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Effect of Bank Liquidity on Financing of Small and Medium Scale Enterprises by Selected Banks

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Abstract:- The study assessed the effect of liquidity management variables like on financing of small and medium scale enterprises. expo-facto research design was adopted and the population covered all the quoted banks in Nigeria; out of which, 4 banks were selected randomly. Data were obtained majorly from the financial institution of Nigeria (CBN) quarterly and annual statistical bulletin and annual report and statement of account. It covered 11 years, spanning from 2009 to 2019. Panel data regression was used to test the hypotheses. From the constant effect result, the analysis shows that all the independent variables show a positive relationship, that is, the variables contribute to the finance of small and medium scale enterprises. In establishing more facts, the individual t-test shows that liquidity ratio and current ratio are statistically significant in explaining the subject matter while the cash conversion period is not statistically significant. It can be concluded that cash conversion cycle, liquidity ratio and current ratio of each bank if increased, will improve the financial state of small and medium scale enterprises. Other researchers should replace the variables with other variables that can be used to underpin banks' liquidity management.

Keywords:- *Bank Liquidity, Financing SMSE, Commercial Banks.*

I. INTRODUCTION

World over, the importance of liquidity to the performance of organizations cannot be overstressed. Like what is obtainable in other organizations, the successful operational activities of banks revolve in their ability to meet up their obligations as and when due. This underscores that no business can be effectively and efficiently run without adequate working capital. Adequate capital ensures that the short-term liabilities are paid as and when due. Some of the issues the bank managers encounter today include procurement of funds and also the meaningful deployment of resources for the generation of maximum returns. The rising cost of capital and scarce funds need efficient utilization of resources, especially liquid funds. The importance of liquidity requires particular attention. Many researchers believe that the way and manner a firm manages its capital helps to work out its profitability.

The inefficient management of capital is harmful to a corporation. It doesn't only reduce profitability and but also disrupts normal operations of the business. Personal experience shows that explained poor management of capital could cause economic crises, business failure, inadequate liquidity and bankruptcy in the long-run. To this end, Pass and Pike (2004) noted that organizations are more concerned about the modalities to ensure adequate working capital. However, studies in Nigeria appear to be more focused on long-term financial decisions. As much as a long-term financial decision is important, the capital needed for the day to day business activities seems to determine the extent to which the stated objectives might be achieved. It ensures that short-term liabilities are met and all other operational activities are not hindered.

To successfully finance Small and Medium Scale Enterprises (SMEs), the liquidity base of banks must be strong. SMEs are the engine room of the economy of Nigeria. This informs that their expansion in terms of productivity and contribution to the revenue pool of the government determine the growth and development of the nation. However, Olufemi (2019) opined that the growth of SMEs in Nigeria is hindered majorly because of the lack of adequate capital to successfully stimulate an increase in their production capacity. Many of them are under producing and the effort of the government to curbed this challenge seems to be enjoyed by a few business owners who are somewhat close to top-ranked government officers. This explains the role of banks to make credit available for interested entrepreneurs for the survival and growth of their businesses.

Cash conversion cycle, current ratio and liquidity ratios are part of the ways with which the liquidity of banks could be evaluated. They determine the liquidity state of banks and reveal the extent to which they could finance the operational activities of SMEs. However, available studies in this context in Nigeria showed that SMEs always find it difficult or rather impossible to assess loan from Deposit Money Banks in Nigeria (Umobong, 2015; Ilori, Ilori & Akure, 2015, Atarere, 2016). However, these studies did not

attribute this to the liquidity state of banks and hence pave the way for this study. It must be noted that there are many studies on SMEs in Nigeria, however, there are only a few studies that addressed how the growth and survival of SMEs could be enhanced through bank liquidity.

This study addressed this gap and push forward the frontier of knowledge by examining the impact of liquidity management variables like (cash conversion cycle, liquid ratio, and current ratio) on financing of small and medium scale enterprises by selected banks. The timeliness of this study is found in the recent happenings among business owners in Nigeria in terms of their survival and growth rate. Oladele (2014) asserted that Small and Medium Scales Enterprises in Ekiti State have not been performing well, and this has generated many failures among them. The same point is noted by Idowu, Olusola, and Olawale (2017), that there is also a high number of failed and collapsed SMEs in Nigeria due to inadequate capital, high cost of production, competition with foreign products and low market share. The remaining part of this paper shall be divided into four sections. Section 2 to 5 covered literature review, methodology, data analysis and discussion of findings and, conclusion and recommendations.

II. LITERATURE REVIEW

- *Bank Liquidity*

Liquidity in its truest form is viewed as the ability of a financial institution to meet its obligations at any time they are demanded of it. Looking at a country like Nigeria, it can be agreed that banks are the most populous type of financial institution, and a lot of enterprises, especially SMEs, perform transactions with them (Atarere, 2016). Banks have a lot of obligations to fulfill to the government, investors, shareholders, creditors, customers, the general public and enterprises, particularly SMEs. However, there is a problem when the bank is not liquid enough to meet the demands of these interested parties. Bank liquidity could be viewed as the capacity of the bank to maintain and sustain adequate reserves to finance its ripening obligations *(*Atarere, 2016). A bank should be able to have enough cash ready to meet daily, weekly and even monthly withdrawals of customers, issuing of loans to interested parties, payment of standing orders by clients and all other obligations.

Agreeably, SMEs get their sources of finance from a lot of places. However, it appears that most of them do apply for loans from banks to start their business venture. This postulates that banks finance SMEs' operations through issuing of loans, either short-term loans or long-term loans. Durrah, Rahman, Jamil and Ghafeer (2016) affirmed that there was a relation between banks' liquidity and their ability to issue loans to SMEs. When banks issue loans to SMEs, they usually do it in the form of cash, and apply interest to it. However, cases could arise where the bank does not have enough liquid (cash) to issue loans to SMEs. Banks' liquidity does not only deal with its ability to have cash, but also its ability to convert assets into cash. This is why banks are always advised to have assets with a high liquidity ratio so that when emergencies occur, those assets could easily be converted into cash to meet those obligations.

The effect of banks' liquidity on the finance of SMEs cannot be overemphasized. It is true that at times, banks have stringent conditions which might be difficult for some SMEs to meet before loans can be issued; however, due to the increasing competition among financial institutions, most banks have reduced those stringent conditions. Olufemi (2019) asserted that other ways banks serve as a source of finance to SMEs are by providing credits, collaterals and serving as a guarantor to their business deals. Studies unveil the fact that there are a lot of ways by which banks' liquidity is measured. Each of them is unique in their way, and have their usefulness.

- *Liquidity Ratio (Acid Test Ratio)*

This ratio offers an analysis of a bank capability to meet its current liability; should it be below 1:1, it is believed that the bank may have more difficulty in paying its debt. It is formularized as current assets less stock divided by current liabilities. It displays what part of liabilities (current) the enterprise could pay immediately using its money. It is a better test of the short-term solvency of the business because of the length of time often required to convert stocks into cash. However, it is the least frequently used ratio, being usually a supplement to other ratios (Mohammad & Tayebeh, 2014). The acid-test or quick ratio makes a sharp comparison between an enterprise's most short-term assets to its most short-term liabilities, to see if it has enough cash to pay its immediate liabilities, such as short-term debt (Olufemi, 2019). As noted earlier, the acid-test ratio completely disregards current assets that are difficult to liquidate quickly such as inventory.

When comparing the acid-test ratio to the current ratio, and it is discovered that it is much lower than the current ratio. This underscores that an enterprise's current assets are highly dependent on inventory (Olufemi, 2019). Thus, the organization's ability to gain liquid would be based on its ability to transform those inventories into cash, which is not a good position for any enterprise. In relation to financing SMEs, a bank would want to look at how fast they can assess cash or transform inventory to meet their obligations. Implicitly, when the acid-test ratio of a bank is less than 1, they would not want to finance SMEs, or they would become biased in the way they issue out loans to enterprises.

- *Current Ratio*

This is defined as the ratio of current assets to current (short-term) liabilities. It is believed to give a fair view of the liquidity of a bank because it deals with those assets and liabilities of a bank receivable or payable under a year. Atarere (2016) stated that current ratio provides a general perspective of a bank's liquidity and is a beginning point for its evaluation. Current ratio measures the extent to which current assets cover short-term liabilities. It evaluates the latent capability of a bank to pay all its current liabilities through liquidizing its current assets. Current assets could include cash at hand, stock (closing), debtors and prepaid expenses, while current liabilities could include creditors, outstanding expenses, loans and overdrafts.

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Madushanka and Jathurika (2018) affirmed that a low ratio indicates a lack of working capital, while a high ratio might indicate that too much capital is tied up in stocks. Therefore, the higher the value of the ratio, the higher the ability of the current ratio and vice versa. In relation to financing an SME, it can be deduced that if the current ratio of a bank is low, it would not be able to properly issue SMEs loans, credits, or serve as a guarantor for their business transactions. Looking at the fact that current ratio measures current assets against current liabilities, it is a good predictor for banks to know if issuing of loans or credits would be advantageous or disadvantageous to them. The current ratio of a bank would affect the finance of SMEs because it would foretell if the banks have enough liquid to spare in the advent of obligations fulfillment. This highlights how current ratio can affect the finance of SMEs.

- *Cash Conversion Cycle*

Cash conversion cycle has been defined by Bolek and Wili'nski (2012) to be one of the methods of evaluating and measuring a company's liquidity. It evaluates the time taken between the cash payment of the purchase of raw materials and inventory and the collection of accounts receivable by customers. In essence, it looks at the ability of the bank to pay its short-term obligation before receiving money from its customers. It deals with time; the time needed to pay creditors and the time needed to collect money from customers. As the name implies, the time needed to convert cash to meet necessary obligations. This cycle is predicted by ratios of the cycles of other current assets taking part in the cash cycle; that is inventory, receivables and short-term liabilities (Faris & Nassem, 2013).

Conversion cycle used in many banks is a measure of the risks and returns associated with the management of liquidity. It can be agreed that cash conversion cycle affects SMEs finances, because it measures the time the bank would be able to meet its short-term obligations before collection period. Therefore, if the cycle is short, it could mean the SMEs might not have enough time to repay its loan, and if it's too long, the bank might not want to give the loan, because it has other obligations to fulfill.

- *Net Operating Profit*

Net operating profit is used to ascertain the capacity of investment/asset to bring income or profit to an enterprise. Olufemi (2019) asserted that when banks issue out net operating profit, it is a before-tax figure, appearing on an enterprise's cash flow and income statement that disregards principal and interest payments on loans, depreciation, capital expenditures and amortization. This is actually a good way to ascertain the net worth of an enterprise. The items that it ignores (i.e principal and interest payments on loans, depreciation, capital expenditures and amortization) is done so that the real income generating power can be ascertained.

Durrah, Rahman, Jamil and Ghafeer (2016) affirmed that net operating profit is equal to all revenues from the property, deductible by all reasonably necessary operating expenses. It is also commonly referred to as "EBIT", which stands for "earnings before interest and taxes". It reveals the actual ability of a firm to produce profit before assessable tax is deducted from them, and before interest payable is required. The operating expenses used in the evaluation of net operating profit can be influenced if a property owner defers or accelerates certain income or expense items. Net operating income is formularized as RR−OE; where RR=real estate revenue and OE=operating expenses.

III. THEORETICAL FRAMEWORK

- *Pecking Order Theory (POT)*

This theory was propounded by Myers and Majluf (1984); they postulated that firms prefer internal sources of finance to external sources of finance, and in case they need external sources of finance, they would prefer debt over equity. The theory supports the fact that there is an order or a scale for SMEs to choose their source(s) of finance from. It further noted that as much as possible, SMEs would prefer to use their internal funds to finance their operations, either savings or retained earnings. But if they need to acquire finance from external sources, they would prefer external debt to external equity. Umobong (2015) noted that this theory states that SMEs arrange their sources of financing (from internal financing to equity) according to the law of least effort, favoring to raise equity as a financing means of 'last resort'.

Implicitly, pecking order theory noted that internal sources of financing is used first; when it is exhausted, then debt is issued, and when it is no longer practical to issue more debt, equity is issued. This theory actually holds true in its assumptions, and it is also logical. However, its propositions have been criticized based on some limitations; firstly, small firms though having the highest potential for asymmetric information, do not behave according to the pecking order theory, and secondly, the pecking order theory has lost explanatory power over time (Umobong, 2015). The relevance of this theory to the research is based on the fact that although SMEs do not issue equity, if their retained earnings are not enough to fund their operational activities debt is supposed to be the next option.

- *Resource Based View (RBV) Theory*

This theory focuses on the fact that resources are valuable and match certain standards. When it comes to financing a SMEs, either at its infant stage or when it has expanded and is properly established, the managers or owners would be biased on where they would choose from to be their source of finance. Barney's 1991 article "firm resources and sustained competitive advantage" is widely cited as a pivotal work in the emergence of the resource-based view (Barney, 1991). Crook, Ketchen, Combs and Todd (2008) asserted that the resource should be difficult to imitate, rare and reduce costs. RBV postulates that SMEs are dissimilar because they retain heterogeneous resources, indicating that SMEs can have different sources of finance because they have varied resource mixes. This theory focuses managerial attention on a SMEs internal resources in an effort to identify those capabilities, assets and competencies with the potential to provide superior

competitive advantages (Barney, 1991). The basic presupposition is that sustainable competitive advantage is derived from heterogeneous resources that are difficult for competitors to copy or resources that are hard to transfer.

This theory is logical; however, it has been criticized based on some limitations. The RBV is tautological; the role of product markets is underdeveloped in the argument; an assumption that SMEs can be profitable in a highly competitive market as long as it can exploit advantageous resources does not always hold; it ignores external factors concerning the industry as a whole (Collins, 1994; Priem & Butler, 2001; Rumelt, 1991). This theory is relevant to this research because it can be accepted that the choice to choose the source of finance of SMEs is related to the availability of their resources. Also, SMEs would want to choose the source of finance that would provide the best resource as well as cost the least.

- *Empirical Literature*

Karadagli (2012) applied the pooled panel analysis model and therefore the study suggested from the results shown that decreasing the cash conversion cycle and therefore the net business cycle will increase the operational efficiency of companies with a 1% significance level. The research of Karadagli (2012) also indicates that there's a positive relationship between the impact of money conversation cycle and net business cycle on the corporate performance, measured by securities market returns with a significance level of 1%. On the opposite hand, Karadagli (2012) found that when the sample is split into SMEs and enormous enterprise the results of the analysis keep a positive relationship between Cash conversion cycle and Net business cycle with securities market returns.

Khidmat and Rehman (2014), examined the impact of Liquidity and Solvency on the Profitability Chemical Sector of Pakistan. The model developed for the study could also be used effectively to extend liquidity for the profitability of the corporate The population has been taken from the chemical sector of Pakistan and from 36 companies we've selected Ten listed chemical companies of Pakistan and that they compiled last 9 years data of those companies from (2001-2009). It was discovered that liquidity has a high positive effect over Return on Assets of the sector (i.e. if liquidity Rate is increased, ROA also will be increased with greater effect and vice versa).

Likewise, Owolabi and Obida (2012), Liquidity Management and company Profitability: Case Study of Selected Manufacturing Companies Listed on the Nigerian stock market. This research work measures the connection between liquidity management and company profitability using data from selected manufacturing companies quoted on the ground of the Nigerian stock market. The results of the study were obtained using descriptive analysis and therefore the finding shows that liquidity management measured in terms of the company's Credit Policies, income Management and Cash Conversion Cycle has a significant impact on corporate profitability and it's concluded that managers can increase profitability by setting up place good credit policy, short cash conversion cycle and an efficient income management procedures.

Onyemaobi (2013) examined the impact of money management on firms' financial performance: a study of some selected manufacturing firms in Nigeria. The research examined the connection between Cash conversion cycle, cash conversion efficiency of producing firms' gross margin and return on investment. Four hypotheses were formulated; correlation and rectilinear regression were conducted in testing the hypotheses. The ex-post facto and analytical research designs were employed within the study. The statistical data covering 11 (11) years (2000-2010) and cross-sectional data of seventeen (17) firms were utilized to hold out analyses to validate the result obtained. The result confirms the theoretical negative relationship between cash conversion cycle and cash conversion efficiency of producing firms. this means that the profitability of producing firms increases with a shorter cash conversion cycle.

IV. METHODOLOGY

Ex-post facto research design was employed for the study because it involves events that have already taken place within the past. The population of covered all the quoted in the Nigerian Stock Market (NSE). This study randomly selected only four (4) leading commercial banks out of the commercial banks in Nigeria like, (ZENTIH, FCMB, UBA, GTB). These banks were chosen because they were rated the best contributor to the gross domestic credit (GDP). The data cover the periods 2009 to 2019 and can be obtained majorly from the financial institution of Nigeria (CBN) Quarterly and Annual Statistical Bulletin and Annual Report and Statement of Account. In specifying the model for this study, Net Operating Profit which is created a function of several explanatory variables. In respect of this, the model that's aimed toward examining the effect of bank liquidity parameters of cash conversion cycle, liquid ratio, current ratio on financing of small and medium scale enterprises by selected banks are given as: -

NOP = F (CCC, LQR and CTR)

This model can for the purpose of simplicity be stated in equation terms as depicted below:

$$\mathbf{NOP} = \infty + \beta_{1A} + \beta_{2ICP} + \beta_{3ACR} + \mu \text{---------Eqn (3.3)}$$

Where

NOP	=	Net Operating Profit (dependent variable)
CCC	=	Cash Conversion Cycle
LQR	=	Liquid Ratio
CTR	=	Current Ratio
$\beta_0, \beta_1, \beta_2, \beta_3$	=	Regression parameters.

While ∞ = constant or intercept of the model.

To avoid spuriousity in the estimation, the model can also be stated in its log-linearized form as depicted below: -

Log (**NOP**) = $\alpha + \beta_0 Log_{CCC} + \beta_1 Log_{LQR} + \beta_2 Log_{CTR}$ ----------Eqn (3.4)

Where: -
Log = Natural Logarithm

V. ESTIMATION TECHNIQUE

The technique that is employed in this research work is the Panel Data Analysis. It is employed in order to proffer a solution to the bias problem caused by unobserved heterogeneity and to exploit panel data sets to reveal the dynamics that are difficult to detect with cross-sectional data.

➢ *Presentation of Result*

The data obtained on the investigate which bank liquidity variables are being utilized by banks, and which practices are most important to aid small and medium scale financing. And was carried out using E-views 7.0 to shows the relationship that exists between the dependent variable (Net Operating Profit) and the Independent variables (Cash Conversion Cycle, Liquid ratio, Current ratio).

➢ *Interpretation of Result*

- *Constant Effect Result*

Variables	Coefficients	Standard Error	Probability
CCC?	0.042817	0.074450	0.5713
LQR?	50.84767	12.60699	0.0006
CTR?	48.60406	16.41272	0.0075

Table 1: - Summary of Result

R^2 = 0.476152 **Adj R^2** = 0.616738**DW-STAT** = 1.405160
Source: *Author's Computation (2020)*

The above table shows the relationship that exists between the dependent variable (NOP) and the Independent Variables (CCC, LQR and CTR) can be expressed mathematically as:
NOP = $0.042017_{CCC} + 50.84767_{LQR} + 48.60406_{CTR} + \mu$

Based on the result obtained, it can be deduced that all the independent variables (Cash Conversion Cycle, Liquidity Ratio and Current Ratio) shows a positive relationship with the dependent variable (Net Operating Profit). The coefficient of Cash Conversion Cycle (CCC) shows a positive relationship with the dependent variable (ROA) with a coefficient of 0.042017, by implication, a unit increase in CCC will also lead to increase in the Small and medium scale loan disbursement. The coefficient of Liquidity Ratio is 50.84767, which shows that a unit increase in LQR will lead to increase in the dependent variable by the coefficient.

The last variable Current Ratio (CR) also exhibit a positive relationship with the dependent variable (ROA) with a coefficient of 48.60406, this implies a unit increase in current ratio will also increase the dependent variable by its coefficient 48.60406. This figure of the R^2 means that 47.61% changes in the dependent variable is caused by the independent variables while the remaining 52.39% changes can be accounted for by the stochastic variable. The result of the R-squared in the constant effect model is rather insignificant since the totality of the independent variable cannot significantly account for changes in the SME financing of the selected banks in Nigeria , therefore the R-squared and the constant parameter should be subjected to further test under the fixed effect model.

➢ *Result of the Fixed Effect Result*

The method of taking into account the individuality of each firm or each cross-sectional unit is to let the intercept vary for each firm but still assume that the slope coefficient is constant across firms. "Fixed effect" is due to the fact that although the intercept may differ across the seven banks, each firm's intercept does not vary over time; that is time variant. The result of the Fixed Effect Model is presented in Table 2.

Variables	Coefficients	Standard Error	Probability
CCC?	-0.118607	0.082681	0.1696
LQR?	7.540476	12.54655	0.5558
CTR?	-0.149768	10.15550	0.9884
C	30.04325	5.876181	5.112717
Fixed Effects (Cross)			
_ZENITH _--C	-12.62140		
_UBA _--C	14.66535		
_GTB _--C	6.493381		
FCMB--C	-8.537336		

Table 2: - Summary of Result

R^2 = 0.721295 **Adj R^2** = 0.0.622928 F-**STAT** = 7.332726
DW-**STAT** = 1.548956
Source: *Author's Computation (2020)*

From the Table 2 shows the relationship between the dependent variable (NOP) and the independent variables (CCC, LQR and CTR) can be expressed mathematically as:
NOP = $30.04325 - 0.118607_{CCC} + 7.540476_{LQR} - 0.149768_{CTR} + \mu$

The table 2 above show the relationship between the variables, and it depicts the general coefficients for all the independent variables with a constant parameter for each bank used in this study as shown in the table 2 above.

Table 2 shows that two of the Banks (Zentih and FCMB) shows a negative relationship with the dependent variable (NOP) while the other two Banks (UBA and GTB) shows a positive relationship with the dependent variable (NOP), these negative coefficient are given as: -12.62140 for ZENITH, -8.537336 for FCMB while the positive relationship are 14.66535 for UBA and 6.493381 for GTB By implication, holding all others variables that might affect the dependent variable(NOP) constant, Zentih and FCMB constant parameters will decrease the financing of SME's, while UBA and GTB constant parameters will increase the funding of SME's by the banks.

Fixed effect gives a rather significant R-squared result compared with that obtained under the constant effect, the R-squared obtained under the fixed effect explains that the explanatory variables (CCC, LQR and CTR) accounted for 72.12% behaviour of the dependent variable (ROA), while the remaining 27.78% is accounted for by the stochastic variable for the result on the fixed effect.

Generally, the fixed effect model gives the most significant result with respect to the coefficient of multiple determination and the individual coefficient of each variable used in the model which will be subjected to further test under the t- test, f-test and the Durbin Watson graph etc.

➢ *Tests for the Significance of Parameters (T-Test)*

The t-test is done to test the significance of each of the explanatory variables using the student t-distribution test. It is carried out on a two-tail test and by comparing the T-Cal and the T-tab.

Decision Rule: If T. Cal > T-tab, accept H_1 and reject H_0 and if T- Cal < T-tab, accept H_0 and reject H_1. T-test would be employed at 95% confidence level i.e. 5% significance level.

Degree of freedom (DOF) = n-k
Where n = number of years of observation = 24
K = number of variables = 3
DOF = 24 – 3 = 21

The table 3 presented the result obtained from Table4. in the appendix 1.

Variables	T-calculated	T-tabulated	H_0	H_1	Remark
CCC	0.575116	1.664	Reject	Accept	Insignificant
LQR	4.033291	1.664	Accept	Reject	Significant
CTR	2.961366	1.664	Reject	Accept	Significant

Table .3: - Summary of T-Test on constant effect
Source: Author's Computation (2020)

The T-statistics in the constant effect have the most significant result than the fixed and random effect, it will be used to test the statistical significance of each independent variable (CCC, LQR and CTR). The reason being that the respective t-cal being lesser than the t-tab. The result obtained from the t-test which is to test the significance of each parameter can be proved further by conducting the standard error test or using the probability value which will still give the same result. The table above shows that two of the Independent variables (LQR and CTR) are statistically significant while the remaining one variable (CCC) is not statistically significant in explaining the dependent variable (NOP).

In using the standard error test, the coefficient should be divided by 2 and compared with the standard error value. Decision rule states that if the divided coefficient is less than the value then the variable is insignificant. Judging by this decision rule, it can be ascertained two of the variables are significant in explaining which bank liquidity variables are being utilized by banks, and which practices are most important to aid small and medium scale financing.

Summary		Decision		
F-Calculated	F-Tabulated	H_0	H_1	Remark
7.332726	3.09	Reject	Accept	Significant

Table 4: - Summary of F-test
Source: Author's Computation (2020)

The F-cal (7.332726) in the constant effects is greater than F-tab (3.09), it can be concluded that the whole model is significant in explaining the subject matter.

VI. CONCLUSION

This research work critically examined and provides a significant contribution to the debate of knowing the nexus between banks' liquidity and financing of small and medium scale enterprises by selected banks. In other to draw a reasonable conclusion from this research works, judging from the facts that all the Independent variables in the constant effect result obtained are positive, it can be concluded that Cash conversion cycle, Liquidity ratio and Current ratio of each bank, if increased, it will increase and boost the financing rate of small and medium scale enterprises by selected banks and banks should properly manage their liquidity in other to ensure effectiveness and efficiency in the respective banks. Other researchers should replace the variables with other variables that can be used to underpin the banks Liquidity management.

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