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FINANCIAL LIQUIDITY MANAGEMENT AND BANKING CRISES IN NORTHEASTERN NIGERIA: CAUSES AND CONSEQUENCES

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Abstract

*The study investigated the causes and consequences of Financial Liquidity Management on Banking Crises in Northeastern Nigeria**.** The study had five objectives and four research questions. The study adopted survey research design. The population of this study comprises five major commercial banks in the Northeast, the study area. The sample size of 210 was drawn from a population of 460 senior staff members of the selected commercial banks. The collection of Primary data was achieved using a questionnaire. The data collected for this study was analyzed using SPSS version 23. Descriptive statistics in the form of mean and standard deviation were used in analyzing the research questions and PPMC was used to test the null hypotheses. The findings of the study reveal that effective financial liquidity management is crucial for preventing banking crises in North-Eastern Nigeria, with a grand mean of 2.98 and a standard deviation of 0.79. The finding also reveals that **t**here is significant strong and inverse relationship between sound financial liquidity management and banking crises in North-eastern Nigeria, r – value = 0.983, p < 0.05. It was found out that liquidity shortfalls and low capital base, unfavorable regulatory intervention policies, employment of unqualified personnel, insurgency and poor loan management practices are primary causes of banking crises, with a grand mean of 2.78 and a standard deviation of 0.77. The study also highlights the negative consequences of banking crises on employees, including job losses, increased workloads, and reduced morale, as indicated by a grand mean of 2.84 and a standard deviation of 0.77. Finally, the findings demonstrate that the application of banking rules and regulations is effective in mitigating crises, with a grand mean of 3.14 and a standard deviation of 0.78. The finding for the hypothesis reveals that there is significant strong and inverse relationship between efficacy of the application of the banking rules and regulations and banking crises in North-eastern Nigeria, r – value = 0.929, p < 0.05. It is recommended among others that Banks should prioritize the development and continuous review of robust*

financial liquidity management frameworks and also provide effective loans disbursement and recovery mechanisms.

***Keywords**: financial liquidity management, banking crises, Northeast, causes and consequences*

INTRODUCTION

The history of the Nigerian banking sector has been marked with a lot of upheavals since 1892. The banking industry has witnessed growth in terms of size, operations and personnel. The industry has exhibited resilience over the years and surmounted difficult operating environment in the midst of distress conditions, turmoil and economic downturn. In spite of this development the banking sector has also witnessed in recent times massive applications of new technology in the operations of the industry which is likely to efficaciously improve operations and reduce labour intensive services. However, the need for the intermediation function of banks has also increased over the years due to the rising demand for banking services and the economy's reliance on the sector for investible funds required for growth and development. The banking sector in conjunction with the capital market provides the needed impetus for economic growth. The survival in the banking industry, with a technology based operations, is dependent on efficiency, adoption of innovations and proper financial liquidity management strategies adopted by a bank.

The banking industry in Nigeria has witnessed a phenomenal growth in terms of size with the number of banks rising to 89 prior to the banking reforms of 2005 which led to the reduction of the number to 25 mega banks (Njoku, 2023). The reforms in the industry led to stronger, more viable and efficient banking operations. However with increase competitiveness driven by technology based operations, survival in the industry has increasingly become more challenging. The increase incidence of acquisitions and merger in the industry is the manifestations of the challenging working environment in the banking sector in Nigeria.

The banking sector is the financial gateway of businesses, entrepreneurs and firms in the country looking for ways and means to perform their corporate functions in the economy. Hence the primary responsibility of the banking sector is to ensure that deficit spending units and surplus spending units meet through the process of financial intermediation. And the performance of this responsibility is increasingly becoming more daunting and competitive due to a number of challenges such as rising operational costs, absence of financial prudence, rising incidence of nonperforming loans and bad debts, financial impropriety and recklessness, liquidity squeeze among others.

PROBLEM STATEMENT

The banking sector in Nigeria went through various upheavals and reforms in its chequered history. Many problems constituted a cog in the wheel of progress of the banking industry in Nigeria. These problems hindered the effective performance of the financial intermediation functions of banks in the country. And financial

intermediation function of banks is imperative for economic progress and the development of the economy in general. As a result of these upheavals some banks became non-existent or folded up because of precarious or distress conditions while others were taken over or acquired by stronger and more viable banks in the industry.

The problems faced range from undercapitalization, large operating costs and overreliance on public sector deposits, illiquidity among many others. The major problem of banks prior to 2005 was the prevalence of weak capital base among the banking institutions which became a considerable hindrance in their operations. The development informed the decision of the Central Bank of Nigeria, CBN, to call for reforms in the operations of banks. Hence, the CBN announced an upward review of the minimum capital base requirement of banks to N25 billion (Njoku, 2023).

The aftermath of this reform led to consolidation, mergers and takeovers of some banks in the industry which also resulted to the formation of 25 mega banks from the erstwhile 89 small banks operating in the country. Since the banking reforms of the 2005, there has not been a spectacular bank failure in the country although of recent many smaller non efficient banks were acquired by stronger and more viable banks in the industry. Besides, the global economic meltdown of 2009 affected many banks in the country operating in the money market which also led to the provision of bail-outs to ailing banks by the Central Bank of Nigeria, although the financial meltdown did also affect the capital market which saw the plummeting of equity prices (Soba, 2010). Against this backdrop, it becomes expedient to examine the effects of proper financial liquidity management in relation to the causes, effects and aversion of banking crises especially in the Northeast of the country.

OBJECTIVES OF THE STUDY

The objectives of the study are as follows:

1. To examine the effects of financial liquidity management on banking crises in North-eastern Nigeria.
2. To determine the causes of banking crises in the North-eastern Nigeria.
3. To investigate the consequences of banking crisis on employees of the banks
4. To evaluate the efficacy of the application of the banking rules and regulations in averting banking crises in North-eastern Nigeria.
5. To proffer solutions that could improve the financial liquidity management in the banking system.

RESEARCH QUESTIONS

The following research questions were asked to guide the study.

1. What are the effects of financial liquidity management on banking crises in North-eastern Nigeria?
2. What are the causes of banking crises in the North-eastern Nigeria?
3. What are the consequences of banking crisis on employees of the banks?

4. What is the efficacy of the application of the banking rules and regulations in averting banking crises in North-eastern Nigeria?

Hypotheses

The following null hypotheses were formulated and tested at 0.05 level of significance.

H_{01}: There is no significant relationship between financial liquidity management and banking crises in North-eastern Nigeria.

H_{02}: There is no significant relationship between efficacy of the application of the banking rules and regulations and banking crises in North-eastern Nigeria.

LITERATURE REVIEW

A review of previous and relevant literatures is an essential feature of any academic research. It serves as a vital scientific function. An effective review creates a foundation for advancing knowledge in the various fields of study or disciplines. It facilitates theory development, closes areas where an excess of research exists and uncovers areas where research is needed (Nolen and Talbert, 2011). Literature review surveys the state of knowledge on a particular topic of interest. The review provides useful overviews and integrations of an area of focus (Miles, Huberman and Saldana, 2014). Thus, there is a need for review of related literatures from different sources such as textbook, journals, publications, online and reference sources among others.

In order to put the study in proper perspective, the review covers concept of financial liquidity, banking operations and financial regulations generally and with special reference to Commercial Banks in North-Eastern Nigeria. The review focuses on the effects of proper financial liquidity management, causes of banking crises and the efficacy of the application of banking rules and regulations**.**

Financial liquidity is the ability of a bank or financial institution to meet its financial obligations as the need arises. In most banks, financial liquidity management has been a major issue, especially as manifested during banking crises.

According to Mitsakis and Aravopoulou, (2016), financial liquidity and banking crises are caused by economic instability, inadequate capital base, weak regulatory framework as well as corruption or fraud. The consequences of these crises are serious and can lead to economic recession, unemployment, loss of confidence in the financial sector and increased government bailouts. It is important for the government and regulatory bodies to therefore address these issues to prevent future crises.

Ahmed (2018), argues that in assessing bank performance, factors that influence performance such as economic conditions, managerial and operational factors, demographic factors, location factor and market structure all tend

to be important. But it is obvious that these factors are directly or indirectly dependent on the economic and operational conditions tenable in the organization. Soba (2010) argues that the global economic recession in 2009, as a result of the economic meltdown, affected the financial industry globally with a particular reference to the banking sector resulting to jobs losses and the provision of bail-outs to ailing banks. Similarly, this economic menace called for a strategic intervention that would lift banks to new height of creativity, solvency and productivity (Arando, Gago, Jones and Kato, 2011). For example, the American banking sector witnesses a series of restructuring, mergers and acquisitions especially, in the mid 1980s, there were 14,000 banks in American banking sector within a decade, the number of the banks reduced to 8,252 banks (Uchendu, 2015 and Kwan, 2014). In the same vein, Sherman, Bohlander and Snell (1980) argued that the development led to negative effects on the American economy to the extent that banks lost 150 billion dollars, which resulted to banking crises, massive retrenchments in which some banks even became insolvent.

According to Ogbunka (2015) and Francis (2009), in Europe with a particular reference to Turkey in 2014, the total number of banks in Turkey was 75 and this number through restructuring was reduced to 48 banks due to financial illiquidity and banking crises. The situation brought structural changes as well as staff retrenchment (Islamglu, Takim and Kayhan, 2012).

Furthermore, in Asia with a particular reference to Malaysia, Uchendu (2015) reported that 54 banks were consolidated into 10 banks with many branch outlets. This intervention warranted Malaysian banks to engage in retrenchments in order to sustain the business. Moreover, in Argentina, according to Basu (2004), this strategic intervention ejected all troubled banks and reduced its staff leading to increase employee efficiency and banks productivity. Badreldin and Kalhoefer (2009) reported that, in Africa the latest banking sector reform in Egypt begun in 2004 with the major objectives of addressing low employee productivity, non-performing loans, privatizations of state owned banks, and increasing the minimum capital base of the banks.

Umar and Olatunde (2011) reported that in July 2004, out of 89 banks in Nigeria that remained in existence, 11 of them were reported to be in a state of distress and the remaining 78 were operating at marginal line. This state of the banks resulted into massive retrenchments and called for drastic measures of enhancing efficiency specifically in employee performance so as to put glory into banking business. Gandolfi and Hansson (2011) opined that a bank with strong capital base and productive work force as a result of consolidation has the ability to compete favorably when compared with banks that have low capital and inefficient employees.

According to Uchendu (2015), the rationale behind bank restructuring is to strengthen the banking system by instituting efficient and qualified personnel, embrace globalization, improve healthy competition, exploit economies of scale, adopt advanced technologies, raise employee efficiency and improve profitability. Despite the above mentioned situations, it was observed by Moran and Panasian (2015) that staff retrenchments have become more associated with lower morale, job dissatisfaction, unproductive behavior and absenteeism etc., which affect employee's performances rather than decrease in cost, increase profit and

technical efficiencies of banks and interests of stakeholders. It is in this regard that Ahmed, Kakkar and Sharma (2016) expressed concern that surprisingly, little research has been conducted investigating how people cope with the aftermath of retrenchments or banking crises caused by recapitalization, consolidation, mergers and acquisitions in the banking sector especially in North-Eastern Nigeria

Financial crises became a global concern, which is considered to be an issue that was given maximum attention. In many countries, a lot of policies and laws have been implemented in order to minimize the level of financial instability**.** The issue has created a lot of controversy, as this occurs when there is a sharp decline in asset prices, which lead to the failure of financial institutions and the collapse of the financial system. Commercial banks are private financial institutions, with primary objective of serving as a financial intermediation body, handling issues preferably on finances. It is a trite knowledge that all over the world, every organization be it private or public, must be governed by rules and regulations, but the major issue here is whether the rules governing the financial liquidity management system are strictly adhered to or not which is crucial in determining crisis in the banking industry. Anaf, Newmorn, Baum, Zersch and Jolley (2012), argued that, people who were affected by banking crises, find it very difficult to cope especially, when they have family that absolutely depends on them. In such situation, they will look for any alternative means to satisfy the needs of their families, and the means might be through legal or illegal ways. The rate of unemployment is increasing all over the world; the difference is only that in some countries it is worst than others.

In Nigerian context, unemployment is becoming a serious concern to the Government and its citizens because millions of youths are unemployed and the number keeps on increasing due to the increase in the financial crises and graduates coming out from tertiary institutions every year. This situation has resulted into serious threat to the Government as the unemployed people are bound to engage themselves in criminal activities such as robbery, kidnapping, and drug abuse to mention but few. However, financial liquidity squeeze and banking crises in Nigeria are adding to these problems by disengaging a lot of staff in order to sustain their business capital, even though, the government is working very tirelessly in order to come up with a policy that will be enforced on commercial banks such that unemployment problem will be minimized in the Country. The Northeastern part of Nigeria is one of the major business hubs in the country attracting people from various part of the world especially from neighboring countries like Niger, Cameroun and Tchad etc. In spite of the unrest that has affected the area, it is still a viably strong commercial area for businesses. All the commercial banks in the country were established in the region because of its strategic importance and solid foundation for business. According to the Central Bank of Nigeria (CBN) rules and regulations, all commercial banks in the country must establish at least one branch in each state of the federation. But notwithstanding, the region has been facing a serious unrest caused by insurgency since 2012. Therefore, banking crisis is a serious concern in the region because the insurgents have almost grounded all business activities in the region which adversely affected employees who are working in the banking industry. If it happens that some of the staff were disengaged and realized that they had no any other means of living, they might eventually join this terrorist

group and continue with the nefarious activities. Sheaffer, Carmeli, Steiner-Revivo and Zionit (2009) confirmed that, the issue of retrenchment has created a lot of implications in the banking system. Banking staffs were not able to perform their duty as expected due to fear and anxiety because they are always in alarming situation of job uncertainty and fear of retrenchment; they definitely know anything can happen any time. The scenario affects the banking institutions because it reduces morale and consequently productivity and performance of staff.

According to Idowu, (2013) the Central Bank of Nigeria has established several rules and regulations to ensure that the Nigerian financial system remains stable, secure, and efficient. These banking regulations cover licensing, capital adequacy, reserve requirements, lending limits, customer protection, financial reporting and disclosure, and technology regulation among others. It is important that banks and financial institutions comply with these regulations to maintain the integrity of the Nigerian financial system.

Studies by Okechukwu (2010) and Ogechukwu (2013), have shown that banks resort to staff retrenchment with the hope of securing positive financial and organizational outcomes without adhering to laid down financial regulations. Also a study conducted by Idowu (2013), reaffirmed that firms retrenched staff with the aims of improving their effectiveness, productivity and capability to create more value for the investors and shareholders irrespective of the consideration of the impact this might cause to the affected staff.

Emeka (2013), argued that the positive effects of staff retrenchment is usually observed in the performance of the retained staff where they show more commitment than before as a result of wary of being retrenched. More so, Epie (2014) maintained that retrenchment in the banking industry might imply that all retained staff will be occupied with work thereby making the bank to effectively achieve division of labour.

Ajede (2011), in his study investigated the effects of bank recapitalization and manpower downsizing in banks on affected employee, established that the retrenchment in any organization affected all the workers both retrenched and retained. The retained staff could still be boiling on the possibility of losing their job at any moment, they are completely powerless and cannot control their own fate when business leaders choose downsizing instead of all the other possible strategic alternatives. Fear of losing job could consequentially lead to low level of commitment among employees and cause them become demoralized.

METHODOLOGY

The study was carried out in the North-east, Nigeria. This research adopted survey method because the method is found to be worthy of use based on the reasons stated by David and John (2014), where they pointed out that, survey research is the appropriate method to be adopted because it is simple, convenient, and flexible. The study used Primary sources of data for the research. The population of this study comprises five major commercial banks in the Northeast, the study area. The sample size of 210 was drawn from a population of 460 senior staff members of the selected commercial banks. The collection of Primary data was achieved using quantitative instruments. The quantitative instrument is by the use of a structured questionnaire. The questionnaire was

anchored on a Four-point Likert rating scale, (1 = strongly disagree; 2 = disagree; 3 = agree and 4 = strongly agree) for variables and can be interpreted as (1 = very poor; 2 = poor; 3 = satisfactory and 4 = very satisfactory). The data collected for this study was analyzed using SPSS version 23. Descriptive statistics in the form of mean and standard deviation were used in analyzing the research questions while Pearson Product Moment Correlation was used to test the null hypotheses. A total of 210 copies of the questionnaire were distributed to the respondents with the help of research assistants. A total 188 copies of the questionnaires were retrieved, given a 89.5% of rate of return.

RESULTS

What are the effects of financial liquidity management on banking crises in North-eastern Nigeria?

Table 1: Mean and Standard Deviation of Respondents' Opinion on the Effects of Financial Liquidity Management on Banking Crises in North-Eastern Nigeria

S/N	Item (n = 188)	Mean	Std. D	Remark
1	Effective financial liquidity management is indispensable in the banking system for crises aversion.	2.99	0.86	Agree
2	Your Bank employees are familiar with the concept of financial liquidity management in the banking system.	2.99	0.78	Agree
3	Cash reserve and Liquidity ratios were always applied to measure and monitor your bank's Financial liquidity management.	2.95	0.82	Agree
4	Your bank always applies and when necessary reviews its financial liquidity management framework.	3.03	0.71	Agree
5	Diversified investment portfolio policies were used in managing liquidity risks related to buying and selling of financial assets.	3.03	0.88	Agree
6	The cordial relationship between banks and customers for ensuring customer care satisfaction is important in financial liquidity management.	3.29	0.61	Agree
7	Proper financial liquidity management strategy is a veritable tool for managing crises in the banking sector in North eastern Nigeria.	3.07	0.73	Agree
8	The banks work closely with their investors to manage liquidity risks by generating from them liquidity support during times of need.	2.89	0.78	Agree
9	Your bank offers financial education supports to customers to enable them manage liquidity risks of their business.	2.64	0.95	Agree
10	The current financial liquidity management practices have improved financial stability in the banking system.	2.94	0.80	Agree
	Grand Mean	**2.98**	**0.79**	**Agree**

The results in Table 1 indicate that respondents generally agree on the importance and impact of financial liquidity management in preventing banking crises in North-Eastern Nigeria. With a grand mean of 2.98, the responses suggest a consensus on the positive role of effective liquidity management. Specifically, respondents strongly agree that proper financial liquidity management is crucial for avoiding crises, as reflected in the mean scores for statements such as the indispensability of liquidity management (mean = 2.99) and its role as a tool for managing banking sector crises (mean = 3.07). Moreover, there is agreement that measures like cash reserves,

liquidity ratios, and diversified investment portfolios are essential components of effective financial liquidity management. The familiarity of bank employees with liquidity management (mean = 2.99) and the relationship between banks and customers in managing liquidity risks (mean = 3.29) are also emphasized. Overall, the findings suggest that sound financial liquidity management practices contribute significantly to reducing the likelihood of banking crises in the region.

What are the causes of banking crises in the North-eastern Nigeria?

Table 2: Mean and Standard Deviation of Respondents' Opinion on the Causes of Banking Crises in the North-Eastern Nigeria

S/N	Item (n = 188)	Mean	Std. D	Remark
1	Liquidity shortfall was the main cause of bank crises in North Eastern Nigeria.	2.55	0.78	Agree
2	Inimical regulatory intervention measures such as high cash and liquidity ratios and interest rates were responsible for the cause of bank crises in the industry.	2.66	0.77	Agree
3	Loans approval and disbursement without sufficient collateral security was a major cause of crises in the banking sector	2.91	0.84	Agree
4	Low rate of loans recovery and/or high rate of default in loans repayment led to considerable banking crises in the Northeast	2.87	0.70	Agree
5	Lack of adequate security or Insecurity or serious unrest in the North Eastern Nigeria led to banking crises.	2.89	0.83	Agree
6	The abuse of financial liquidity managing strategy through call money causes banking crises in North Eastern Nigeria.	2.67	0.71	Agree
7	Employment of unqualified staff, Poor remuneration and incentives in the banking industry led to low employee productivity.	2.96	0.76	Agree
8	Lack of patronage and confidence experienced in the banking sector was a major cause of crises especially in the Northeast.	2.73	0.76	Agree
9	The frequent crisis in the banking sector was mainly attributable to low capital base.	2.74	0.88	Agree
10	Failure to apply modern technology, employ strategic policies and procedures in the mode of operations caused crises in the banking sector.	2.82	0.70	Agree
	Grand Mean	**2.78**	**0.77**	**Agree**

Table 2 presents respondents' opinions on the causes of banking crises in North-Eastern Nigeria, with a grand mean of 2.78, indicating general agreement on the various factors contributing to banking crises. Among the key causes identified, liquidity shortfall emerges as a prominent factor (mean = 2.55). In addition,unfavorable regulatory measures such as high cash and liquidity ratios and interest rates (mean = 2.66) are seen as contributors to crises. Issues like poor loan approval practices without sufficient collateral security(mean = 2.91) and the high rate of loan defaults (mean = 2.87) are also highlighted as significant causes. Furthermore, external factors such as insecurity in the region (mean = 2.89) and the abuse of financial liquidity strategies (mean = 2.67) are noted as exacerbating the banking crisis. Other contributing factors include low employee productivity due to unqualified staff and poor remuneration (mean = 2.96), lack of patronage (mean = 2.73), and inadequate capital

base (mean = 2.74). The respondents also point out that the failure to apply modern technology and strategic policies in banking operations (mean = 2.82) plays a role in causing crises. These results reflect a broad range of internal and external factors that collectively contribute to the persistent banking crises in the region.

What are the consequences of banking crisis on employees of the banks?

Table 3: Mean and Standard Deviation of Respondents' Opinion on the Consequences of Banking Crisis on Employees of the Banks

S/N	Item (n = 188)	Mean	Std. D	Remark
1	There were job losses or retrenchment during the bank crises experienced in the banking sector in the North Eastern Nigeria.	3.02	0.72	Agree
2	The Bank reduces staff strength based on performance, tenure or other factors as a result of the crises.	2.60	0.86	Agree
3	The bank increases workload to the remaining employees as a result of layoffs of staff in the bank which leads to inefficiency	2.93	0.71	Agree
4	There was high tendency of job insecurity as a result of frequent Banking crises experienced in the sector.	3.04	0.74	Agree
5	The banking crises resulted in a reduction of employee morale or Low morale among bank employees.	3.00	0.67	Agree
6	Instability due to crises in the banking industry is leading to frequent take-over, mergers and acquisition.	2.86	0.80	Agree
7	Inability of most banks to abide by liquidity ratio analysis has negative effect on financial liquidity managing strategy in the industry.	2.65	0.84	Agree
8	Reliance on public sector deposits has negative effects on the efficient operations of banks.	2.65	0.80	Agree
9	The bank crises led to reduction in hiring and training of new employees.	2.79	0.76	Agree
10	Lack of Implementation of stringent liquidity regulations will affect the liquidity management practices among banks.	2.88	0.80	Agree
	Grand Mean	**2.84**	**0.77**	**Agree**

The results in Table 3 highlight several significant consequences of banking crises on employees of banks in North-Eastern Nigeria, with a grand mean of 2.84, indicating general agreement with the statements provided. Respondents agree that job losses or retrenchment (mean = 3.02) and staff reductions based on performance or tenure (mean = 2.60) are common during banking crises. Additionally, respondents noted that the remaining employees often face increased workloads (mean = 2.93), which can lead to inefficiency. There is also a strong sentiment regarding job insecurity (mean = 3.04), with employees feeling uncertain about their future due to the frequency of crises. The reduction in employee morale (mean = 3.00) further reflects the negative impact of crises on staff well-being. Other consequences include instability in the industry, leading to frequent mergers and acquisitions (mean = 2.86), as well as a reduction in hiring and training new employees (mean = 2.79). The results also show that the failure to implement proper liquidity regulations (mean = 2.88) negatively affects the operations of banks, exacerbating the consequences of crises on employees. These results suggest that banking crises in the region have significant adverse effects on both the operational stability of banks and the employees working within them.

What is the efficacy of the application of the banking rules and regulations in averting banking crises in North-eastern Nigeria?

Table 4: Mean and Standard Deviation of Respondents' Opinion on the Efficacy of the Application of the Banking Rules and Regulations in Averting Banking Crises in North-Eastern Nigeria

S/N	Item (n = 188)	Mean	Std. D	Remark
1	Your Bank's employees were familiar with the banking rules and regulations in the industry.	3.18	0.73	Agree
2	The banking rules and regulations in Nigeria were effective in averting banking crises in North-eastern Nigeria	3.07	0.87	Agree
3	Bank employees in Northeastern Nigeria were trained adequately to apply the banking rules and regulations effectively.	2.94	0.91	Agree
4	There was effective enforcement of banking rules and regulations in Northeastern Nigeria.	3.03	0.83	Agree
5	The regulators in Northeastern Nigeria are sufficiently independent devoid of any unwarranted interference in their oversight function in the banking industry.	2.85	0.92	Agree
6	There were greater cooperation between banks and regulators leading to better regulations and improved banking performance.	3.10	0.84	Agree
7	Customer protection strategies positively improve the performance of banking sectors in North-eastern Nigeria.	3.23	0.77	Agree
8	Good communication and coordination between regulatory bodies and financial institutions promoted sound liquidity management practices among banks.	3.24	0.68	Agree
9	Increase regulatory supervision and enforcement improves the effectiveness of current banking rules and regulations.	3.34	0.61	Agree
10	Conducive rules and regulations by the Central Bank of Nigeria help in improving financial liquidity management in the banking system.	3.38	0.64	Agree
	Grand Mean	**3.14**	**0.78**	**Agree**

Table 4 reflects respondents' opinions on the efficacy of the application of banking rules and regulations in preventing banking crises in North-Eastern Nigeria, with a grand mean of 3.14, indicating general agreement that these regulations are effective. Respondents strongly agree that bank employees are familiar with banking rules and regulations (mean = 3.18) and that the rules are effective in averting crises (mean = 3.07). There is also agreement that bank employees are adequately trained to apply these regulations (mean = 2.94), and that there is effective enforcement of the rules (mean = 3.03). Furthermore, the independence of regulators in overseeing the banking industry is seen as crucial, though slightly less strongly agreed upon (mean = 2.85). Greater cooperation between banks and regulators (mean = 3.10) and customer protection strategies (mean = 3.23) are also recognized as important factors in improving banking performance. The results indicate that good communication and coordination between regulatory bodies and financial institutions (mean = 3.24) and increased regulatory supervision (mean = 3.34) contribute to sound liquidity management practices. Finally, respondents agree that conducive rules and regulations by the Central Bank of Nigeria help improve financial liquidity management (mean = 3.38). These results suggest that the application of banking rules and regulations plays a key role in mitigating banking crises in the region.

H_{01}: There is no significant relationship between financial liquidity management and banking crises in North-eastern Nigeria.

Table 5: Pearson Product Moment Correlation of Relationship between Financial Liquidity Management and Banking Crises in North-eastern Nigeria

Variable	N	Mean	S. D	r -value	p-value	Remark
Financial Liquidity Management	188	2.98	0.79	0.983	0.000	H_{01} rejected
Banking Crises	188	2.89	0.78			

The result from Table 5 indicates that there is a statistically significant relationship between financial liquidity management and banking crises in North-eastern Nigeria. The Pearson correlation coefficient (r = 0.983) is very strong, and the p-value (0.000) is less than the commonly used significance level of 0.05. This means that as financial liquidity management improves the likelihood or severity of banking crises in the region decreases. Consequently, based on these results, H01 is rejected, suggesting that there is indeed a significant relationship between financial liquidity management and banking crises.

H_{02}: There is no significant relationship between efficacy of the application of the banking rules and regulations and banking crises in North-eastern Nigeria.

Table 6: Pearson Product Moment Correlation of Relationship between Efficacy of the Application of the Banking Rules and Regulations and Banking Crises in North-eastern Nigeria

Variable	N	Mean	S. D	r -value	p-value	Remark
Efficacy of the application of the banking rules and regulations	188	3.14	0.78	0.929	0.000	H_{02} rejected
Banking Crises	188	2.89	0.78			

The result from Table 6 shows that the efficacy of the application of banking rules and regulations is also significantly related to banking crises in North-eastern Nigeria. The Pearson correlation coefficient (r = 0.929) is strong, and the p-value (0.000) is below the significance level of 0.05, indicating a significant relationship. This suggests that the more effectively banking rules and regulations are applied, the lower the occurrence or severity of banking crises in the region. Therefore, H02 is rejected, meaning that the efficacy of the application of banking rules and regulations has a significant impact on preventing or mitigating banking crises.

FINDINGS OF THE STUDY

The following are the findings of the study.

1. The findings of the study reveal that effective financial liquidity management is crucial for preventing banking crises in North-Eastern Nigeria, with a grand mean of 2.98 and a standard deviation of 0.79. The finding also reveals that **t**here is significant strong and inverse relationship between financial liquidity management and banking crises in North-eastern Nigeria, r – value = 0.983, $p < 0.05$.

2. It was found that liquidity shortfalls, unfavorable regulatory intervention policies, low capital base, employment of unqualified personnel, insurgency and poor loan management practices are primary causes of banking crises, with a grand mean of 2.78 and a standard deviation of 0.77.
3. The study also highlights the negative consequences of banking crises on employees, including job losses, increased workloads, and reduced morale, as indicated by a grand mean of 2.84 and a standard deviation of 0.77.
4. Finally, the findings demonstrate that the application of banking rules and regulations is effective in mitigating crises, with a grand mean of 3.14 and a standard deviation of 0.78. The finding for the hypothesis reveals that there is significant strong and inverse relationship between efficacy of the application of the banking rules and regulations and banking crises in North-eastern Nigeria, r – value = 0.929, $p < 0.05$.

DISCUSSION OF THE FINDINGS

The findings of the study reveal that effective financial liquidity management is crucial for preventing banking crises in North-Eastern Nigeria. Respondents agreed that sound liquidity management practices, such as maintaining adequate cash reserves, managing liquidity ratios, and diversifying investment portfolios, are fundamental strategies for averting financial crises. These practices ensure that banks have sufficient resources to handle unexpected financial shocks, maintain stability during economic downturns, and sustain their operations without disruptions. The findings underscore the critical role of robust liquidity strategies in safeguarding the stability and resilience of the banking system.

The study further establishes a significant, strong, and positive relationship between financial liquidity management and banking crises, as indicated by the Pearson correlation analysis ($r = 0.983$, $p < 0.05$). This relationship highlights that improved financial liquidity management directly correlates with a reduced likelihood of banking crises in the region. The findings align with contemporary research, including the study by Akinyele and Akinboade (2021), which emphasizes the importance of liquidity management in enhancing banking sector resilience and mitigating financial disruptions. Similarly, Brock and Kleffner (2009) and Agu (2014) have demonstrated that banks with well-structured liquidity management frameworks are better positioned to withstand financial shocks and maintain stability, even in economically volatile environments.

The study also identifies several primary causes of banking crises in North-Eastern Nigeria. Liquidity shortfalls and low capital base were found to be a major factor contributing to financial instability, as they hinder the ability of banks to meet their obligations. Additionally, unfavorable regulatory intervention policies, such as high cash and liquidity ratios and interest rates were perceived to exacerbate the situation by imposing constraints on banks' operations. Poor loan management practices, such as disbursing loans without adequate collateral security and failing to recover loans effectively, were also seen as critical factors that lead to banking crises. These findings suggest that both internal banking practices and external regulatory conditions contribute to the vulnerability of the banking sector in the region. This conclusion is consistent with the findings of Ogunleye &

Oduyemi (2022), who identified liquidity shortages and regulatory challenges as key drivers of banking crises in Nigeria. Furthermore, poor loan management, such as the disbursement of loans without adequate collateral security, has been shown to contribute to financial instability, as observed by Nwachukwu et al. (2023), who studied the banking sector in West Africa.

This finding is consistent with the findings of Mishkin (2016) and Olweny & Shipho (2011), who reported that inadequate liquidity can lead to the collapse of banks, especially when external interventions, such as high interest rates and stringent regulatory requirements, exacerbate financial difficulties. The study's identification of poor loan management practices, such as the approval of loans without proper collateral, also aligns with findings from Nwogugu (2008), which noted that weak loan monitoring and collection systems often contribute to banking crises by increasing defaults and impairing financial stability.

The study further highlights the negative consequences of banking crises on employees within the banking sector. Respondents indicated that crises often lead to job losses, staff reductions, and increased workloads for the remaining employees. This, in turn, can result in inefficiency and low productivity. Additionally, the uncertainty surrounding job security during crises contributes to a decline in employee morale, further impacting the overall performance of the bank.

This finding is consistent with research that examines the social and organizational impact of financial instability. This finding is supported by Muller et al. (2022), who argued that the effects of banking crises extend beyond financial losses and impact employees' well-being. The increased workloads and job insecurities resulting from downsizing during crises lead to lower employee morale, which can further destabilize the sector. Chukwu & Alamu (2023) also found similar outcomes in their study of Nigerian banks, noting the significant psychological and operational consequences on employees during periods of crisis. The finding is in agreement with that of Adekanye (2014) and Okpara (2010) who reported that, banking crises often result in downsizing, staff retrenchment, and the reallocation of tasks to remaining employees, leading to increased stress and reduced job satisfaction. Furthermore, the study's emphasis on job insecurity and the detrimental effects on employee morale during crises mirrors findings from Kansal & Sharma (2017), which show that employees in banks affected by crises experience diminished productivity and heightened insecurity, which can hinder overall organizational performance.

The finding of the study demonstrate that the application of banking rules and regulations is effective in mitigating crises in North-Eastern Nigeria. Respondents emphasized the importance of adherence to banking regulations, such as the enforcement of liquidity management practices and regular supervision, in reducing the frequency and severity of banking crises. Furthermore, the training of bank employees on regulatory compliance and fostering cooperation between banks and regulatory authorities were highlighted as critical measures for enhancing crisis management. These practices contribute to a well-regulated banking environment, which is essential for maintaining financial stability and preventing future crises in the region.

The hypothesis testing further revealed a significant, strong, and positive relationship between the efficacy of the application of banking rules and regulations and the mitigation of banking crises ($r = 0.929$, $p < 0.05$). This correlation underscores the critical role of regulatory frameworks and their effective enforcement in fostering stability within the banking sector. The findings align with existing research that emphasizes the importance of regulatory oversight. For instance, Okereke and Ogbodo (2023) argue that strict adherence to regulatory frameworks and robust enforcement mechanisms are crucial for preventing financial crises. Similarly, Adebayo and Adeyemi (2024) highlight that customer protection strategies and regulatory supervision foster transparency and confidence, thereby ensuring stability in the banking system.

These findings are further supported by studies such as Laeven and Valencia (2018) and Mishkin (2009), which demonstrate that strong regulatory oversight and the enforcement of banking rules prevent banking crises by ensuring that financial institutions operate within safe parameters. The study's emphasis on the collaboration between banks and regulators and the training of employees aligns with Kumhof et al. (2010), who concluded that effective regulatory enforcement and open communication between financial institutions and regulators enhance the resilience of the banking sector.

CONCLUSION

Based on the findings of the study, it is concluded that effective financial liquidity management plays a critical role in preventing banking crises in North-Eastern Nigeria. The study highlights that liquidity shortfalls, unfavorable regulatory intervention policies, and poor loan management practices are primary causes of banking crises, emphasizing the need for improved financial oversight and management practices within the banking sector. Furthermore, the negative consequences of banking crises on employees, such as job losses, increased workloads, and reduced morale, demonstrate the broader socio-economic impact of such crises. Lastly, the study concludes that the application of banking rules and regulations, coupled with their effective enforcement, is essential for mitigating crises and ensuring the stability of the banking system in the region.

RECOMMENDATIONS

Based on the findings of the study and the objective to improve financial liquidity management in the banking system, the following recommendations are proposed:

Strengthening Financial Liquidity Management Frameworks: Banks should prioritize the achievement and development of robust financial liquidity management frameworks. Ensuring that these frameworks align with best practices and are adaptable to emerging financial trends will help prevent liquidity shortfalls and mitigate potential crises.

Training for Bank Employees: It is crucial to provide ongoing training to bank employees on financial liquidity management, emphasizing the importance of liquidity ratios, cash reserves, and other critical tools. Regular training will enhance their ability to apply financial liquidity management strategies effectively, ensuring the stability of the banking system.

Enhanced Regulatory Oversight: Regulatory bodies should increase their supervision of the banking sector to ensure compliance with financial liquidity standards. Additionally, timely interventions and updates to liquidity ratios, interest rates, and other regulatory measures should be implemented to address emerging risks and challenges in the banking system.

Improving Loan Management Practices: Banks should adopt more stringent loan approval and monitoring processes to prevent poor loan management practices. This includes ensuring adequate collateral security and establishing efficient loan recovery mechanisms to reduce defaults and the risk of crises.

Fostering a Positive Work Environment: In order to mitigate the negative consequences of banking crises on employees, it is essential for banks to create a more supportive work environment. This could involve offering job security measures, reducing excessive workloads, and maintaining employee morale through better incentives and recognition.

Collaboration between Banks and Regulators: Increased cooperation between banks and regulators is critical to ensuring sound liquidity management practices. Banks should work closely with regulatory bodies to stay informed of changes in regulations, while regulators must ensure that compliance is monitored effectively.

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