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THE EFFECT OF WORKING CAPITAL MANAGEMENT PRACTICES ON THE PERFORMANCE OF AYA BANK PCL

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THE EFFECT OF WORKING CAPITAL MANAGEMENT PRACTICES ON THE PERFORMANCE OF AYA BANK PCL

A thesis submitted as a partial fulfillment towards the requirements for the degree of Master of Banking and Finance (MBF)

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ABSTRACT

The main objectives of this study are to identify the working capital management (WCM) practices and to analyze the WCM effect on the performance at AYA Bank PCL. The study evaluates five key practices of WCM: liquidity management practices, loans and advances to deposits, current assets allocation, account payable practices and working capital level. Structured questionnaires were administered to staff members working in the Treasury, Finance, Loans, and Risk Management departments at AYA Bank. Participants were selected through a simple random sampling approach from among the full population of employees in these departments, ensuring equal opportunity for inclusion in the study and enhancing the representativeness of the findings. The study adopted a quantitative research approach. The findings indicate that all five WCM practices have a satisfactory effect on performance. Among them, Liquidity Management Practices and Working Capital Level showed the strongest effects on performance. These insights offer practical recommendations for AYA Bank to strengthen liquidity forecasting, optimize deposit-to-loan management, and enhance overall working capital strategies. Such improvements are expected to support sustainable profitability and long-term operational efficiency at AYA Bank PCL.

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LIST OF ABBREVIATIONS

Abbreviation	Full Term
WCM	Working Capital Management
ROE	Return on Equity
ALCO	Asset-Liability Committee
AYA Bank	Ayeyarwady Bank Public Company Limited
LMP	Liquidity Management Practices
L&D	Loans and Advances to Deposits
CAA	Current Assets Allocation
APP	Account Payable Practices
WCL	Working Capital Level
PCL	Public Company Limited
SPSS	Statistical Package for the Social Sciences
CBM	Central Bank of Myanmar
ATM	Automated Teller Machine
FCA	Foreign Currency Account
H2C	Home to Cash Loan
SME	Small and Medium-sized Enterprises

CHAPTER 1

INTRODUCTION

Working capital management (WCM) is an essential financial practice for banks, playing a pivotal role in maintaining liquidity, profitability, and operational efficiency. Universally, banks' balance short-term assets and liabilities to ensure smooth operations and flow of funds and maintain a sufficient net interest margin, especially in volatile economic conditions. Efficient WCM enables financial institutions to meet customer withdrawals, manage liquidity buffers, and allocate resources to productive assets, all of which are vital for financial intermediation and economic stability (Lazaridis & Tryfonidis, 2006).

Key practices of WCM, such as the loan-to-deposit ratio, liquidity coverage ratio, and cash reserves, serve as critical indicators in measuring a bank's financial health. Inadequate working capital management can lead to increased borrowing costs, operational disruptions, and reduced customer and investor confidence (Deloof, 2003). Advanced financial institutions often rely on forecasting systems, real-time monitoring, and structured policies to ensure the effective management of working capital (Afza & Nazir, 2009). Sound WCM strategies are essential for maintaining regulatory compliance and coping with global financial volatility. Furthermore, indicators such as Return on Equity (ROE), profit margins, and the net interest spread are commonly used to evaluate how well banks manage working capital. Ultimately, effective working capital management remains a cornerstone of sustainable banking performance and long-term institutional success.

In the context of Myanmar's financial system, effective WCM is especially critical due to frequent economic fluctuations, inflationary pressures, and regulatory reforms. Myanmar banks operate in an emerging market environment that demands close attention to liquidity and credit risk. The efficient management of short-term assets and liabilities is vital to maintain solvency and fulfill daily operational obligations. Liquidity management is prioritized by regulators such as the Central Bank of Myanmar (CBM), which enforces liquidity ratio requirements and emphasizes prudent credit exposure (Central Bank of Myanmar, 2015).

Additionally, limited access to foreign capital makes internal WCM strategies—like optimizing deposits, minimizing idle cash, and aligning asset maturity profiles—particularly important. As digital financial services evolve, banks in Myanmar also integrate electronic transactions and mobile platforms into their cash flow cycles, making real-time liquidity tracking increasingly important. The financial sector has experienced periods of volatility, such as currency depreciation and regulatory transitions, requiring resilient WCM frameworks to ensure continuity. Thus, strengthening WCM practices has become a key priority for sustaining the financial health and competitiveness of Myanmar's banking institutions.

AYA Bank Public Company Limited (PCL) is one of the top banks in Myanmar, in terms of size, innovation and profitability. Since its establishment, AYA Bank has adopted proactive strategies in managing working capital to ensure operational continuity, profitability, and compliance with local and international financial standards. Its working capital management framework includes managing liquidity reserves, balancing its loan and deposit portfolios, and utilizing treasury tools to enhance cash flow efficiency.

Key practices at AYA Bank include the formation of an Asset-Liability Committee (ALCO), periodic stress testing, and close monitoring of liquidity and interest rate risks (AYA Bank, 2024). The bank's digital platforms have streamlined receivables and payables, enhancing real-time fund movement and liquidity planning. These tools also improve customer access to services and enable the bank to manage cash inflows and outflows more accurately. AYA Bank's WCM practices are further supported by strong governance, risk monitoring mechanisms, and strategic forecasting models.

These efforts are vital for maintaining competitiveness, satisfying regulatory requirements, and building long-term financial resilience. As such, the bank provides a compelling case study for evaluating the role of working capital management in supporting banking performance in Myanmar. The effects of WCM on a bank's performance has been widely documented in global financial studies. Indicators such as profitability, ROE, and net interest income are significantly affected by how efficiently a bank manages its working capital components (Kargi, 2011; Singh et al., 2022).

Effective WCM supports timely credit disbursement, reduces reliance on costly external borrowing, and helps maintain liquidity buffers for emergency needs. For AYA Bank, managing short-term obligations through structured cash planning and efficient deposit mobilization reduces liquidity risk and boosts financial agility. The bank's performance metrics, particularly its net interest margin, earnings stability, and credit quality—are all affected by WCM strategies. Previous studies have confirmed that loans-to-deposits ratios, cash reserves, and liquidity planning are strongly correlated with profitability and institutional resilience (Gullilat Eshetu, 2020; Nkrumah, 2018).

In contrast, misaligned working capital—such as overextended credit or surplus idle cash—can dampen performance by increasing operational costs and reducing return on assets. Therefore, WCM is not just an operational function but a strategic pillar that supports bank performance, regulatory compliance, and stakeholder confidence. Working capital management is a foundational practice for banks. While WCM is universally essential for maintaining liquidity and stability, its role is especially prominent in developing financial systems such as Myanmar's.

AYA Bank PCL exemplifies how strategic and data-driven working capital practices can support institutional sustainability, improve financial health, and enable responsive banking services. Through a combination of digital innovation, liquidity monitoring, credit control, and cash flow optimization, AYA Bank manages to balance risk and profitability effectively. The between WCM and performance is clear, as evidenced by measurable financial outcomes such as ROE, liquidity ratios, and operational efficiency. This study seeks to investigate this effect in greater detail using AYA Bank as a case study.

The insights derived will contribute to a deeper understanding of how financial institutions can enhance their strategic planning through improved WCM. These findings will also have broader implications for other banks in Myanmar aiming to strengthen their financial management in an increasingly competitive and dynamic economic environment.

1.1. Rationale of the Study

AYA Bank Public Company Limited (PCL) is one of Myanmar's most prominent private banks, offering a comprehensive suite of banking services to

individuals, businesses, and institutions across the country. The bank has positioned itself as a key player in the financial sector, supporting both domestic and international banking activities, particularly for the rapidly expanding private sector. As a publicly held financial institution, AYA Bank operates in a highly competitive and regulated environment where financial resilience and operational efficiency are critical to long-term success. To maintain its performance and stability, the bank places strong emphasis on effective Working Capital Management (WCM)—a strategic financial approach that involves managing short-term assets and liabilities to ensure smooth daily operations, liquidity, and profitability.

This study is motivated by the increasing importance of WCM in driving the financial performance of banks in Myanmar. AYA Bank's WCM practices are essential not only for fulfilling its short-term obligations but also for optimizing internal resource allocation and supporting business expansion. The bank's ability to effectively manage key practices of working capital—liquidity management, loan-to-deposit balance, current asset allocation, payable obligations, and overall working capital levels—directly effects its financial health. These five variables represent the core independent practices of working capital management in the banking context. Their coordinated execution has a direct effects on the bank's profitability, effectively measured via its ROE, which represents the dependent dimension.

Liquidity Management Practices reflect the bank's capability to maintain adequate liquid assets to meet short-term obligations. This includes holding sufficient cash reserves and forecasting inflows and outflows to ensure uninterrupted banking operations. Inadequate liquidity planning may force the bank to rely on expensive short-term borrowing or delay obligations, which can compromise financial stability (Central Bank of Myanmar, 2015).

Loans and Advances to Deposits represent the ratio at which AYA Bank utilizes customer deposits to issue loans. A well-balanced ratio allows the bank to generate interest income while maintaining sufficient reserves to manage withdrawal demands. However, overextending loans beyond sustainable deposit levels can increase liquidity risk and reduce responsiveness to customer needs (Deloof, 2003). This is where the delicate risk-reward balance is to be achieved, guided though experience and the bank's internal policies.

Current Assets Allocation pertains to how AYA Bank manages and distributes its liquid resources—such as cash, reserves at the Central Bank, and nostro accounts—to ensure both profitability and operational flexibility. Misalignment in asset allocation can lead to idle funds, poor liquidity positioning, and inefficient asset utilization (Lazaridis & Tryfonidis, 2006).

Account Payable Practices refer to how the bank manages customer deposits and other short-term liabilities. Since deposits are payable on demand, managing interest rate structures, deposit terms, and product mix is essential to creating a stable and predictable funding base. Weak practices in this area may lead to deposit volatility and unstable funding sources (Omara, 2007).

Working Capital Level is a composite measure of how well the bank balances all its short-term assets and liabilities. Maintaining the right level of working capital enables AYA Bank to sustain operations without excessive borrowing or underutilization of resources. Both excessive and insufficient working capital can negatively affect profitability, liquidity, and long-term performance (Singh et al., 2022).

The effect between these WCM practices and performance is especially critical in banking, where short-term financial management directly affects profitability and risk exposure. For AYA Bank, poor working capital decisions can result in cash shortages, increased financial costs, and missed growth opportunities. For instance, inefficient liquidity planning or excessive deposits not converted into profitable loans may reduce return on assets and decrease net interest margin. Conversely, strategic WCM practices that align with financial goals can optimize earnings, stabilize operations, and ensure compliance with regulatory requirements.

Despite the importance of WCM in the banking sector, few studies in Myanmar have explored its detailed effect on performance using empirical data from local institutions. AYA Bank, given its size, industry relevance, and adoption of digital and operational innovations, presents a valuable case for analysis. This study will evaluate how AYA Bank's WCM practices—based on the five core variables—affect its financial performance, using ROE.

By examining these connections, the research aims to highlight the most crucial practices driving ROE, thus representing an opportunity area for prioritization to improve the bank’s profitability. And despite the bank’s idiosyncratic innovations, if it

is assumed that the bank is emblematic of other private banks operating in the country, then this study should provide insight to other banks as to how they could improve as well, as they would also be subject to the same socio-economic and political factors that produced the results found at AYA Bank. And these factors are ostensibly perpetual. Thus, this study is both necessary and timely.

1.2. Objectives of the Study

Key research objectives:

- To identify the working capital management (WCM) practices at AYA Bank PCL
- To analyze the effect of working capital management (WCM) on performance at AYA Bank PCL

1.3. Scope and Method of the Study

This study focuses on analyzing the effect of Working Capital Management (WCM) on the organizational performance of AYA Bank PCL. The objective is to assess how key WCM practices affect the bank's profitability. Specifically, the research investigates the effect of five core WCM variables: Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Working Capital Level, on performance.

A quantitative research method is applied in this study to ensure objective measurement and statistical analysis of the effect between working capital variables and bank's performance indicator. The study utilizes primary data, which was collected through structured questionnaires administered to employees at AYA Bank who are directly involved in financial operations and decision-making. The total population comprises 153 employees from the Treasury, Finance, Loans, and Risk departments. A sample size of 111 employees is determined using Yamane's (1973) formula, with participants selected through a simple random sampling method to ensure that each individual in the population has an equal chance of being chosen. This sampling approach enhances the reliability and generalizability of the findings within the context of AYA Bank.

The collected data analyzed using both descriptive and including correlation and regression analysis, to determine the strength and significance of the effects between the selected variables. The study itself is limited to the internal context of AYA Bank and does not extend to comparative analysis with other financial institutions. However, the findings will provide valuable insights into how effective working capital strategies can enhance financial performance and sustainability within a leading private bank in Myanmar.

1.4. Organization of the Study

This study is structured into five chapters. Chapter One introduces the study, covering its rationale, objectives, scope, methodology, and organization. Chapter Two outlines the theoretical framework, discussing key concepts and literature related to working capital management and its effect on organizational performance. Chapter Three provides an overview of AYA Bank, including its financial profile, products, and working capital management practices. Chapter Four analyzes the effect of working capital management on AYA Bank's organizational performance, focusing on liquidity, profitability, and operational efficiency. Chapter Five concludes the study with key findings, recommendations for improving financial management practices, and the research limitations.

CHAPTER 2

THEORETICAL BACKGROUND

This chapter explores Working Capital Management (WCM) and organizational performance ideas and frameworks to lay the groundwork for the investigation. It describes WCM's conceptual foundations, the importance of each key working capital component, and how these techniques improve financial efficiency, stability, and profitability. The chapter also examines Pecking Order Theory, Cash Conversion Cycle, and Financial Distress Theory to explain WCM and banking performance. The study uses these theoretical underpinnings to examine how short-term financial management influences institutional performance and sustainability.

2.1 Concept of Working Capital Management

WCM is a key part of financial management that manages a company's short-term assets and obligations. WCM ensures that a company has enough liquidity to cover its daily operating needs while maximizing resource usage to produce profits. It entails handling cash, accounts receivable, short-term investments, accounts payable, accrued costs, and short-term borrowings. The balance between these elements is critical in supporting smooth operations, maintaining solvency, and achieving financial efficiency (Deloof, 2003).

In the banking and financial services sector, WCM takes on a unique significance due to the structure of its balance sheet, where current assets and liabilities dominate operations. Banks, unlike manufacturing firms, do not hold inventories but rely heavily on liquidity, loan management, and deposit mobilization. Therefore, the key focus of WCM in financial institutions lies in managing liquidity buffers, optimizing loan-to-deposit ratios, and controlling cash flow timing (Afza & Nazir, 2009). These practices are essential not only for regulatory compliance but also for minimizing funding risks and enhancing profitability.

Efficient WCM enables institutions to deploy excess cash into income-generating activities, reduce reliance on costly short-term borrowing, and avoid liquidity crises. On the contrary, ineffective WCM can lead to underutilization of assets, cash shortages, increased financial costs, and reduced earnings. A well-managed

working capital system contributes to maintaining investor confidence, safeguarding credit ratings, and supporting the firm's overall strategic goals (Lazaridis & Tryfonidis, 2006).

Moreover, WCM is closely linked with risk management, as it helps firms respond to economic volatility and financial shocks. In an increasingly dynamic business environment, sound WCM practices have become a strategic tool for enhancing organizational resilience, financial flexibility, and long-term value creation. Ultimately, the effectiveness of WCM is a major determinant of operational success and financial performance across industries, particularly in the banking sector where liquidity and credit risks are continuously monitored and managed (Van Horne & Wachowicz, 2008).

2.2 Working Capital Management Practices

Working Capital Management (WCM) includes a variety of financial measures to help a business manage its short-term assets and liabilities. Effective management of these practices is essential for sustaining operational continuity, optimizing liquidity, and enhancing profitability. In the context of financial institutions, particularly banks, WCM focuses less on inventory management and more on liquidity control, efficient allocation of financial assets, and the prudent handling of customer deposits and credit disbursements.

This section outlines and discusses five key practices of WCM that are particularly relevant to banking operations: Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Overall Working Capital Level. Each dimension represents a critical aspect of short-term financial control and collectively affects the institution's ability to manage risks, support lending activities, and achieve sustainable performance. Understanding these practices provides the foundation for evaluating how WCM practices directly affect organizational effectiveness in the banking sector.

2.2.1 Liquidity Management Practices

Liquidity management involves maintaining adequate liquid assets to meet short-term obligations without incurring excessive financial costs. It ensures that organizations can cover daily cash requirements, avoid funding disruptions, and

respond to unforeseen financial demands. Effective liquidity management minimizes the risk of insolvency, supports creditworthiness, and strengthens the ability to operate under uncertain economic conditions. Key practices include monitoring liquidity ratios, forecasting cash flows, and maintaining appropriate reserves (Van Horne & Wachowicz, 2008).

In addition, effective liquidity management plays a central role in maintaining a bank's creditworthiness and public confidence. Institutions with sound liquidity frameworks can better navigate periods of financial volatility, sustain customer trust, and meet regulatory requirements set by entities like the Central Bank. For instance, the proactive forecasting of cash inflows and outflows enables banks to optimize reserve levels without incurring unnecessary costs from idle funds. As emphasized by Afza and Nazir (2009), maintaining a strategic balance between profitability and liquidity is vital to ensure not only short-term resilience but also long-term financial sustainability.

2.2.2 Loans and Advances to Deposits

The Loans and Advances to Deposits ratio is a fundamental metric in banking that reflects how efficiently a financial institution utilizes its deposit base for lending activities. A high LAD ratio can signal strong income potential through interest-earning assets but may also introduce significant liquidity risks if withdrawals outpace available cash. Therefore, managing this ratio involves aligning the growth of loans with the stability of deposits, ensuring that the institution maintains sufficient reserves to meet withdrawal demands and operational requirements (Gulilat, 2020).

From a strategic perspective, maintaining an optimal LAD ratio is essential for balancing profitability and risk. Banks often monitor this ratio closely as part of their asset-liability management process, adjusting their lending strategies in response to shifts in deposit trends or macroeconomic conditions. An effective LAD strategy promotes sustainable credit expansion without compromising the institution’s liquidity position. According to Babatunde (2020), institutions that strike this balance are more likely to achieve steady profitability while preserving the flexibility to withstand external financial shocks.

2.2.3 Current Assets Allocation

Current assets allocation refers to the process by which banks strategically distribute their short-term financial resources, including cash, balances with the central bank, and placements in money markets. The objective is to ensure that sufficient funds

are available for daily transactions while also seeking optimal returns on surplus liquidity. A critical aspect of this practice is matching asset maturities with expected liabilities to minimize risk and maximize return on investment. Failure to allocate current assets efficiently may result in idle funds or an inability to meet time-sensitive financial obligations (Richards & Laughlin, 1980).

Moreover, in a dynamic banking environment, effective allocation of current assets supports operational flexibility and profitability. Banks must continuously evaluate the performance and liquidity of their short-term assets, reallocating resources in response to market changes and regulatory directives. This process also includes managing nostro accounts, interbank placements, and other liquid instruments. As Deloof (2003) suggests, institutions that efficiently manage their current assets not only safeguard liquidity but also contribute to enhanced capital productivity and financial performance.

2.2.4 Account Payable Practices

In the context of banking, account payable practices primarily relate to the management of customer deposits and other short-term liabilities. Since deposits are typically demand liabilities, banks must manage them with care—balancing attractive interest rates, competitive product features, and funding costs. Successful deposit management includes offering term products that encourage customer retention, controlling interest expenses, and ensuring liquidity adequacy. Institutions that actively monitor deposit behaviors and trends are better equipped to maintain funding stability and reduce vulnerability to deposit volatility (Afza & Nazir, 2009).

Additionally, well-structured account payable strategies support the bank's broader financial planning. For example, setting sustainable deposit terms and effectively negotiating with key clients allows banks to reduce uncertainty in cash outflows and improve liquidity forecasting. Omara (2007) points out that banks with disciplined payable practices benefit from more predictable funding costs and enhanced ability to make informed lending and investment decisions. Consequently, account payable management is not merely a passive function but a critical element in sustaining both liquidity and profitability.

2.2.5 Working Capital Level

The gap between a bank's current assets and liabilities is its working capital, which indicates its short-term financial health. Working capital management is essential in banking for operational efficiency and liquidity. An excessive working capital may indicate idle assets with low returns, while insufficient working capital may limit the bank's capacity to satisfy immediate commitments and increase reliance on expensive external finance (Singh et al., 2022).

Strategically, banks must regularly assess and adjust their working capital levels to align with operational needs, market trends, and financial goals. A flexible working capital structure supports better resource allocation and allows banks to respond swiftly to changes in economic conditions. As noted by Eshetu (2020), a dynamic approach to working capitals supported by accurate forecasting and scenario planning—helps institutions balance liquidity and profitability, reduce financial strain, and enhance long-term sustainability. Effective working capital management thus becomes a cornerstone of sound financial performance in banking.

2.3 Concept of Performance

Organizational performance refers to the extent to which a firm successfully attains its strategic, financial, and operational objectives. It reflects the organization's ability to utilize resources efficiently, respond effectively to market conditions, and implement strategic plans that align with its long-term goals. In financial institutions, performance is often evaluated using both quantitative and qualitative indicators, including profitability, operational efficiency, risk management, and customer satisfaction. These measures provide a comprehensive picture of how well a bank is performing in terms of sustaining financial health and delivering value to stakeholders (Barney, 1991).

Among the key financial metrics, Return on Equity (ROE) holds particular importance in the banking sector. ROE measures how effectively a bank uses shareholders' equity to generate net profit and is widely used by investors and analysts to assess profitability and capital efficiency. A high ROE generally indicates sound management and effective deployment of capital resources, while a declining ROE may

signal inefficiencies or heightened financial risks. According to Ross, Westerfield, and Jordan (2013), ROE serves as a reliable performance benchmark because it encapsulates the firm's earnings power in relation to shareholder investment.

Profitability, another core measure of performance, is often linked directly to the quality of a bank's working capital management (WCM) practices. Proper handling of current assets and liabilities enables institutions to reduce liquidity gaps, limit excessive borrowing, and ensure stable operational cash flows. As Deloof (2003) observed, firms with efficient WCM tend to experience improved cost efficiency, higher returns on assets, and better responsiveness to short-term financial needs. Consequently, profitability is not only a reflection of revenue generation but also of how well internal financial operations are managed.

In the context of banking, performance must also encompass operational efficiency, which includes the ability to minimize costs while maintaining high-quality service delivery. Operationally efficient banks make strategic use of technology, workforce planning, and financial controls to streamline processes and reduce waste. This enables them to compete effectively and maintain profitability even in adverse market conditions. Moreover, performance metrics such as the net interest margin (NIM) are used to assess how effectively banks manage the spread between interest earned on assets and interest paid on liabilities, which directly affects profitability (Gulilat, 2020).

Ultimately, organizational performance is a multidimensional concept that integrates financial, operational, and strategic outcomes. In banking, it serves as a vital indicator of institutional strength, resilience, and long-term viability. Institutions that consistently perform well tend to exhibit strong governance, risk management, and adaptive financial strategies. These characteristics allow them to withstand economic shocks, meet stakeholder expectations, and maintain competitive advantage. As such, performance is not solely about profit maximization but also about sustaining stability, trust, and growth over time (Lazaridis & Tryfonidis, 2006).

2.4 Related Theory of the Study

The link between working capital management and performance can be understood through several established financial theories:

(i) Pecking Order Theory

The Pecking Order Theory, proposed by Myers and Majluf (1984), states that enterprises prefer internal money before foreign capital. This preference is rooted in the desire to avoid information asymmetry and high financing costs. In the context of WCM, this theory supports the use of retained earnings and customer deposits as primary sources for funding working capital, thereby minimizing financial risk and preserving capital structure.

(ii) Cash Conversion Cycle Theory

Richards and Laughlin (1980) developed the Cash Conversion Cycle (CCC) to assess how long it takes a company to turn working capital into cash. Shorter CCCs increase turnover and liquidity, reducing external funding needs. Although developed for manufacturing, this theory applies to banking through the management of loan repayments (receivables), deposit withdrawals (payables), and liquidity positions.

(iii) Financial Distress Theory

The Financial Distress Theory, articulated by Opler et al. (1999), emphasizes the consequences of inadequate liquidity and excessive financial leverage. Firms that fail to maintain sufficient working capital face higher borrowing costs, reputational damage, and even insolvency. For financial institutions, strong WCM practices mitigate distress by ensuring that liabilities can be met without resorting to emergency funding or asset liquidation.

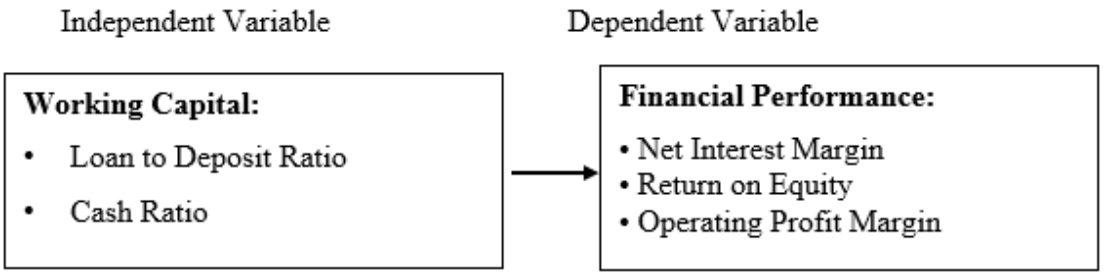
2.5. Previous Study

Numerous empirical studies have been conducted globally to examine the effect of Working Capital Management (WCM) on the performance of financial institutions, particularly banks. These studies consistently highlight that efficient management of liquidity, short-term assets, and liabilities directly contributes to profitability, risk reduction, and operational efficiency. The following selected studies from Nigeria, Ethiopia, and Ghana provide relevant insights into how WCM practices effects financial performance across different banking environments.

Abayomi (2020) examined WCM and deposit money bank financial performance in Nigeria. Our conceptual approach centered on two important WCM indicators: the loan-to-deposit ratio and the cash ratio. Profit margin, ROE, and NIM were used to evaluate performance. It was shown that effective WCM methods enhanced financial performance significantly. The study indicated that banks with

active loan-to-deposit ratio optimization and appropriate liquidity had greater ROE and interest income margins. Figure 2.1 shows their study's conceptual structure.

Figure 2.1 The Effect of Working Capital Management on Financial Performance of Deposit Money Banks in Nigeria

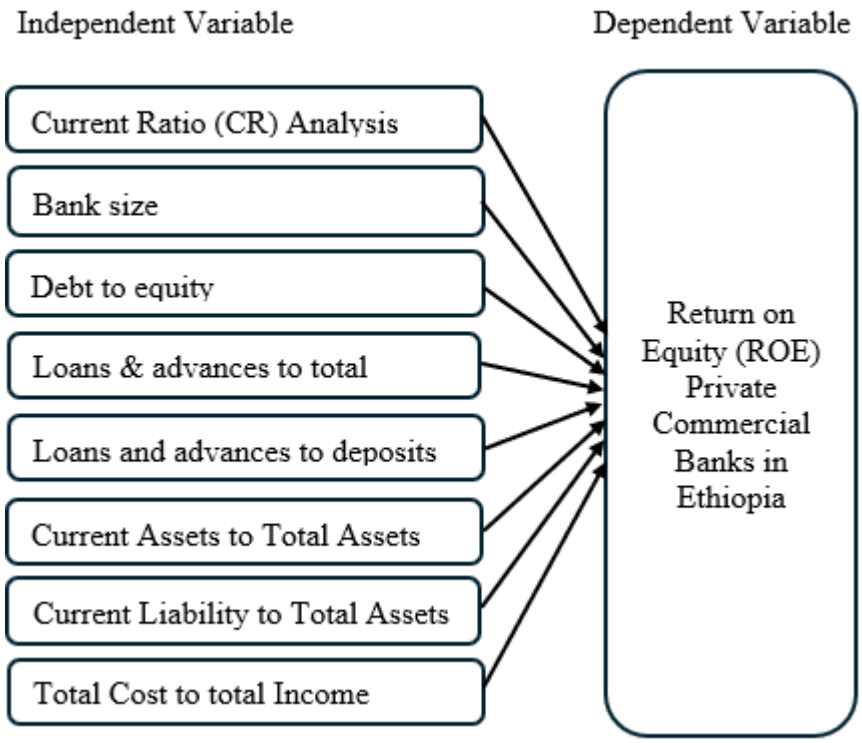


Source: Abayomi, B. K. (2020)

The study concluded that maintaining a balance between liquidity and lending is essential for sustaining profitability in the Nigerian banking sector. Banks that managed their short-term resources effectively were better positioned to meet regulatory liquidity requirements and avoid costly short-term borrowing. Abayomi (2020) recommended that Nigerian banks strengthen their internal WCM frameworks and improve monitoring of liquidity ratios to ensure long-term financial stability and competitiveness in the market.

Eshetu (2020) examined WCM procedures in Ethiopian private commercial banks from 2014 to 2019. More independent variables were introduced in the conceptual framework, including Current Ratio, Loans and Advances to Deposits, Current Assets to Total Assets, Current Liabilities, and Cost-to-Income Ratio. The dependent performance variable was ROE. The findings confirmed that banks with effective liquidity monitoring, well-balanced loan portfolios, and strong cost control practices consistently achieved higher ROE and capital efficiency. The study's conceptual model is presented in Figure 2.2.

Figure 2.2 The Effect of Working Capital Management on the Performance of Private Commercial Banks in Ethiopia

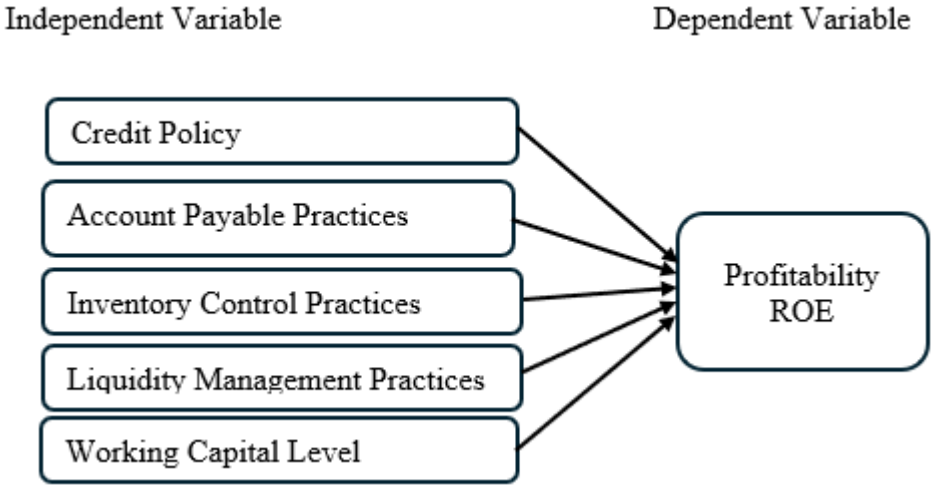


Source: Eshetu, G., & Gulilat, E. (2020)

The study concluded that adopting a forward-looking and data-informed WCM approach significantly enhances financial outcomes in the Ethiopian banking environment. Eshetu's conceptual model provided a robust structure for identifying the interplay between short-term assets and profitability. Recommendations included the use of liquidity forecasting models, prudent credit risk assessments, and tighter expense management systems.

Nkrumah (2018) analyzed the effect of WCM on the profitability of five leading commercial banks in Ghana. The conceptual model included five independent WCM variables: Credit Policy, Liquidity Management, Account Payable Practices, Inventory Control, and Working Capital Level. The study measured performance using Return on Assets (ROA). The findings indicated that shorter cash conversion cycles and well-managed receivables were positively associated with profitability. Conversely, excessive working capital allocation was found to constrain performance by locking up idle assets. The conceptual framework is outlined in Figure 2.3.

Figure 2.3 Effect of Working Capital Management on Profitability of Banks in Ghana



Source: Nkrumah,T. (2018)

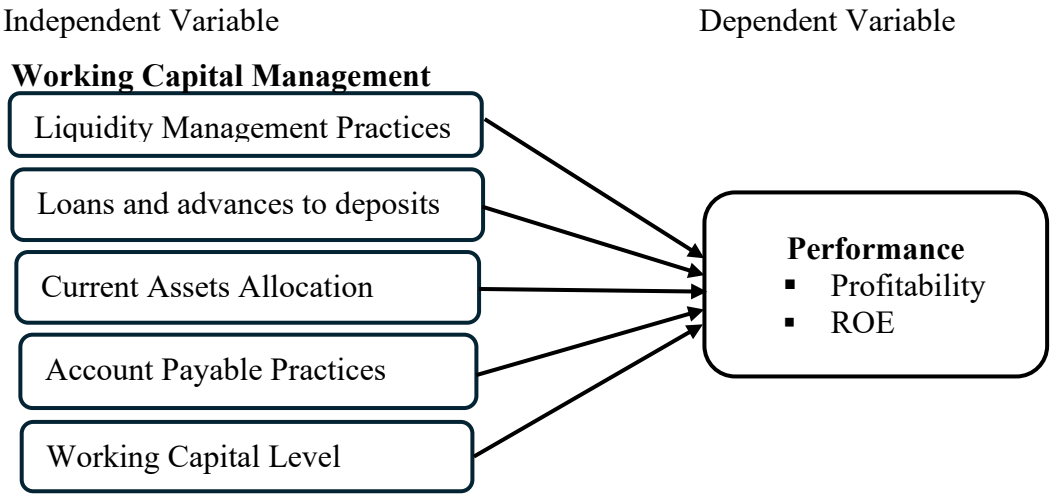
The study concluded that efficient management of short-term resources contributes significantly to sustained profitability in the Ghanaian banking sector. Nkrumah advised that banks strengthen internal controls on receivables, align liquidity with lending strategies, and maintain an optimal working capital level to enhance ROA. The conceptual framework provided a clear visual guide for evaluating the effectiveness of WCM elements in driving bank performance.

2.6. Conceptual Framework of the Study

This research examines how Working Capital Management (WCM) procedures affect AYA Bank PCL's performance. It is based on theoretical and empirical research from Nigeria, Ethiopia, and Ghana. These prior studies consistently emphasize that efficient management of short-term financial elements—particularly liquidity, deposit utilization, asset allocation, and liabilities—significantly contribute to a bank's profitability and operational efficiency. Building on this foundation, the present framework is adapted to reflect the context of AYA Bank PCL, establishing a structured linkage between key WCM variables and financial performance metrics such as profitability and Return on Equity (ROE).

The conceptual model illustrated in Figure 2.4 presents five independent variables under the domain of Working Capital Management: Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Working Capital Level. These variables are hypothesized to affects the dependent variable, organizational performance, measured through profitability indicators and ROE.

Figure (2.4) Conceptual Framework for the Effect of Working Capital Management Practices on Performance of AYA Bank PCL



Source: Own Compilation, 2025

Unlike prior studies in Ethiopia and Ghana that primarily relied on secondary data, and the Kenya-based research that utilized a general primary data approach, this study employs a structured primary data collection method targeted specifically at AYA Bank PCL. The research involves a detailed survey of employees from relevant departments, including Treasury, Finance, Loans, and Risk. These participants possess direct responsibility for WCM processes, allowing the study to capture informed perspectives on how WCM practices are implemented and how they affect financial outcomes.

The approach allows quantitative evaluation of WCM activities with the greatest statistical impact on profitability and ROE. As profitability is a key performance measure for financial institutions, this study should yield practical information. These findings will enable evidence-based working capital optimization suggestions for AYA Bank PCL to improve operational efficiency, financial stability,

and long-term sustainability.

Working Definition

This study is anchored in the conceptual framework that explores the effect between five key practices of working capital management—Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Overall Working Capital Levels—and two performance indicators: Profitability and Return on Equity (ROE).

The bank's capacity to keep enough cash and liquid assets to pay short-term commitments without compromising operating efficiency is called liquidity management.

Loans and Advances to Deposits: measure how effectively the bank utilizes its customer deposits to support lending activities while maintaining sufficient liquidity.

Current Assets Allocation: is the strategic distribution of liquid and near-liquid resources to ensure daily operations are funded while maximizing returns.

Account Payable Practices: in the banking context relate to how the institution manages customer deposits and other liabilities to maintain a stable and cost-effective funding base.

Working Capital Levels: represent the balance between short-term assets and liabilities that allows the bank to operate smoothly and respond to financial demands.

Performance: refers to the financial effectiveness of a bank, measured through Profitability and Return on Equity (ROE). Profitability reflects the bank’s ability to earn income after costs, while ROE indicates how efficiently shareholder equity is used to generate profit.

CHAPTER 3

WORKING CAPITAL MANAGEMENT PRACTICES AT AYA BANK PCL

This chapter presents a comprehensive profile of AYA Bank PCL, an overview of Myanmar's banking sector, and an in-depth analysis of the significance of asset-liability management with a particular focus on the working capital management practices at AYA Bank.

3.1 AYA Bank PCL Profile

AYA Bank Public Company Limited (AYA Bank PCL), formally Ayeyarwady Bank, is one of Myanmar's largest financial institutions, noted for its comprehensive services, broad branch network, and focus on innovation and client connections. AYA Bank, founded to enhance and modernize Myanmar's banking industry, has improved financial inclusion, company growth, and access to formal banking services nationwide.

Born in 2010, AYA Bank was approved as a development bank by the Central Bank of Myanmar on July 2, 2010. After being formed as a Private Company Limited by Shares on July 14, 2010, it commenced operations on August 11, 2010. The Bank was relicensed under the Financial Institutions Law of 2016 as a full-service commercial bank after a decade of stable development and operational expansion, allowing it to serve retail and corporate clients. This evolution marked a significant milestone in the Bank's institutional development, expanding its operational scope beyond development banking to include a wider array of financial services.

In pursuit of long-term growth, transparency, and public engagement, AYA Bank underwent another major transformation on 30th December 2022, when it was reincorporated as a Public Company Limited. This transition signifies the Bank's commitment to greater corporate governance, financial accountability, and preparation for eventual public listing. By embracing public company standards, including rigorous reporting, enhanced financial disclosures, and stakeholder inclusivity—AYA Bank

aims to distribute future ownership opportunities to the general public, thereby enabling broader participation in the Bank's continued success and profitability.

AYA Bank has a statewide distribution network and headquarters in Sule, Yangon. The Bank has 261 branches, 623 ATMs, and 162 foreign currency counters throughout Myanmar as of the current reporting period. This large infrastructure allows AYA Bank to deliver dependable and accessible financial services in urban and rural locations. Nearly three million customers—individuals, SMEs, major organizations, and public sector entities—use the Bank. This varied clientele has helped the Bank grow rapidly, strengthening its position as Myanmar's leading bank.

With a paid-up capital of MMK 217 billion, an equity base of MMK 334 billion, and a staff that exceeds 6,500 personnel, AYA Bank serves as a financial institution that handles assets worth more than 7 trillion Myanmar Kyats (MMK). The healthy financial status, operational capabilities, and human capital strength of the Bank are all reflected in these data. In spite of the changing economic climate in Myanmar, the Bank has established itself as a dependable and stable institution as a result of its ongoing capital investments and its emphasis on complying with regulatory norms.

Visionary people, such as the Founder and Chairman of AYA Bank, as well as the Executive Chairman, serve as the foundation for effective leadership at the bank. When it comes to setting the strategic direction of the Bank, particularly during times of economic transition and regulatory reforms, their combined knowledge and leadership have been essential components. AYA Bank has continually pushed innovation, modernization, and processes that are centered on the consumer under their direction.

The corporate slogan of AYA Bank is "Your Trusted Partner," which encompasses the bank's dedication to maintaining long-term relationships, adhering to ethical banking procedures, and providing individualized financial solutions. The establishment of trust, the promotion of financial literacy, and the provision of assistance for Myanmar's larger economic development goal are the primary emphases of its operating philosophy. With the help of this foundation, the Bank is continuing to improve the quality of the services it provides by using contemporary technologies. These technologies include mobile financial services and digital banking platforms, which ensure that all client segments have access to convenient and easily accessible

services.

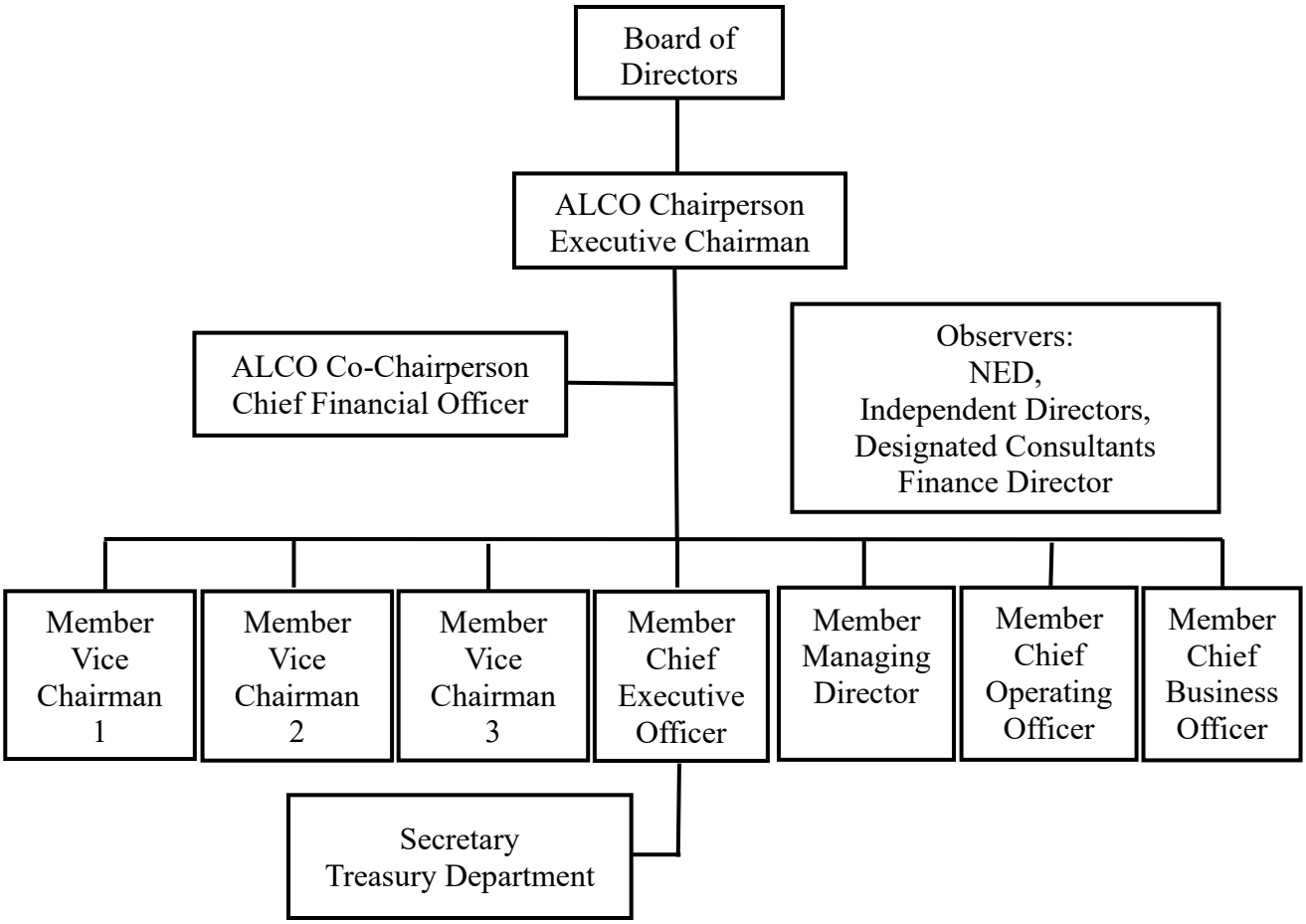
Additionally, the Bank ensures that regional and international connections is maintained. Although its principal activities are local, AYA Bank is connected with financial institutions located across Asia and beyond. This connection enables the bank to provide services such as international remittance, trade finance, and foreign exchange. Myanmar's rising participation with international commerce and cross-border financial operations is supported by this global integration, which is particularly important as the country continues its transition toward an economy that is more open and driven by market forces.

In conclusion, AYA Bank PCL stands out as the market leader in Myanmar's banking business. This is due to the fact that it has wide reach, offers a variety of services, and integrates technology. And despite the fact that the world is undergoing fast transformation, AYA Bank continues to grow because to its flexible management policies that adhere to best practices, its professional leadership, and its dedication to ensuring the pleasure of its customers.

Asset-Liability Committee (ALCO)

The ALCO is a board committee tasked with managing the bank’s balance sheet, specifically streamlining it by formulating, and driving the bank towards, its ideal, or preferred, balance sheet composition. On the asset side, this would entail postulating methodologies for minimizing excess funds, both on a stock and flow basis. On the liabilities side, it would be to strike a balance between cost and funding base stability. And while membership may vary from bank to bank, a conversation with an ALCO member from AYA Bank suggests that at AYA, the membership is shown in Figure (3.5).

Figure (3.5) Asset Liability Committee (ALCO) at AYA Bank



Source: AYA Bank, 2024

In summary, AYA Bank's working capital management practices balance income with risks, providing a bedrock of formal interpretations and responses from which the bank can act on in response to changes in the market. The integration of the Asset-Liability Committee (ALCO) adds a strategic layer to these practices.

3.2 Products and Services of AYA Bank PCL

AYA Bank Public Company Limited (PCL) offers a comprehensive range of banking goods and services, with the objective of catering to the monetary requirements of individuals, enterprises, and digital users all around Myanmar. These solutions are designed to increase the level of satisfaction experienced by customers, to broaden

access to financial resources, and to facilitate efficient administration of working capital. AYA Bank guarantees that its clients are able to take advantage of both traditional and contemporary banking solutions by ensuring that the design of its products meets the criteria of innovation and efficiency.

A variety of deposit choices that are targeted to varied saving and transactional needs are available to customers of AYA Bank, which operates in the personal banking sector. There are a variety of deposit products available to customers, including normal savings, maximizer savings, loyal savings, and thematic deposit products such as "Ngwe Toe Mae-Shwe O" and "AYA Su-Buu." There are a variety of current accounts and call deposit accounts available for more flexible liquidity management. These accounts include specialist services like as Seafarer Accounts and Foreign Currency Accounts (FCA). Current accounts are also accessible. Additionally, fixed deposits are available in a variety of tenures, ranging from eleven days to twenty-four months, which allows for flexible planning for both short-term and long-term savings requirements.

A wide range of loan products, such as vehicle loans, school loans, house financing, solar loans, and personal loans, are made available by AYA Bank in order to assist individuals in achieving their personalized financial objectives. It is also possible for clients to leverage their home equity in order to get liquidity through the Home to Cash (H2C) loan. For the purpose of meeting payment and remittance requirements, the bank acts as a facilitator for both domestic and foreign transactions. It provides services such as the payment of bills and checks, as well as gift checks.

The Royal Banking services offered by AYA Bank are intended to provide high-net-worth clients with premium financial experiences tailored to their specific needs. The financial institution provides special advantages to its customers by means of two tiers: Royal Signature Banking and Royal Premier Banking. These privileges include exclusive conference spaces, travel incentives, lifestyle bonuses, and health-related membership products and services. The dedication of AYA Bank to provide its customers with a customized and luxury banking experience is reinforced by the welcoming gifts, gasoline savings, insurance coverage, and travel incentives that are provided to members. These benefits are applicable to both domestic and foreign locations.

By providing services in foreign currency exchange, AYA Bank is also able to

meet the requirements of international financial institutions. Individuals and businesses who engage in international transactions are the target audience for these services, which provide support for a variety of currencies such as US Dollars, Euros, Singapore Dollars, Thai Baht, Chinese Yuan, and Indian Rupees. There are a variety of versatile and safe choices available for managing foreign currency, including the Seafarer Account and Retail FCA Current, which are both specialized accounts. Customers have a better capacity to efficiently manage worldwide remittances and trade transactions as a result of these features.

The complicated requirements of corporate customers, including small and medium-sized businesses as well as major corporations, are the focus of the business banking services offered by AYA Bank. These services include remittance services for both local and international transfers, as well as savings and current accounts, fixed and call deposit facilities, and other deposit facilities. To facilitate both expansion and the maintenance of business operations, the bank provides a variety of business loans, such as corporate loans, financing for small and medium-sized enterprises (SMEs), and hire purchase agreements.

AYA Bank provides trade financing solutions to businesses who are active in international trade. These solutions include letters of credit, trade services, and currency swaps, which make it possible for businesses to engage in cross-border commerce in a secure and efficient manner. In addition, businesses have the option to subscribe to the cash management services offered by the bank. These services include payroll systems, administration of receivables and payables, and invoice services.

In addition, AYA Bank has embraced digital transformation by providing a range of banking services that can be accessed online and via mobile devices. Banking systems that are accessible via the internet and mobile devices make it simple for people and corporations to access and manage their individual accounts. Business customers may take advantage of safe access to payroll processing, fund transfers, and real-time balance checks through Corporate Internet Banking, which is designed specifically to meet their requirements.

In conclusion, the goods and services offered by AYA Bank cover a broad spectrum of financial requirements in the retail, corporate, and digital sectors all over the world. By continuously improving these products, the bank is able to maintain

client happiness and, as a result, customer loyalty, which in turn affords the bank the opportunity to better serve its customers.

3.3 Working Capital Management Practices at AYA Bank PCL

Financial institutions need good working capital management (WCM) to preserve liquidity, efficiency, and sustainability. AYA Bank PCL balances short-term assets and liabilities with strong working capital management. The bank's WCM strategy optimizes the balance sheet to maximize net revenue by increasing the net interest margin.

Cash Management

Cash management is a fundamental aspect of AYA Bank's working capital strategy. As with all banks in this cash-based economy, the primary faucet of cash outflows for AYA Bank is customer deposit withdrawal requests. The bank would hold enough cash at the branches to meet these requests, but too much would represent idle funds. Thus, in general, a balance is struck between these two tensions. Based on conversation with a colleague in Business Operations, the bank employs a hub-and-spoke system, a la wheels on a car, whereby the center represents a central urban location, designated the hub, which acts as the currency depository, which branches out to the spokes- other, more rural branches. There are hubs in all major areas of operation. Cash flows to and from branches through this system. This system increases operational efficiency to achieve the dual goals of reducing idle funds and meeting customer cash requirements in a timely manner.

Accounts & Savings Management

Deposits are the primary funding for AYA Bank- funding that can be employed into earning assets such as loans and investments, and so managing these accounts is integral to the bank's working capital practices. As mentioned previously, the bank offers a wide range of deposit product types at attractive rates, to entice customers. Depending on the bank's overall strategic goals at each given time, it would have different funding preferences; this flow of funds and deposits is manipulated through price changes, manifest as changes in interest rates, which incentivize or discourage

long-term or short-term deposits, based on the bank's overall funding requirement at the time.

Borrowing and Lending Practices

As with all commercial banks, AYA's primary source of income is through lending. The funds utilized are the accumulated aforementioned deposits marked up with a margin. In effect, the bank acts as a middleman for funds, accepting from those with excesses and extending to those with business requirements, in the process charging a premium for its services and its adoption of the risks involved. Lending practices seek to strike a balance between these risks, namely interest, liquidity and credit risks, and income. During times of excess funding, the bank would be more inclined to extend out loans, and the converse would be true during funding squeezes. Regardless, the bank abides by strict credit assessment policies.

Trade Finance and Treasury Management

If the bank is the middleman for funds in the economy, the Treasury acts as the middleman for funds within the bank itself, gathering funds from where there are excesses and encouraging their employment into earning assets; priority is given to high-earning, albeit higher-risk, loans, while all remaining excesses are funneled into investments. This process is applied to all major currencies in which the bank operates. While loans come with credit risks, investments come with interest and liquidity risks. These rates have to be gauged for any given time before investments can be made. And as investments are only offered through auctions, the Treasury has to balance paying the minimum price and risk losing a particular investment opportunity, and between paying a higher price to ensure reception of the investment but risk paying extra for it. This balance is informed by the market; Treasury therefore has to stay abreast of all major developments on both a local and regional basis. Treasury reports directly to the ALCO committee.

CHAPTER 4

ANALYSIS OF WORKING CAPITAL MANAGEMENT PRACTICES AND PERFORMANCE OF AYA BANK PCL

This chapter analyzes working capital management strategies and AYA Bank PCL's performance. The study covers research design, variables, analytical methodologies, and measuring instrument dependability. The chapter analyzes the causal relationship between working capital management strategies and AYA Bank PCL's performance using data.

4.1 Research Design

This study examines how working capital management affects bank performance. The survey of relevant bank workers provides main data for the study. The surveys sought to understand how working capital management affects bank performance. The questionnaire has several sections: the first covers demographics, the rest cover working capital management practices like liquidity management, loans and advances to deposits, current assets allocation, account payable practices, and working capital practices.

A sample size calculation was performed using the formula provided by Yamane (1973):

$n = N/1+N(e)^2$

Where:

n = sample size

N = population size

e = margin of error (expressed as a decimal)

For a population size of 153 and assuming a margin of error of 5% (0.05), the calculation would be:

n = 153/1+153 (0.05)2

=153/1.2

= 110.676 =111

Therefore, the required sample size for the study was approximately 111. Accordingly, 111 respondents from AYA Bank's corporate customers participated in the survey.

A five-point Likert scale was used in the questionnaire to measure the strength of respondents' opinions on various aspects of working capital management practices and performance. The Likert scale was rated as follows: strongly disagree = 1, disagree = 2, neutral = 3, agree = 4, and strongly agree = 5. The interpretation of Likert scale scores is shown in Table (4.1):

Table (4.1) Likert Scale Score Interpretation

No.	Mean Score between	Interpretation
1	1.00 -1.80	Very Low
2	1.81 – 2.60	Low
3	2.61 – 3.40	Medium
4	3.41 – 4.20	High
5	4.21 – 5.00	Very High

Source: Wright & Douglas (1977)

According to Table (4.1), the average mean values are interpreted as follows: 1.00 – 1.80 indicates a very low agreement level, 1.81 – 2.60 represents a low agreement level, 2.61 – 3.40 corresponds to a medium agreement level, 3.41 – 4.20 indicates a high agreement level, and 4.21 – 5.00 signifies a very high agreement level.

The collected data were analyzed using SPSS statistical software, which involved calculating the mean values, standard deviations, and correlation coefficients. Multiple regression analysis was applied to elucidate the relationship between the variables. This statistical approach enabled the determination of the effects of each working capital management practice on the bank's overall performance.

4.2 Demographic Characteristics of Respondents

The demographic characteristics of the respondents were analyzed to provide context for the study. The profiles of the respondents were summarized based on factors such as gender, age, education level, job position, years of experience, and department within AYA Bank.

Table (4.2): Descriptive Statistics of the Respondents

Particular		Frequency	Percent
Total Number of Respondents		111	100
Gender:	Male	22	19.8
	Female	89	80.2
Age (Years):	21 – 30 Years	32	28.8
	31 – 40 Years	54	48.6
	41 – 50 Years	22	19.8
	51 – 60 Years	3	2.7
Education Level:	Graduated	82	73.9
	Master's Degree	29	26.1
	Ph.D	0	0
Position:	Associate	18	16.2
	Sr. Associate	19	17.1
	Ass. Manager	24	21.6
	Manager and above	50	45
Working Experience:	< 1 year	13	11.7
at AYA	1 – 5 Years	30	27
	6 – 10 Years	31	27.9
	> 10 years	37	33.3
Department:	Treasury	25	22.5
	Finance & Account	32	28.8
	Loan	42	37.8
	Risk	12	10.8

Source: Survey data, 2025

As shown in Table 4.2, the majority of respondents were female, accounting for

80.2 percent of the total sample, while the remaining 19.8 percent were male. Respondents were categorized into four age groups: 28.8 percent were between 21 and 30 years old, 48.6 percent were between 31 and 40 years old, 19.8 percent were between 41 and 50 years old, and 2.7 percent were between 51 and 60 years old. These figures indicate that the workforce is relatively young, with a concentration in the 31–40 age group.

In terms of educational level, 73.9 percent of the respondents were graduates, while 26.1 percent held a master's degree. There were no respondents with a Ph.D. Regarding job positions, 16.2 percent of respondents were Associates, 17.1 percent were Senior Associates, 21.6 percent held the position of Assistant Manager, and the largest group, 45 percent, were Managers or held higher-level positions. This distribution reflects a workforce with a significant proportion of mid- to senior-level professionals.

With respect to tenure at AYA Bank, 33.3 percent of respondents had more than 10 years of working experience, 27.9 percent had 6 to 10 years, 27 percent had 1 to 5 years, and only 11.7 percent had less than 1 year of experience. These results suggest that the survey accessed a seasoned respondent base, with a considerable portion possessing long-term institutional knowledge presumably directly applicable to the questions asked of them.

Respondents were drawn from key functional areas of the bank, ensuring a well-rounded representation of views. Specifically, 22.5 percent were from the Treasury Department, 28.8 percent from the Finance and Accounting Department, 37.8 percent from the Loan Department, and 10.8 percent from the Risk Department. This departmental breakdown reflects the core areas involved in working capital management and financial operations within AYA Bank.

4.3 Reliability Test of the Study

In this study, Cronbach's Alpha was employed to assess the internal consistency of the questionnaire items corresponding to each variable. A Cronbach's Alpha value above 0.70 is generally accepted as a benchmark for acceptable reliability in social science research. Table 4.3 below presents the reliability coefficients for all variables used in this study:

Table (4.3): Reliability Test Results for Working Capital Management Practices and Performance

No.	Variable	No of items	Cronbach's Alpha
1	Liquidity Management Practices	7	.710
2	Loans and Advances to Deposits	7	.714
3	Current Assets Allocation	7	.721
4	Account Payable Practices	7	.716
5	Working Capital Level	7	.722
6	Performance	10	.631

Source: Survey data, 2025

The table shows that five of the six constructions have Cronbach's Alpha values over 0.70, suggesting good internal consistency. Specifically, the constructions of Liquidity Management Practices ($\alpha = 0.710$), Loans and Advances to Deposits ($\alpha = 0.714$), Current Assets Allocation ($\alpha = 0.721$), Account Payable Practices ($\alpha = 0.716$), and Working Capital Level ($\alpha = 0.722$) demonstrated reliable measurement properties. These findings confirm that the corresponding questionnaire items consistently measure their intended constructs, rendering the data suitable for further statistical analyses, including correlation and regression techniques.

The reliability analysis confirms that the survey instrument used to measure Working Capital Management practices and bank performance at AYA Bank PCL demonstrates generally strong internal consistency. This implies that various responses to different questions pertaining to a particular variable are interconnected and can thus be conceptually combined to represent that variable. Accordingly, for each variable, all the responses are averaged, thereby creating a proxy to represent the variable as a whole. This was done to all variables.

4.4 Descriptive Statistics Working Capital Management Practices

This section presents the analysis of Working Capital Management (WCM) practices at AYA Bank PCL. Five key practices were evaluated based on survey responses: Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Working Capital Level. The results relate to the bank's short-term financial management and operational effectiveness.

4.4.1 Liquidity Management Practices

Liquidity management ensures that AYA Bank can meet its daily operational needs. The survey responses indicate that AYA Bank effectively manages its liquidity through regular monitoring and planning. The mean scores for items related to liquidity management practices are generally high, reflecting the bank's strong liquidity management.

Table (4.4) Liquidity Management Practices

No.	Items	Mean	Std. Deviation
1	AYA Bank maintains adequate cash reserves to meet daily operational needs.	4.22	0.76
2	The bank regularly monitors its liquidity ratios (e.g., loan to deposit ratio, cash ratio).	4.35	0.88
3	Liquidity risk is actively managed through proper forecasting and cash flow planning.	4.33	0.83
4	The bank has contingency plans to address sudden liquidity shortfalls.	4.17	0.90
5	The bank's various departments coordinate effectively for liquidity management.	4.02	0.97
6	Liquidity reports are shared with senior management on a regular basis.	4.05	0.74
7	Liquidity management practices contribute to the overall profitability and stability of the bank.	4.14	0.76
Overall Mean		4.18	

Source: Survey data (2025)

AYA Bank needs liquidity management to satisfy short-term obligations and run smoothly. Table 4.4 shows that respondents agreed on this dimension, with mean scores ranging from 4.02 to 4.35. The highest-rated item was "The bank regularly monitors its liquidity ratios (e.g., loan-to-deposit ratio, cash ratio)," with a score of 4.35, emphasizing the importance placed on active supervision of liquidity metrics. The lowest-rated item, "The bank's various departments coordinate effectively for liquidity management," scored 4.02, suggesting room for improvement in interdepartmental coordination.

The overall mean score for Liquidity Management Practices was 4.18, which falls within the "High" category. This confirms that AYA Bank demonstrates effective liquidity planning, including regular forecasting, maintaining adequate reserves, and establishing contingency measures. The low standard deviations indicate consistent perceptions across departments, affirming a unified internal understanding of the bank's strong liquidity control mechanisms.

4.4.2 Loans and Advances to Deposits

The loan-to-deposit ratio represents a fundamental element in the management of liquidity risk, particularly within the banking sector. At AYA Bank, this ratio drives the balancing of profitability with prudent liquidity oversight. As presented in Table 4.5, the results from the survey reveal that respondents generally perceive the bank's loan-to-deposit management practices as effective and well-regulated.

Table (4.5) Loans and Advances to Deposits

No.	Items	Mean	Std. Deviation
1	AYA Bank strikes an appropriate balance between customer deposits and loans outstanding.	4.23	0.76
2	Lending decisions consider the liquidity implications of deposit withdrawals.	4.18	0.77
3	The Loans to Deposits Ratio is monitored frequently by the upper management.	4.14	0.74
4	An increase in deposits directly effects the bank's willingness to offer more loans	4.03	0.83
5	AYA Bank has policies in place to avoid overexposure in lending relative to deposits.	3.99	0.67
6	A higher Loans to Deposits Ratio is viewed as increasing the bank's liquidity risk.	4.02	0.75
7	Loan growth at AYA Bank is driven by careful analysis of available deposit resources.	3.98	0.70
Overall Mean		4.08	

Source: Survey data (2025)

The loan-to-deposit ratio is a critical component of managing liquidity risk while pursuing lending profitability. As illustrated in Table 4.5, the mean scores for this variable range from 3.98 to 4.23 reflect overall confidence in AYA Bank's lending practices. The highest-rated statement, "AYA Bank strikes an appropriate balance between customer deposits and loans outstanding," scored 4.23, indicating strong alignment between deposit inflows and credit disbursement. The lowest-rated item, "Loan growth is driven by careful analysis of available deposit resources," scored 3.98, suggesting a perceived need for deeper integration of deposit data in lending decisions.

The overall mean score for this dimension is 4.08, reinforcing the perception that AYA Bank employs measured and disciplined loan-to-deposit strategies. With all

responses falling within the "High" range and standard deviations below 1.00, the findings confirm consistent and positive views on the bank's ability to align lending with liquidity management objectives.

4.4.3 Current Assets Allocation

Effective current assets allocation is crucial for AYA Bank to maintain financial stability and meet its short-term obligations. The survey results indicate that AYA Bank demonstrates strong practices in monitoring and allocating current assets, although some areas, such as cash flow forecasting and the management of nostro account balances, receive slightly lower ratings.

Table (4.6) Current Assets Allocation

No.	Items	Mean	Std. Deviation
1	AYA Bank maintains sufficient cash and cash equivalents to meet its short-term financial obligations.	4.10	0.79
2	The bank regularly tracks and reviews its working capital and liquid asset levels.	4.19	0.78
3	Excess balances in nostro accounts are promptly invested or reallocated to optimize returns.	4.10	0.70
4	Cash flow forecasts are prepared to manage daily, and monthly liquidity needs effectively.	3.89	0.89
5	The bank reserves adequate balances with the Central Bank and other correspondent (Nostro) banks to ensure smooth daily operations.	3.86	0.77
6	Cash and cash equivalents are strategically allocated to achieve a balance between profitability and liquidity.	3.98	0.71
7	The level of working capital is aligned with AYA Bank's operational needs and long-term strategy.	4.16	0.94
Overall Mean			4.04

Source: Survey data (2025)

Strategic allocation of current assets is vital to ensure that AYA Bank meets its liquidity needs while maximizing returns. As shown in Table 4.6, mean scores for this dimension range from 3.86 to 4.19. The highest-rated item, “The bank regularly tracks and reviews its working capital and liquid asset levels,” scored 4.19, reflecting systematic oversight of short-term assets. The lowest-rated item, “The bank reserves adequate balances with the Central Bank and other correspondent banks,” scored 3.86, suggesting possible gaps in reserve management practices.

The overall mean score of 4.04 confirms that the bank’s current asset allocation is perceived as effective. Practices such as cash flow forecasting, nostro account management, and reserve planning are generally well-regarded, though continued attention is needed to optimize reserve distribution and asset deployment across liquidity channels.

4.4.4 Account Payable Practices

Managing account payables effectively is essential for maintaining liquidity and stability at AYA Bank. The results show that the bank practices sound account payable management, with strong focus on deposit rates, long-term deposit products, and monitoring deposit trends.

Table (4.7) Account Payable Practices

No.	Items	Mean	Std. Deviation
1	AYA Bank negotiates deposit rates with key customers to maintain stable and long-term deposit relationships.	3.95	0.69
2	Customer deposit data is monitored and analyzed to support liquidity planning.	4.26	0.75
3	The bank actively promotes long-term deposit products to stabilize its deposit base.	4.12	0.72
4	Interest rates offered on deposits are competitive and align with market trends.	4.10	0.77
5	Customer deposits are managed in a way that balances liquidity needs and profitability.	4.05	0.61
6	The bank and its staff attempt to entice less costly deposits as much as possible.	4.10	0.74
7	Senior management regularly reviews deposit trends to inform financial decisions.	4.11	0.81
Overall Mean		4.10	

Source: Survey data (2025)

From the data presented in Table (4.8), the mean scores range from 3.95 to 4.26, suggesting that respondents have a positive perception of the bank's account payable management. The highest mean score of 4.26 corresponds to "Customer deposit data is monitored and analyzed to support liquidity planning," while the lowest score of 3.95 is for " AYA Bank negotiates deposit rates with key customers to maintain stable and long-term deposit relationships," This may be a temporary trend as the bank is currently of the view that overall rates may fall and so is actively seeking shorter-term deposits.

4.4.5 Working Capital Level

The management of working capital is essential for AYA Bank to support both short-term operational needs and long-term financial goals. The results indicate that AYA Bank's working capital practices are generally seen as effective, with particular attention to monitoring cash and customer deposit trends.

Table (4.8) Working Capital Level

No.	Items	Mean	Std. Deviation
1	AYA Bank keeps an optimal level of working capital to ensure smooth daily banking operations.	4.00	0.70
2	The bank's working capital decisions consider both liquid asset levels and customer deposit behavior.	3.98	0.70
3	Cash and cash equivalents are monitored closely as a key component of AYA Bank's working capital.	4.03	0.68
4	The working capital strategy includes forecasting deposit inflows and outflows to maintain liquidity.	3.92	0.69
5	Management ensures that working capital levels support both short-term needs and long-term financial goals.	3.97	0.68
6	Customer deposit trends are integrated into the bank's working capital planning and liquidity decisions.	3.94	0.69
7	Efficient working capital management contributes to balancing profitability and liquidity at AYA Bank.	3.98	0.70
Overall Mean			3.97

Source: Survey data (2025)

As presented in Table 4.8, mean scores range from 3.92 to 4.03. The highest-rated statement, "Cash and cash equivalents are monitored closely as a key component of AYA Bank's working capital," scored 4.03, emphasizing close oversight of liquid resources. The lowest-rated item, "The working capital strategy includes forecasting

deposit inflows and outflows," scored 3.92, indicating that forecasting capabilities can be enhanced or that existing ones are not very well known within the bank.

The overall mean of 3.97 reflects a generally strong perception of AYA Bank's working capital strategies. Though slightly lower than the other practices, the rating remains in the "High" category, suggesting the need for improved integration between working capital planning and liquidity forecasting.

4.4.6. Overall Mean Values of Working Capital Management Variables

To summarize the effectiveness of AYA Bank's WCM practices, Table 4.9 presents the overall mean values for the five assessed variables. All five practices scored above **3.90**, indicating "High" levels of agreement among respondents. The results are summarized in Table 4.9.

Table (4.9) Overall Mean Value of Independent Variables

No.	Factors	Mean
1	Liquidity Management Practices	4.18
2	Loans and Advances to Deposits	4.08
3	Current Assets Allocation	4.04
4	Account Payable Practices	4.09
5	Working Capital Level	3.97

Source: Survey data (2025)

The findings indicate that all five independent variables have mean scores exceeding 3.90, falling within the "High" range according to the established Likert scale interpretation (3.41–4.20). Liquidity Management Practices received the highest rating at **4.18**, highlighting the institution's ability to plan, allocate assets and streamline liabilities. Account Payable Practices and Loans to Deposits followed closely, reflecting well-structured deposit and credit policies. Current Asset Allocation and Working Capital Level also scored within the high range but may benefit from enhancements in forecasting and reserve strategies. Overall, AYA Bank demonstrates effective WCM practices that support profitability, liquidity, and operational resilience, according to survey results.

4.4.7 Performance of AYA Bank PCL

The performance of AYA Bank PCL is evaluated based on key performance indicators such as profitability, operational efficiency, and effective cost control. But as all others are just metrics on the way to the final bottom line, for purposes of this study, performance will be encapsulated into a single variable, ROE.

Table (4.10) The Performance of AYA Bank PCL

No.	Items	Mean	Std. Deviation
1	Profitability is a top priority in the bank's strategic goals.	3.79	0.83
2	The bank effectively manages its financial resources to support improved ROE and long-term profitability.	4.02	0.73
3	Operational efficiency is closely monitored to enhance profit margins.	3.98	0.67
4	Effective cost control practices are in place to support profitability.	3.95	0.84
5	The bank's revenue streams are diversified and sustainable.	4.02	0.69
6	The bank can be considered profitable for its size.	3.94	0.69
7	The bank has clear strategies in place to enhance its profits year over year.	4.09	0.69
8	ROE is a key performance metric discussed in financial planning and review meetings.	3.94	0.68
9	The bank’s ROE is maximizing returns from available resources.	4.08	0.73
10	The bank benefits from a significant net interest margin.	3.95	0.78
Overall Mean			3.98

Source: Survey data (2025)

The highest-rated item in this construct is “The bank has clear strategies in place to enhance its profits year over year,” with a mean score of 4.09, indicating strong confidence in AYA Bank’s forward-looking financial planning. This reflects the institution’s commitment to continuous profit improvement through structured growth strategies. The lowest-rated item, “Profitability is a top priority in the bank's strategic goals,” received a mean score of 3.79, still within the “High” range, but suggesting that profitability, while important, may not always be viewed as the foremost operational objective in the bank’s broader mission.

The overall mean score for the performance construct is 3.98, reinforcing the perception that AYA Bank maintains solid financial performance across multiple operational practices. The standard deviations for all items are relatively low (ranging from 0.67 to 0.84), indicating strong internal consistency and agreement among respondents.

4.5 Relationship between Working Capital Management Practices and Performance

To assess the relationship between Working Capital Management (WCM) practices and financial performance at AYA Bank PCL, correlation analysis was employed using bivariate correlation coefficients. This statistical technique measures the strength and direction of a linear relationship between two variables, with values ranging from -1 to +1. A positive correlation indicates a direct relationship, where an increase in one variable corresponds with an increase in the other. This analysis helps determine how effectively each WCM dimension contributes to enhancing the bank's performance, particularly in terms of profitability and Return on Equity (ROE).

In this study, the analysis focused on five independent WCM variables—Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Working Capital Level—against the dependent variable of overall performance. Pearson’s correlation coefficient was used to evaluate the strength of the relationships. All variables were found to be positively and statistically significant at the 0.01 level (2-tailed), with p-values of 0.000, confirming strong, significant correlation between WCM practices and financial outcomes.

Table (4.11) Correlation between Working Capital Management Practices and Performance

No.	Factors	Correlation Coefficient	P-value
1	Liquidity Management Practices	.880***	0.000
2	Loans and Advances to Deposits	.835***	0.000
3	Current Assets Allocation	.853***	0.000
4	Account Payable Practices	.728***	0.000
5	Working Capital Level	.853***	0.000
** Correction is significant at the 0.01 level (2 tailed)			

Source: Survey data (2025)

The correlation results presented in Table 4.11 confirm that all five WCM practices are strongly and positively correlated with organizational performance. Among them, Liquidity Management Practices had the highest correlation coefficient (r = 0.880). The second strongest relationship was observed in Current Assets Allocation (r = 0.853) and Working Capital Level (r = 0.853). Loans and Advances to Deposits also showed a strong positive correlation with performance (r = 0.835), highlighting the importance of aligning lending policies with deposit inflows.

Finally, Account Payable Practices demonstrated a significant correlation (r = 0.728), reinforcing the value of managing customer deposits and short-term liabilities. These findings validate the strategic importance of WCM in strengthening profitability, liquidity resilience, and operational success. But correlation does not necessarily denote causation. For this, the study moves to a multivariate regression approach.

4.6 Analysis of Working Capital Management Practices on Performance

The results are summarized in Table 4.12, presenting the effects of the five independent variables—Liquidity Management Practices, Loans and Advances to Deposits, Current Assets Allocation, Account Payable Practices, and Working Capital Level on the dependent variable, Performance.

Table (4.12) Effect of Working Capital Management Practices on the Performance of AYA Bank PCL

Variables	Unstandardized Coefficient		Standardized Coefficient Beta	t	Sig.	VIF
	B	Std. Error				
(Constant)	-0.834	0.176		-4.747	0.000	
Liquidity Management Practices	.385***	0.050	0.388	7.659	0.000	3.140
Loans and Advances to Deposits	.223**	0.073	0.161	3.037	0.003	3.448
Current Assets Allocation	.216***	0.065	0.180	3.304	0.001	3.621
Account Payable Practices	.134**	0.045	0.128	2.971	0.004	2.258
Working Capital Level	.218***	0.056	0.224	3.913	0.000	4.015
R Square	0.914					
Adjusted R Square	0.910					
Durbin-Watson	2.413					
F value	223.481***					
Statistically significant indicate ***at 1%, ** at 5%, * at 10% level respectively						

Source: Survey data (2025)

Table 4.12 shows that all five independent factors improve AYA Bank PCL

performance. The selected WCM practices explain 91.0% performance variance, according to the corrected R-squared value of 0.910. F-statistics of 223.481 are statistically significant at 1%, proving the model is valid and robust. Additionally, all Variance Inflation Factor (VIF) values are below 10, showing no multicollinearity among independent variables.

With a normalized beta value of 0.388 and a p-value of 0.000, liquidity management methods had the greatest impact on financial performance. This suggests that liquidity supervision, reserve sufficiency, and liquidity planning greatly increase operational efficiency and profitability. Working capital also has a strong and positive influence (Beta = 0.224, p = 0.000), suggesting that maintaining an optimal balance between current assets and liabilities helps the bank meet obligations and achieve sustainable performance, resulting in the ALCO-guided balance between balance sheet mix and net interest margin.

Current Assets Allocation and Loans and Advances to Deposits display positive and statistically significant coefficients as well, with beta values of 0.180 and 0.161 respectively. These findings highlight the importance of aligning asset allocation and loan-deposit ratios with liquidity and investment strategies to maximize returns. Account Payable Practices, though with the smallest coefficient (Beta = 0.128), remains statistically significant (p = 0.004).

Therefore it can be reasoned that, based on the survey results, if there are no other variables present- in the absence of policies and guidelines dictating working capital management, assets and liabilities management- the bank would not be profitable; in fact, it would be making a loss, exactly equal in magnitude to the constant, as indicated by the survey results. The policy implication to draw from this result is that in order to achieve higher levels of profit, a bank strictly needs to have, and to abide by, policies pertaining to working capital management.

The regression analysis confirms that all five practices of working capital management have a statistically significant and positive effect on performance at AYA Bank PCL. Among them, Liquidity Management and Working Capital Level emerge as the most influential drivers. These findings reinforce the necessity for sound WCM policies as strategic tools for enhancing profitability, ensuring liquidity, and securing long-term organizational success in the banking sector.

CHAPTER 5

CONCLUSION

This chapter presents the final conclusions based on the analysis of working capital management practices and their effect on the financial performance of AYA Bank PCL. The aim is to provide a comprehensive understanding of how specific financial strategies contribute to organizational performance and sustainability in the banking sector.

5.1 Findings and Discussion

This study investigates the working capital management (WCM) practices at AYA Bank Public Company Limited (PCL). Data was collected from employees in key operational units, including the Treasury, Loans, Finance, and Risk Management departments, who were directly involved in managing and overseeing the bank's financial and liquidity operations. These respondents, many of whom had been employed at the bank for over six years, provided a wealth of institutional knowledge and experience. This selection ensured that the data collected was credible, reliable, and reflective of the bank's operational practices. Reliability analysis confirmed the consistency and stability of the responses, validating the robustness of the data used for analysis.

According to the descriptive analysis results, respondents rated AYA Bank's WCM practices highly across all dimensions, with scores falling within the "High" range on the Likert Scale. Liquidity management practices received the highest ratings, reflecting strong confidence in the bank's ability to maintain adequate cash reserves, monitor liquidity ratios, and manage liquidity risks through effective forecasting and planning. Although the coordination between departments was generally well-regarded, respondents suggested that further integration across departments could enhance liquidity planning. Loan-to-deposit ratio management and account payable practices were also positively perceived, confirming the bank's effective alignment of lending activities with deposit flows, optimizing both liquidity and profitability. Current asset allocation, while still rated positively, showed some room for improvement, particularly in cash flow forecasting and the management of nostro account balances. Working capital level management received strong feedback, indicating that the bank effectively

balances its short-term assets and liabilities, ensuring operational efficiency and financial stability.

The results from the regression analysis further corroborate these findings, indicating that all five key dimensions of WCM have a statistically significant and positive effect on the bank's performance. Among the five practices, liquidity management practices had the strongest effect on performance, followed closely by working capital level management and current assets allocation. The elevated R-squared value from the regression model indicates that improvement in these domains significantly and directly affects the bank's financial performance. The analysis reveals that liquidity management practices are particularly influential in driving profitability, highlighting the importance of efficient liquidity planning, reserve management, and cash flow forecasting in ensuring operational success. These results emphasize the need for sound WCM strategies to support the long-term sustainability, financial stability, and profitability of AYA Bank PCL.

5.2 Suggestions and Recommendations

The results of this study, several recommendations are proposed to enhance the working capital management (WCM) practices at AYA Bank PCL. While the bank's liquidity management practices were highly regarded, opportunities for improvement exist in interdepartmental coordination. Strengthening collaboration across departments will optimize liquidity planning, especially during periods of financial volatility. Additionally, incorporating advanced forecasting tools and techniques could enhance cash flow management and better prepare the bank for sudden liquidity shortfalls, further reinforcing the bank's operational resilience.

Regarding loan-to-deposit ratio management, the bank has demonstrated strong performance, but there is room to improve the real-time integration of customer deposit behavior into lending strategies. Leveraging real-time insights would allow the bank to adjust its lending activities more dynamically, ensuring that loan disbursement aligns with deposit flows and mitigating any potential liquidity risks.

For current asset allocation, while the bank has shown effectiveness, enhancing cash flow forecasting and improving the management of nostro account balances could help better optimize the utilization of idle funds. A more dynamic approach to reallocation and investment of these funds will maximize returns while maintaining adequate liquidity.

In account payable practices, the bank's focus on long-term depositor relationships and competitive interest rates has been successful, but there is potential for further strengthening these practices by expanding efforts to attract low-cost funding. Developing strategies that emphasize cost-effective deposit products will improve funding stability and lower financial costs in the long term.

Finally, in managing working capital levels, AYA Bank should continue refining its forecasting models to better align short-term needs with long-term financial strategies. A more integrated approach to forecasting deposit inflows and outflows would help ensure optimal working capital levels, balancing profitability with liquidity.

5.3 Needs for Further Research

This study focused exclusively on the working capital management (WCM) practices at AYA Bank PCL using primary data collected from internal departments. While it provided meaningful insights into the internal dynamics of WCM, further studies could broaden the perspective by including comparative analyses across different banks to identify sector-wide trends and variations. In addition, incorporating a temporal dimension could enhance the analysis by examining the delayed effect of WCM practices on financial performance. Future research could also explore the integration of advanced financial technologies in managing cash flows, forecasting liquidity needs, and streamlining asset allocation. Longitudinal studies tracking WCM performance over time would reveal how consistent practices contribute to sustainable profitability. Additionally, future studies may explore the role of financial technologies in improving cash flow management, liquidity forecasting, and asset allocation. Longitudinal research tracking WCM practices over multiple years would provide a more comprehensive understanding of their sustained effect on profitability and organizational resilience.

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APPENDIX A

QUESTIONNAIRE

Yangon University of Economics

Department of Commerce

Master of Banking and Finance Programme

This questionnaire is designed to support the research study titled "The Effect of Working Capital Management Practices on the Performance of AYA Bank PCL." The study is conducted as part of the partial fulfillment of the requirements for the Master's Degree in Banking and Finance at Yangon University of Economics. All information provided will be kept strictly confidential and used solely for academic purposes. I sincerely thank all respondents for their valuable time and participation in this research.

SECTION (A) Personal Information

Below are some questions to get a better overall view of the respondent. Please note that all data remains anonymous.

1. Gender

☐ Male ☐ Female

2. Age

☐ 21 – 30 Years ☐ 31 – 40 Years

☐ 41 – 50 Years ☐ 51 – 60 Years

3. What is your educational level?

☐ Graduated ☐ Master's Degree

☐ PhD

4. What is your position in the bank?

☐ Associate ☐ Sr. Associate

☐ Ass. Manger ☐ Manager and above

5. Your working experience at bank?

- ☐ < 1 year
- ☐ 1 – 5 Years
- ☐ 6 – 10 Years
- ☐ > 10 years

6. Which area(s) have you worked in within the bank?

- ☐ Treasury
- ☐ Finance & Account
- ☐ Lending/Loan
- ☐ Risk

SECTION (B) The Effect of Working Capital Management Practices

Please tick (√) in the box to indicate how agreeable you are with the following.

1 = Strongly Disagree 2 = Disagree 3 = Neutral

4 = Agree 5 = Strongly Agree

I. Liquidity Management Practices

No	Parameters	1	2	3	4	5
1	AYA Bank maintains adequate cash reserves to meet daily operational needs.					
2	The bank regularly monitors its liquidity ratios (e.g., loan to deposit ratio, cash ratio).					
3	Liquidity risk is actively managed through proper forecasting and cash flow planning.					
4	The bank has contingency plans to address sudden liquidity shortfalls.					
5	The bank's various departments coordinate effectively for liquidity management.					
6	Liquidity reports are shared with senior management on a regular basis.					
7	Liquidity management practices contribute to the overall profitability and stability of the bank.					

II. Loans and Advances to Deposits

No	Parameters	1	2	3	4	5
1	AYA Bank strikes an appropriate balance between customer deposits and loans outstanding.					
2	Lending decisions consider the liquidity implications of deposit withdrawals.					
3	The Loans to Deposits Ratio is monitored frequently by the upper management.					
4	An increase in deposits directly effectss the bank's willingness to offer more loans.					
5	AYA Bank has policies in place to avoid overexposure in lending relative to deposits.					
6	A higher Loans to Deposits Ratio is viewed as increasing the bank's liquidity risk.					
7	Loan growth at AYA Bank is driven by careful analysis of available deposit resources.					

III. Current Assets Allocation

No	Parameters	1	2	3	4	5
1	AYA Bank maintains sufficient cash and cash equivalents to meet its short-term financial obligations.					
2	The bank regularly tracks and reviews its working capital and liquid asset levels.					
3	Excess balances in nostro accounts are promptly invested or reallocated to optimize returns.					
4	Cash flow forecasts are prepared to manage daily, and monthly liquidity needs effectively.					
5	The bank reserves adequate balances with the Central Bank and other correspondent (Nostro) banks to ensure smooth daily operations.					
6	Cash and cash equivalents are strategically allocated to achieve a balance between profitability and liquidity.					
7	The level of working capital is aligned with AYA Bank's operational needs and long-term strategy.					

IV. Account Payable Practices

No	Parameters	1	2	3	4	5
1	AYA Bank negotiates deposit rates with key customers to maintain stable and long-term deposit relationships.					
2	Customer deposit data is monitored and analyzed to support liquidity planning.					
3	The bank actively promotes long-term deposit products to stabilize its deposit base.					
4	Interest rates offered on deposits are competitive and align with market trends.					
5	Customer deposits are managed in a way that balances liquidity needs and profitability.					
6	The bank and its staff attempt to entice less costly deposits as much as possible.					
7	Senior management regularly reviews deposit trends to inform financial decisions.					

V. Working Capital Level

No	Parameters	1	2	3	4	5
1	AYA Bank keeps an optimal level of working capital to ensure smooth daily banking operations.					
2	The bank's working capital decisions consider both liquid asset levels and customer deposit behavior.					
3	Cash and cash equivalents are monitored closely as a key component of AYA Bank's working capital.					
4	The working capital strategy includes forecasting deposit inflows and outflows to maintain liquidity.					
5	Management ensures that working capital levels support both short-term needs and long-term financial goals.					
6	Customer deposit trends are integrated into the bank's working capital planning and liquidity decisions.					
7	Efficient working capital management contributes to balancing profitability and liquidity at AYA Bank.					

SECTION (B) The Performance of AYA Bank PCL

Please tick (√) in the box to indicate how agreeable you are with the following.

1 = Strongly Disagree 2 = Disagree 3 = Neutral

4 = Agree 5 = Strongly Agree

No	Parameters	1	2	3	4	5
1	Profitability is a top priority in the bank's strategic goals.					
2	The bank effectively manages its financial resources to support improved ROE and long-term profitability.					
3	Operational efficiency is closely monitored to enhance profit margins.					
4	Effective cost control practices are in place to support profitability.					
5	The bank's revenue streams are diversified and sustainable.					
6	The bank can be considered profitable for its size.					
7	The bank has clear strategies in place to enhance its profits year over year.					
8	ROE is a key performance metric discussed in financial planning and review meetings.					
9	The bank’s ROE is maximizing returns from available resources.					
10	The bank benefits from a significant net interest margin.					

APPENDICES-B

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
LMP1SD	2.568236808764324	.795	.458	.710
L&D2SD	2.545649012136324	.873	.446	.714
CAA3SD	2.510984776607569	.844	.416	.721
APP4SD	2.723063263582525	.794	.440	.716
WCL5SD	2.866642154863891	.829	.413	.722
P1SD	2.756554846159454	.705	.714	.631

Demographic Characteristics of Respondents

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	22	18.8	19.8	19.8
	2	89	76.1	80.2	100.0
	Total	111	94.9	100.0	
Missing	System	6	5.1		
Total		117	100.0		

Age (Years)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	32	27.4	28.8	28.8
	2	54	46.2	48.6	77.5
	3	22	18.8	19.8	97.3
	4	3	2.6	2.7	100.0
	Total	111	94.9	100.0	
Missing	System	6	5.1		
Total		117	100.0		

Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	82	70.1	73.9	73.9
	2	29	24.8	26.1	100.0
	Total	111	94.9	100.0	
Missing	System	6	5.1		
Total		117	100.0		

Position

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	18	15.4	16.2	16.2
	2	19	16.2	17.1	33.3
	3	24	20.5	21.6	55.0
	4	50	42.7	45.0	100.0
	Total	111	94.9	100.0	
Missing	System	6	5.1		
Total		117	100.0		

Experience at AYA

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	13	11.1	11.7	11.7
	2	30	25.6	27.0	38.7
	3	31	26.5	27.9	66.7
	4	37	31.6	33.3	100.0
	Total	111	94.9	100.0	
Missing	System	6	5.1		
Total		117	100.0		

Department

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	25	21.4	22.5	22.5
	2	32	27.4	28.8	51.4
	3	42	35.9	37.8	89.2
	4	12	10.3	10.8	100.0
	Total	111	94.9	100.0	
Missing	System	6	5.1		
Total		117	100.0		

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.956[a]	.914	.910	.1663	2.413

a. Predictors: (Constant), WCL5, LMP1, APP4, L&D2, CAA3

b. Dependent Variable: P1

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	30.901	5	6.180	223.481	.000[b]
	Residual	2.904	105	.028		
	Total	33.804	110			

a. Dependent Variable: P1

b. Predictors: (Constant), WCL5, LMP1, APP4, L&D2, CAA3

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	-.834	.176		-4.747	.000		
	LMP1	.385	.050	.388	7.659	.000	.318	3.140
	L&D2	.223	.073	.161	3.037	.003	.290	3.448
	CAA3	.216	.065	.180	3.304	.001	.276	3.621
	APP4	.134	.045	.128	2.971	.004	.443	2.258
	WCL5	.218	.056	.224	3.913	.000	.249	4.015

a. Dependent Variable: P1

Collinearity Diagnostics[a]

Model	Dimension	Eigenvalue	Condition Index	Variance Proportions (Constant)	LMP1	L&D2	CAA3	APP4	WCL5
1	1	5.972	1.000	.00	.00	.00	.00	.00	.00
	2	.011	23.286	.50	.03	.00	.00	.02	.10
	3	.008	27.267	.01	.22	.00	.06	.42	.03
	4	.004	36.480	.01	.29	.08	.00	.47	.38
	5	.003	47.171	.15	.46	.00	.82	.06	.15
	6	.002	53.603	.33	.00	.92	.12	.02	.35

a. Dependent Variable: P1

Residuals Statistics[a]

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	1.679	4.860	3.976	.5300	111
Residual	-.5798	.4286	.0000	.1625	111
Std. Predicted Value	-4.334	1.669	.000	1.000	111
Std. Residual	-3.486	2.577	.000	.977	111

a. Dependent Variable: P1

Correlations

Descriptive Statistics

	Mean	Std. Deviation	N
LMP1	4.18	0.56	111
L&D2	4.08	0.40	111
CAA3	4.04	0.46	111
APP4	4.10	0.53	111
WCL5	3.97	0.57	111
P1	3.98	0.55	111

Descriptive Statistics

	N			n	Std. Deviation
LMP1	111	2	5	4.22	0.76
LMP1	111	2	5	4.35	0.88
LMP1	111	1	5	4.33	0.83
LMP1	111	1	5	4.17	0.90
LMP1	111	1	5	4.02	0.97
LMP1	111	2	5	4.05	0.74
LMP1	111	2	5	4.14	0.76
Valid N (listwise)	111				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
L&D2	111	2	5	4.23	0.76
L&D2	111	2	5	4.18	0.77
L&D2	111	2	5	4.14	0.74
L&D2	111	1	5	4.03	0.83
L&D2	111	1	5	3.99	0.67
L&D2	111	2	5	4.02	0.75
L&D2	111	2	5	3.98	0.70
Valid N (listwise)	111				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
CAA3	111	2	5	4.10	0.79
CAA3	111	1	5	4.19	0.78
CAA3	111	1	5	4.10	0.80
CAA3	111	1	5	3.89	0.88
CAA3	111	2	5	3.86	0.77
CAA3	111	2	5	3.98	0.71
CAA3	111	1	5	4.16	0.94
Valid N (listwise)	111				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
APP4	111	2	5	3.95	0.69
APP4	111	1	5	4.26	0.75
APP4	111	2	5	4.12	0.72
APP4	111	1	5	4.10	0.77
APP4	111	2	5	4.05	0.61
APP4	111	2	5	4.10	0.74
APP4	111	2	5	4.11	0.81
Valid N (listwise)	111				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
WCL5	111	1	5	4.00	0.70
WCL5	111	1	5	3.98	0.70
WCL5	111	1	5	4.03	0.68
WCL5	111	2	5	3.92	0.69
WCL5	111	2	5	3.97	0.68
WCL5	111	1	5	3.94	0.69
WCL5	111	1	5	3.98	0.70
Valid N (listwise)	111				

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
P1	111	1	5	3.79	0.83
P1	111	2	5	4.02	0.73
P1	111	2	5	3.98	0.67
P1	111	1	5	3.95	0.84
P1	111	2	5	4.02	0.69
P1	111	1	5	3.94	0.69
P1	111	2	5	4.09	0.69
P1	111	2	5	3.94	0.68
P1	111	1	5	4.08	0.73
P1	111	1	5	3.95	0.78
Valid N (listwise)	111				

Correlations

		LMP1	L&D2	CAA3	APP4	WCL5	P1
LMP1	Pearson Correlation	1	.715**	.802**	.584**	.705**	.880**
	Sig. (2-tailed)		.000	.000	.000	.000	.000
	N	111	111	111	111	111	111
L&D2	Pearson Correlation	.715**	1	.760**	.632**	.798**	.835**
	Sig. (2-tailed)	.000		.000	.000	.000	.000
	N	111	111	111	111	111	111
CAA3	Pearson Correlation	.802**	.760**	1	.585**	.734**	.853**
	Sig. (2-tailed)	.000	.000		.000	.000	.000
	N	111	111	111	111	111	111
APP4	Pearson Correlation	.584**	.632**	.585**	1	.740**	.728**
	Sig. (2-tailed)	.000	.000	.000		.000	.000
	N	111	111	111	111	111	111
WCL5	Pearson Correlation	.705**	.798**	.734**	.740**	1	.853**
	Sig. (2-tailed)	.000	.000	.000	.000		.000
	N	111	111	111	111	111	111
P1	Pearson Correlation	.880**	.835**	.853**	.728**	.853**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	111	111	111	111	111	111

**. Correlation is significant at the 0.01 level (2-tailed).