow activities positively affected return on assets of the deposit money banks but this effect was insignificant. In conclusion, the study argued that corporate cash flow activities had significant effect on return on assets in the Nigerian banking sector.

5.3 RECOMMENDATIONS

The following recommendations were made in the study:

(i) Deposit money banks in Nigeria should strengthen their operating cash flow activities so as to significantly increase their financial performance. This can be achieved by promptly offsetting their current liabilities as well as ensuring prompt handling of their current assets including marketable securities.

(ii) Deposit money banks in Nigeria should fashion out ways of improving their investing cash flow activities so as to make it significantly affect their financial performance. They can do this by prompt payment of cash dividends and issuing/selling of more stock.

(iii) The banks should be careful in handling of their investing cash flow activities given that it significantly undermined the banks' financial performance. They should desist from purchasing of property whose usefulness is low so as to avoid tying down needed cash.

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