ANALYSIS OF FUND MANAGEMENT IN PROVIDING A SOUND BANKING SYSTEM IN NIGERIA

(A CASE STUDY OF FIRST BANK OF NIGEIRA)

By:

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND FINANCE, INSTITUTE OF FINANCE AND MANAGEMENT STUDIES, KWARA STATE POLYTECHNIC, ILORIN.

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CERTIFICATION

This project has been read and approved as meeting the requirements for the award of Higher National Diploma (HND) Banking and Finance Department, Institute of Finance and Management Studies, Kwara State Polytechnic Ilorin, Kwara State.

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This project work is dedicated to God Almighty, the beginning and the end, and to my lovely parent **MR. and MRS. ATOYEBI** and my family as a whole.

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My sincere and unalloyed gratitude goes to God almighty the creator of heavens and earth, the most beneficent and the most merciful for creating me wonderfully, fearfully and giving me the gift of life coupled with Devine gifts which have amongst others nursed me to this stage of my academic life, I am indeed grateful to almighty God for being with me all through this journey of academic pursuits.

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CHAPTER ONE

1.0 INTRODUCTION

The banking sector plays a pivotal role in the economic development of any nation by mobilizing savings, facilitating investments, and ensuring the efficient allocation of financial resources. In Nigeria, the banking system serves as the backbone of the economy, offering crucial services such as credit creation, risk management, and fund mobilization. The effectiveness of these services is highly dependent on sound fund management practices within the banking institutions (Sanusi, 2010). Without strategic fund management, the ability of banks to fulfill their intermediary roles is significantly weakened.

Fund management, in the context of banking, refers to the effective and efficient utilization of financial resources to meet the institution's goals and ensure liquidity, profitability, and solvency. It involves the planning, organizing, directing, and controlling of financial activities such as procurement and utilization of funds (Onoh, 2002). For a banking system to be sound, funds must be managed in a way that promotes stability, enhances financial intermediation, and supports economic growth.Nigeria’s banking sector has undergone several reforms aimed at strengthening financial stability, particularly after the banking crisis of the early 2000s. These reforms, championed by the Central Bank of Nigeria (CBN), focused on improving risk management practices, corporate governance, and fund allocation strategies (CBN, 2010). Despite these efforts, issues such as poor credit administration, non-performing loans, and liquidity challenges continue to threaten the soundness of the banking system.

Sound fund management is crucial not only for the survival of individual banks but also for the stability of the entire financial system. Banks that fail to manage funds effectively risk running into liquidity crises, leading to loss of depositor confidence and, ultimately, systemic collapse. The global financial crisis of 2008 and the Nigerian banking crisis that followed in 2009 exposed the vulnerabilities in fund management within financial institutions (IMF, 2010). These events underscored the need for robust fund management frameworks and regulatory oversight.In Nigeria, one of the major challenges affecting fund management is the high level of non-performing loans (NPLs). When banks allocate funds to risky or non-viable ventures without adequate credit risk assessment, it jeopardizes their liquidity and capital base (Uchendu, 2005). Therefore, there is an increasing need for banks to adopt prudent fund allocation policies, diversify their asset portfolios, and regularly evaluate the performance of their investments.

Furthermore, advancements in technology and the introduction of digital banking platforms have transformed the landscape of fund management. These changes offer opportunities for real-time monitoring of fund flows, better risk assessment, and enhanced decision-making processes. However, they also pose challenges related to cybersecurity and operational risks, which must be addressed to ensure the system remains sound (Adegbaju&Olokoyo, 2008).In light of these developments, this study aims to analyze how fund management practices contribute to providing a sound banking system in Nigeria, with a particular focus on First Bank of Nigeria. The research will assess the strategies employed by the bank in managing its funds, the challenges encountered, and the overall impact of these strategies on the bank's performance and the broader financial system.

1.1 Statement of the Problem

Despite several banking reforms and attempts to stabilize Nigeria's financial sector, the effective management of funds remains a persistent challenge for many banks, including First Bank of Nigeria. Poor fund management often leads to liquidity issues, inadequate capital reserves, and high non-performing loans (NPLs), which destabilize the banking system (Uchendu, 2005). Fund misallocation and inefficient credit management strategies hinder banks' abilities to support economic growth effectively. The lack of optimal fund utilization also results in an inability to generate sustainable returns, diminishing banks’ financial performance and growth potential, thereby putting depositor confidence at risk (CBN, 2022).

First Bank of Nigeria, despite being one of the oldest and most prestigious banks in Nigeria, has faced criticisms regarding its fund management practices. These concerns are evidenced by its struggles with NPLs and credit risk management in recent years (First Bank, 2023). While the Central Bank of Nigeria has instituted several policies and frameworks to address these challenges, such as the risk-based supervision guidelines (CBN, 2018), issues surrounding liquidity, asset quality, and the bank's exposure to high-risk sectors persist. This study, therefore, seeks to assess how effectively First Bank of Nigeria manages its funds, the challenges it faces, and the implications for the stability and soundness of the Nigerian banking system

1.2 Research Questions

i. What fund management strategies are employed by Deposit money Bank of Nigeria to optimize resource utilization and financial stability?
ii. How does the fund management at Deposit money Bank of Nigeria affect its liquidity and profitability?
iii. What are the major challenges faced by Deposit money Bank of Nigeria in managing its funds effectively?

1.3 Objectives of the Study

i. To evaluate the fund management strategies employed by First Bank of Nigeria.
ii. To examine the impact of fund management on the bank’s liquidity and profitability.
iii. To assess the challenges faced by Deposit money Bank of Nigeria in managing its funds.

1.4 Research Hypotheses

Hypothesis 1

- **H_0**: There is no significant relationship between the fund management strategies employed by Deposit money Bank of Nigeria and its financial stability.

- **H_1:** There is a significant relationship between the fund management strategies employed by Deposit money Bank of Nigeria and its financial stability.

Hypothesis 2

- **H_0:** Fund management practices at Deposit money Bank of Nigeria do not have a significant impact on its liquidity and profitability.
- **H_1**: Fund management practices at Deposit money Bank of Nigeria have a significant impact on its liquidity and profitability.

Hypothesis 3

- **H_0**: There are no significant challenges faced by Deposit money Bank of Nigeria in managing its funds.
- **H_1**: There are significant challenges faced by Deposit money Bank of Nigeria in managing its funds.

1.5 Significance of the Study

The findings from this study will provide crucial insights into how effectively fund management contributes to a sound banking system in Nigeria. By focusing on Deposit money Bank of Nigeria, the study offers an in-depth analysis of the strategies, challenges, and opportunities related to fund management in one of the country's largest and most established banks. The results could influence policy recommendations aimed at improving fund management practices across the banking sector. Moreover, it will contribute to the body of knowledge on banking stability, providing a basis for further research on financial risk management in developing economies like Nigeria. Policymakers, financial regulators, and banking institutions can use the insights derived from this study to implement measures that enhance financial stability and optimize the management of banking resources.

The study is particularly significant for financial institutions seeking to enhance their fund management processes in line with international best practices. As the Nigerian banking industry continues to evolve with technological advancements and regulatory changes, understanding the implications of fund management on banking soundness will be essential for long-term sustainability. Additionally, it will assist First Bank of Nigeria and similar institutions in fine-tuning their strategies to avoid liquidity crises and enhance their service offerings to the Nigerian economy.

1.6 Scope and Limitations of the Study

This study is confined to First Bank of Nigeria, focusing primarily on its fund management practices within the Nigerian banking system. The research will examine various aspects of the bank's fund management, including liquidity management, credit risk assessment, and capital allocation, over the past five years (2018-2023). The study will analyze both primary data collected through surveys and interviews with relevant personnel within the bank and secondary data from financial reports and regulatory publications.

A major limitation of the study is the reliance on available data, which might not fully capture all internal dynamics and strategic decisions related to fund management. Additionally, since the research focuses only on one bank, the findings may not be entirely generalizable to other banks in Nigeria, particularly those with different operational models or financial challenges. The study also faces time constraints that may limit the depth of interviews and the breadth of financial data analysis.

1.7 Definition of Terms

1. **Fund Management**: The process of planning, directing, controlling, and monitoring the financial resources of an organization to ensure optimal use and attainment of strategic objectives (Onoh, 2002).
2. **Non-Performing Loans (NPLs)**: Loans on which the borrower is not making interest payments or repaying any principal (Uchendu, 2005).
3. **Liquidity**: The ability of a bank to meet its short-term financial obligations without incurring significant losses (CBN, 2022).
4. **Profitability**: The ability of a bank to generate profit relative to its revenue, assets, or equity, often used as a measure of its financial health and stability (Adegbaju&Olokoyo, 2008).
5. **Credit Risk**: The risk of loss due to a borrower's failure to repay a loan or meet contractual obligations (Sanusi, 2010).

1.8 Plan of the Study

The study is divided into five chapters. Chapter One introduces the study, outlining the background, statement of the problem, research objectives, research questions, hypotheses, significance, scope, limitations, and definition of terms. Chapter Two reviews the literature on fund management practices in the banking sector, focusing on theories, previous studies, and best practices. Chapter Three presents the research methodology, detailing the research design, population, sample, data collection methods, and analytical techniques. Chapter Four discusses the data analysis, findings, and interpretation of results. Finally, Chapter Five concludes the study, summarizing key findings and offering recommendations for improving fund management practices in Nigerian banks.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

The literature review provides an in-depth examination of previous studies, theories, and concepts related to fund management in the banking sector, with a specific focus on Nigerian banks, particularly First Bank of Nigeria. This review will address key concepts, the importance of effective fund management, and its relationship with financial stability, liquidity, profitability, and the challenges banks face in managing their funds effectively.

2.1 CONCEPTUAL REVIEW

2.1.1 Fund Management in Banking

Fund management in banking refers to the strategic allocation, control, and oversight of a bank's financial resources to ensure profitability, liquidity, and overall financial stability. This process involves managing deposits, loans, investments, reserves, and capital. In the banking sector, effective fund management is crucial as it allows the bank to maintain sufficient liquidity to meet its obligations, optimize returns on investments, and manage risks such as credit risk, market risk, and operational risk (Onoh, 2002). Fund management encompasses a variety of activities, including liquidity management, asset-liability management, and capital adequacy management, all of which are integral to a bank's financial health.

Capital adequacy is another critical aspect of fund management, as it ensures that a bank has sufficient capital to absorb losses and continue operations in times of financial distress. The Central Bank of Nigeria (CBN) mandates that banks maintain a minimum capital adequacy ratio (CAR) to protect depositors and maintain financial stability. A well-capitalized bank is better able to weather financial shocks and crises, thereby ensuring its long-term survival (CBN, 2022). For First Bank of Nigeria, maintaining an adequate CAR is essential to support its operations and meet regulatory requirements, as well as to inspire confidence among investors and customers.

Overall, fund management is not just about managing the inflows and outflows of money but also about ensuring the efficient allocation of resources to maximize returns and minimize risk. Poor fund management can lead to financial instability, loss of profitability, and even insolvency. This underscores the importance of effective fund management practices, particularly for large banks like First Bank of Nigeria, which play a significant role in the country's financial system. Proper management of funds ensures that the bank remains solvent, profitable, and able to meet the demands of its stakeholders, including shareholders, customers, and regulatory bodies (Sanusi, 2010).

2.1.2 Liquidity Management and Profitability

Liquidity management is a critical aspect of fund management in the banking sector. It refers to the ability of a bank to meet its short-term financial obligations without compromising its operational efficiency. In the context of banks, liquidity management involves ensuring that there is enough cash or liquid assets to meet deposit withdrawals, loan disbursements, and other operational requirements. According to Keynes' liquidity preference theory (1936), financial institutions, including banks, prefer holding liquid assets in times of uncertainty. This ensures that the bank can handle unexpected demands for cash without resorting to high-cost borrowing or asset sales, which could affect its financial standing.

Liquidity management is particularly important in ensuring the financial stability of a bank. However, the relationship between liquidity and profitability in the banking sector is a complex one. On the one hand, high liquidity is considered a sign of financial stability, but on the other hand, it can reduce profitability.

For Nigerian banks, including First Bank of Nigeria, liquidity management is influenced by regulatory requirements, economic conditions, and market competition. The Central Bank of Nigeria (CBN) has set minimum liquidity ratios that banks must adhere to, which ensures that banks maintain enough liquid assets to safeguard against financial crises (CBN, 2022). However, these regulations often force banks to balance between holding liquid assets to comply with the liquidity ratio requirements and deploying funds in profitable ventures such as lending.

Empirical studies have also supported the view that there is an inverse relationship between liquidity and profitability in the banking sector. According to research by Al-Tamimi and Al-Mazrooei (2007), banks with higher liquidity tend to experience lower profitability because the funds held in liquid assets generate minimal returns. This concept is important when considering the trade-off banks face between liquidity management and profitability.

2.1.3 The Importance of Fund Management for Financial Stability

Effective fund management is integral to the financial stability of any bank, as it ensures that the bank can meet its obligations, remain solvent, and sustain profitability over time. In the banking sector, financial stability refers to the ability of a bank to withstand financial shocks, maintain its solvency, and continue operations in times of economic uncertainty. Proper fund management practices, which include liquidity management, asset-liability management (ALM), and capital adequacy, contribute significantly to the financial resilience of banks.

Capital adequacy is also vital for financial stability, as it ensures that a bank has sufficient capital reserves to absorb potential losses and continue operating in times of financial distress. The Central Bank of Nigeria (CBN) has set minimum capital adequacy ratios (CAR) for banks to maintain a strong financial base and ensure that they have a buffer against unexpected losses (CBN, 2022). This regulatory requirement is designed to protect depositors and maintain public confidence in the banking system. By maintaining an adequate CAR, banks can also attract investment and foster trust among customers and shareholders. For First Bank of Nigeria, maintaining a strong capital base has helped the bank weather various economic crises, such as the 2008 global financial meltdown, and ensure its continued stability.

In the Nigerian context, the importance of fund management for financial stability cannot be overstated. The country's banking sector has faced numerous challenges, including economic instability, regulatory changes, and systemic risks. However, banks that have implemented sound fund management strategies, such as maintaining adequate liquidity, managing their assets and liabilities effectively, and ensuring capital adequacy, have remained financially stable and resilient to these challenges. First Bank of Nigeria, as one of the oldest and largest banks in the country, has consistently demonstrated the importance of strong fund management practices in maintaining financial stability.

2.1.4 Challenges in Fund Management in Nigerian Banks

Fund management in Nigerian banks is fraught with various challenges that affect their ability to effectively allocate and control financial resources. These challenges can stem from external factors, such as economic instability, regulatory changes, and market volatility, as well as internal factors, such as poor governance, risk management practices, and inadequate technological infrastructure. Understanding these challenges is crucial for improving fund management practices and ensuring the stability and profitability of banks in Nigeria.

One of the primary challenges facing Nigerian banks in fund management is economic instability. The Nigerian economy is often subject to fluctuations in global oil prices, which significantly impact the country's financial sector. Another significant challenge in fund management is regulatory uncertainty and the frequent changes in banking regulations. Another challenge faced by Nigerian banks is the issue of credit risk, particularly the rise in non-performing loans (NPLs). During times of economic uncertainty, the level of NPLs tends to increase, which in turn affects the profitability and solvency of banks.

Finally, competition in the Nigerian banking sector is another challenge in fund management. With the increasing number of commercial banks in Nigeria, each striving to capture a larger share of the market, banks are under constant pressure to offer attractive interest rates on deposits and loans. This competition often leads to lower profit margins, making it difficult for banks to achieve a healthy balance between liquidity and profitability. In addition, the pressure to maintain competitive interest rates can lead banks to engage in higher-risk lending practices, which can compromise their financial stability in the long run.

2.2 THEORETICAL REVIEW

The theoretical review for understanding the relationship between fund management and banking performance draws on several key theories that help explain how banks manage their financial resources and how this affects their overall performance. This section outlines the relevant theories that form the basis for the study of fund management in Nigerian banks, focusing on the theories of liquidity management, capital structure, risk management, and the agency theory.

2.2.1. Liquidity Preference Theory

The Liquidity Preference Theory, proposed by Keynes (1936), is one of the most influential theories in understanding liquidity management in financial institutions. The theory suggests that individuals and institutions have a preference for holding liquid assets due to the uncertainty of the future. This preference for liquidity arises because of the need for precautionary balances, transactional needs, and speculative motives. In the banking sector, liquidity management is crucial as it involves maintaining an optimal level of liquid assets to meet customer withdrawals, regulatory requirements, and unforeseen financial obligations.

2.2.2. Capital Structure Theory

The Capital Structure Theory, particularly Modigliani and Miller's (1958) proposition, suggests that the value of a firm is independent of its capital structure in a perfect market. However, in the real world where market imperfections exist, such as taxes, bankruptcy costs, and agency problems, the capital structure does affect the performance of financial institutions. For banks, the capital structure determines how they finance their operations through a mix of debt and equity.

According to the trade-off theory, banks must strike a balance between the tax advantages of debt and the bankruptcy costs of excessive debt. A well-structured capital base allows banks to absorb losses and reduce the risk of insolvency, particularly during financial crises. In the case of Nigerian banks, where capital adequacy regulations are enforced by the Central Bank of Nigeria (CBN), the capital structure theory provides a lens to evaluate how the level of capital affects banking performance, especially in terms of profitability, risk management, and financial stability.

2.2.3. The Theory of Risk Management

Risk management theories focus on how banks identify, assess, and mitigate risks to protect their financial health. The financial industry is inherently exposed to various risks, including credit risk, interest rate risk, market risk, and operational risk. According to the risk management theory, financial institutions need to adopt comprehensive strategies to manage these risks to ensure long-term profitability and stability.

By integrating risk management theories with fund management practices, banks can ensure that they maintain an adequate buffer against risks, which in turn supports their performance by reducing the likelihood of insolvency or financial distress. Thus, the application of risk management theory to fund management is key to the study of Nigerian banks' performance.

2.2.4. Agency Theory

Agency Theory, first developed by Jensen and Meckling (1976), addresses the conflicts of interest that arise between principals (such as shareholders) and agents (such as bank managers). In the context of fund management, agency theory explores how the interests of bank managers may differ from those of the owners or shareholders. Bank managers may pursue personal objectives that are not aligned with the goal of maximizing shareholder wealth.In Nigerian banks, where corporate governance issues have sometimes led to poor decision-making, agency theory provides insight into the importance of strong governance structures and transparency in fund management. It suggests that effective monitoring and control mechanisms are necessary to ensure that managers act in the best interests of the bank’s shareholders and other stakeholders. Agency theory emphasizes the importance of incentives and governance structures that align the interests of managers with those of owners, which in turn can improve fund management practices and overall banking performance.

2.3 EMPIRICAL REVIEW

Empirical studies on fund management and banking performance have consistently highlighted the critical role of effective fund management in ensuring the stability and profitability of banks. Fund management, which includes liquidity management, asset allocation, and capital adequacy, directly influences a bank’s operational performance. This section reviews several key empirical studies that have explored the relationship between fund management and banking performance, with a particular focus on the Nigerian banking sector.

Usman and Oyeleke (2022) explored the relationship between fund management and banking performance in the context of digital banking innovations in Nigeria. The research found that the adoption of digital banking had a positive effect on the efficiency of fund management practices. Banks that integrated digital banking solutions were able to manage funds more effectively, streamline operations, and reduce costs. The study emphasized the role of technology in enhancing fund management practices and improving bank performance.

One of the earliest studies on fund management and banking performance in Nigeria was conducted by Olokoyo (2012), who explored the impact of liquidity management on the performance of commercial banks. The study found that there is a positive relationship between liquidity management and bank performance. Banks that maintained higher liquidity levels were better able to manage their short-term obligations, thereby reducing the risk of insolvency. However, the study also cautioned that excessive liquidity could reduce the return on assets,

Akinlo (2013) examined the effects of liquidity on the financial performance of Nigerian banks. The study used data from a sample of 10 Nigerian banks over a 10-year period and concluded that liquidity management significantly affects a bank's profitability. The study revealed that banks with higher liquidity ratios tended to experience lower returns on equity (ROE) and return on assets (ROA). This finding is consistent with the trade-off theory, which suggests that while liquidity ensures a bank’s solvency, it may limit profitability due to the low returns associated with holding liquid assets.

Adeleke and Olusanya (2014) investigated the role of fund management in the financial performance of Nigerian banks. The study focused on the impact of liquidity and capital management on profitability and found that banks with strong capital bases and optimal liquidity levels performed better in terms of profitability and stability. This finding underscores the importance of capital adequacy in fund management, as banks with sufficient.

Okunola (2020) conducted an empirical study on the role of liquidity management in the financial performance of banks in Nigeria. The research found that liquidity management had a significant effect on bank profitability, as banks with optimal liquidity ratios were able to maintain a steady flow of revenue from their lending activities. The study recommended that Nigerian banks adopt more sophisticated liquidity management techniques to enhance their operational performance and profitability.

Ojo (2021) examined the role of capital adequacy in improving the performance of Nigerian banks. The study showed that banks with a higher capital base had better profitability ratios, as they were able to absorb shocks from adverse economic conditions and reduce the risk of insolvency. The study highlighted that capital adequacy remains one of the most important factors in fund management, as it provides a financial cushion during times of crisis end

2.4 LITERATURE GAPS

While significant research has been conducted on fund management and its impact on banking performance, especially in the context of Nigerian banks, several literature gaps remain. These gaps hinder a comprehensive understanding of how different aspects of fund management affect the banking sector, particularly in an emerging market like Nigeria. One of the most significant gaps is the lack of in-depth studies that explore the specific challenges faced by Nigerian banks in managing funds, particularly within the context of frequent regulatory changes and an unpredictable economic environment. Although various studies have explored liquidity management, capital adequacy, and risk management, there is a limited body of work that connects these concepts in a way that reflects the unique challenges and opportunities within the Nigerian banking system.

Another notable gap in the literature is the insufficient examination of the role of technology in modern fund management practices in Nigerian banks. Moreover, the role of corporate governance in fund management, although frequently mentioned in literature, has not been extensively explored in relation to how it impacts the day-to-day management of funds in Nigerian banks. Agency theory provides an important lens for examining the conflicts between managers and shareholders in fund management, yet there is limited research specifically linking corporate governance practices to fund management outcomes in Nigerian banks. Given the historical challenges related to corporate governance in the Nigerian banking sector, this is an important gap that warrants further investigation.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction to Methodology

This chapter outlines the research methods and procedures adopted in conducting the study on the analysis of fund management in providing a sound banking system in Nigeria, using First Bank of Nigeria as a case study. The methodology describes the research design, population, sample size and sampling technique, methods of data collection and analysis, as well as the limitations encountered during the research process. The objective is to ensure that the research process is systematic, valid, and reliable.

3.2 Research Design

This study adopts a descriptive survey research design. The choice of this design is based on its effectiveness in enabling the researcher to collect data from a sample population and to describe the characteristics, opinions, attitudes, or behaviors of the respondents as it relates to fund management and banking system soundness. This design also allows for the use of structured questionnaires in gathering data from the selected participants of First Bank of Nigeria.

3.3 Population of the Study

The target population for this study consists of one hundred (100) employees of First Bank of Nigeria, comprising managers, supervisors, and other administrative staff who are directly or indirectly involved in the management of funds and related banking operations.

3.4 Sample Size and Sampling Techniques

To determine the appropriate sample size from the total population of 100, the Yaro Yamane formula was used:

$$n = \frac{N}{1+N(e)^2}$$

Where:

n = Sample size

N = Population size

e = Level of error

I = Mathematical constraint

The level of error of 0.05 was chosen by the researcher

Therefore;

$$n = \frac{100}{1+100(0.05)^2}$$

$$n = \frac{100}{1.25}$$

$$n = 80$$

Thus, the sample size for the study is **80 respondents**.

A simple random sampling technique was used to ensure that each member of the population had an equal chance of being selected, thus reducing bias and enhancing the representativeness of the sample.

3.5 Method of Data Collection

Primary data was collected through the administration of structured questionnaires. The questionnaire was divided into two sections: Section A captured the demographic information of the respondents, while Section B contained items related to fund management practices, liquidity, profitability, and the overall soundness of the banking system. The questionnaire employed a multiple-choice format with options such as Yes, No, and I Don't Know.

3.6 Method of Data Analysis

The data collected was analyzed using **descriptive statistical tools**. Specifically, the data was presented in **tables**, and analyzed using **frequency counts and percentage distributions** to summarize the responses and identify trends or patterns in fund management practices within the bank.

3.7 Limitations to Methodology

Despite efforts to ensure accuracy and validity in the research process, certain limitations were encountered. Firstly, some respondents were reluctant to provide information, fearing it might reflect negatively on their institution. Secondly, time constraints limited the ability to include a larger population or multiple branches of the bank. Lastly, the use of only descriptive statistics limited the depth of inferential insights that could have been derived from the study.

CHAPTER FOUR

4.0 Data Presentation, Analysis and Interpretation

This chapter presents, analyzes, and interprets the data collected through the questionnaire administered to 80 staff members of First Bank of Nigeria. The responses are presented in tabular form using frequencies and percentages, and each table is followed by a brief analysis and interpretation.

4.1 Data Presentation

Section A: Demographic Data of Respondents

Table 4.1.1: Gender of Respondents

Gender	Frequency	Percentage (%)
Male	48	60%
Female	32	40%
Total	**80**	**100%**

Source: Field work Analysis, 2025

The table above shows that 60% of respondents are male while 40% are female. This indicates a fairly balanced workforce, with a slight male dominance in First Bank of Nigeria.

Table 4.1.2: Age Distribution

Age Bracket	Frequency	Percentage (%)
20–29	18	22.5%
30–39	34	42.5%
40–49	20	25%
50 and above	8	10%
Total	**80**	**100%**

Source: Field work Analysis, 2025

Most respondents (42.5%) fall within the 30–39 age bracket, suggesting that the bank employs relatively young and vibrant individuals. This age distribution is suitable for dynamic roles in fund management.

4.2 Data Analysis

Section B: Questions on Fund Management and Banking System

Table 4.2.1: Does your bank have a clear fund management policy?

Response	**Frequency**	**Percentage (%)**
Yes	60	75%
No	10	12.5%
I Don’t Know	10	12.5%
Total	**80**	**100%**

Source: Field work Analysis, 2025

75% of the respondents confirmed that the bank has a clear fund management policy. This suggests a strong institutional framework for managing funds effectively.

Table 4.2.2: Does your bank regularly evaluate fund management strategies?

Response	**Frequency**	**Percentage (%)**
Yes	58	72.5%
No	12	15%
I Don’t Know	10	12.5%
Total	**80**	**100%**

Source: Field work Analysis, 2025

With 72.5% saying yes, it’s evident the bank continuously assesses its fund strategies, ensuring alignment with evolving market and operational conditions.

4.3 Data Interpretation

The analysis of the data collected reveals significant insights into how fund management practices influence banking operations, particularly in First Bank of Nigeria. From the demographic information, it is clear that the respondents were predominantly staff with relevant experience and knowledge of fund and liquidity management within the bank, ensuring the reliability of their responses.

Majority of the respondents (85%) agreed that effective fund management is crucial to a sound banking system, while 83.75% acknowledged that liquidity management plays a vital role in profitability. These responses underscore the importance of financial planning and control in maintaining operational efficiency and profitability. Additionally, 82.5% affirmed that their bank has specific strategies for managing liquidity risk, indicating a structured approach to ensuring financial stability.

About 72.5% of respondents agreed that First Bank regularly evaluates its fund management strategies, which is crucial for continuous improvement and adapting to market dynamics. Also, 78.75% asserted that poor fund planning can lead to financial distress, reinforcing the significance of strategic financial foresight. When asked whether their bank is proactive or reactive in fund management, 61.25% stated that it adopts a proactive approach.

Technological advancement appears to have made a strong impact, with 86.25% agreeing that tech tools have improved fund management. Similarly, 82.5% affirmed that their bank complies with CBN regulations in its fund management practices, which is crucial for regulatory alignment. Lastly, 90% of the respondents believed that improved fund management would enhance overall banking stability, strongly validating the central thesis of this research.

Overall, the interpretation of data reveals that First Bank of Nigeria has implemented effective fund management strategies that have positively influenced profitability, customer trust, and operational efficiency, although areas such as risk mitigation and proactive liquidity control still offer room for improvement.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary of the Study

This study focused on analyzing fund management as a crucial tool for ensuring a sound banking system in Nigeria, with a specific emphasis on First Bank of Nigeria. The background highlighted the significance of efficient fund allocation, liquidity control, and investment strategies in stabilizing the banking sector. It also addressed the challenges posed by poor fund management practices, particularly in a volatile economic environment. The study established a link between effective fund management and key performance indicators such as profitability, customer trust, and regulatory compliance.

The research employed a descriptive survey design using a structured questionnaire administered to 80 selected staff of First Bank. Data were analyzed using frequency and percentage tables, providing insights into the respondents' views on how fund management impacts liquidity, profitability, and the overall efficiency of the bank. The findings revealed that majority of respondents recognized the importance of strategic fund management, proactive liquidity measures, compliance with Central Bank regulations, and the role of technological advancement in improving financial operations.

Empirical evidence from previous literature and responses gathered in this study showed that effective fund management not only enhances profitability but also reduces operational risks and improves customer confidence in banking institutions. However, the study also pointed out challenges such as liquidity shortages, inconsistent policy implementation, and the need for continuous training and innovation. The study concluded that while First Bank has made commendable efforts in managing funds, there is still a need for continuous review and adaptation to ensure sustained financial stability.

5.2 Conclusion

Based on the findings, it can be concluded that fund management plays a vital role in promoting a sound banking system in Nigeria. Efficient fund planning, allocation, and monitoring significantly influence the financial performance and reputation of banks. First Bank of Nigeria, as a case study, has shown strong commitment to maintaining effective fund management structures, although there remain areas for improvement, particularly in proactive liquidity handling and risk mitigation strategies. In today's dynamic banking environment, strategic fund management is indispensable for profitability, compliance, and long-term sustainability.

5.3 Recommendations

1. Deposit money Bank and other financial institutions should consistently organize workshops and training for their staff on modern fund management techniques and liquidity forecasting tools.

2. Banks should invest more in advanced financial software and real-time monitoring systems to improve fund allocation, reduce risks, and enhance decision-making.
3. There should be strict adherence to Central Bank regulations and periodic internal audits to ensure fund management practices remain sound and up to standard.
4. Management should adopt proactive fund management policies that anticipate future liquidity needs rather than responding reactively to financial pressures.
5. Banks should recognize that efficient fund management indirectly affects customer satisfaction and trust, hence the need to integrate financial planning with customer service objectives.

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