
ANALYSIS OF CASH, CERTIFICATE OF BANK INDONESIA, ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS AND ASSETS IN FOREIGN CURRENCIES ON THE PROFITABILITY AT PT. BPR DANA RAYA

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ABSTRACT

Profit is the main thing that always been desired by the Rural Bank. In an organization, must have a maximum achievement that the goal can be fulfilled. The purpose of this study is to determine how much influence of cash, certificate of BI, allowance for uncollectible accounts, and assets in foreign currencies on the profitability at PT. BPR Dana Raya. This research is a quantitative approach and using a multiple regression method. This type of research and method can measure the amount of advantage gained each year in PT. BPR Dana Raya. At first the bank is only a small private bank that just started operating in 2010 in Manado. But after four years of running this bank already has several branches in several areas of North Sulawesi. As 4 years is a short time and is not easy to develop a business such as rural banks. The source to know the advantages of this bank, which is from annual financial reports for 4 years from 2010 to 2014. In managerial role should consider about the Profitability since it is the most crucial part of the company and how the company should go public, so that the people will invest their money to the company.

Keywords: *cash, certificate, uncollectible accounts, assets, profitability.*

INTRODUCTION

High growing rate and bank development a major priority of the bank. However, maintaining and developing a bank is not easy. Many important factors need to be considered for running a bank which are organizational factors, personnel, and others. Each bank also has a goal to be achieved. Achieve it, bank will always face internal problems and external bank problem. It is necessary for the existence of internal control that can help facilitate the activities of the bank and minimizes the risk of errors or irregularities in any bank activity. The longevity and success of a bank will be determined by the reaction speed and the proper strategy from the leaders of the Bank as well as the support of all members of the organization.

The main activities of operational banking institutions are collecting funds from the public and distribute them to people in need of funds, which through this activity banking earn income and at the same time the bank also utilize resources optimally so that the local economy will eventually be able to contribute to the improvement of the production sector business and the rate of economic growth in the country. To perform these operations principal banking activities are expected to maintain an optimal level of liquidity ratio so as to maximize revenues and minimize failure repay short-term obligations as they mature. Liquidity risk is the risk that the bank is unable to pay or meet short-term obligations that have matured because of the unavailability of cash and credit ratio is a risk of loss faced by the bank due to the borrower's inability to fulfill the obligations of the debtor's principal repayment and interest on the loan in a timely manner appropriate number, the risk - the risk is certainly affect the profitability of banks. Liquid bank is a bank that can pay off in huge numbers, so are able to meet all its short-term obligations, and otherwise the bank cannot afford referred illiquid. Bank assets or wealth enough to pay all his debts referred leveraged, and otherwise if the assets are not sufficient or smaller than the amount of the debt, then the bank is referred as unleveraged.

This research used PT. BPR Dana Raya as an object. PT. BPR Dana Raya is a Private Bank that has operate for 4 years in Manado. In addition to Manado, PT. BPR has also recently set up a branch office in *Melonguane Talaud, Kotamobagu, and Tomohon*. In 4 years, PT. BPR Dana Raya has been rewarded Info Bank Award for the second time with predicate Very Good for the category of BPR with assets of Rp. 100 billion to Rp. 500 billion. PT. BPR Dana Raya established under the deed of incorporation issued by the Notary Ahmad Zainudin, SH, No. M.Kn. 32 dated October 23, 2009 and approval from the Minister of Law and Human Rights 60772.AH.01.01Tahun No. AHU-2009, dated December 11, 2009. BPR Dana Raya began operating officially since March 22, 2010 with permission from Bank Indonesia. 12/14/KEP.GBI/DpG/2010 dated March 5, 2010.

Other research always discusses about the profitability of the bank based on the CAMEL Ratio. It is good to predicted the profitability of the bank using a CAMEL Ration but PT. BPR Dana Raya is a new bank an only has a view recent financial report. The interesting thing in this bank is how to see the bank performance based on the profitability and predicted by a several ratio such as: Cash, CBI and etc.

Research Objectives

This research used to know of:

1. The influence of cash, certificate of Bank Indonesia, allowance for uncollectible accounts, assets in foreign currencies on profitability at PT. BPR Dana Raya simultaneously.
2. The influence of cash on profitability at PT. BPR Dana Raya partially.
3. The influence of certificate of Bank Indonesia on profitability at PT. BPR Dana Raya partially.
4. The influence of allowance for uncollectible accounts on profitability at PT. BPR Dana Raya partially.
5. The influence of assets in foreign currencies on profitability at PT. BPR Dana Raya partially.

THEORETICAL REVIEW

Financial Management

Gitman (2006:72) stated finance is the art and science of managing money. Finance is concerned with the process, institution, markets, and instruments involved in the transfer of money among individual, business and government. Keown et al (2005:232) stated financial management is concerned with the maintenance and creation of economy value or wealth. Consequently, this course focuses on decision making with an eye toward creating wealth. People deal on decision such as when to introduce a new product when to invest, in new assets, when to borrow from banks, when issue stock and bonds, when to extend credit to a customer, and how much cash to maintain. Performance is used as an all-embracing term to include financial success, condition, and compliance. It is historical in perspective, referring to performance during a period just past. Alex (1984:13) stated financial management is the study and practice of dollar-denominated decision making within a business firm.

Financial management is essentially a combination of accounting and economics (Gallagher and Andrew, 1997:109). It manages the finances of a business firm, analyzes, forecasts and plans a firm's finance, assesses risks, evaluates and selects investments, decides where and when to find money sources, and how much money to rise, and it determines how much money to return to investors in the business. Home and Wachowicz, (1995:45) stated financial management is concerned with acquisition, financing, and management of assets with some overall goal in mind. The second major decision of the firm is the financing decision. Here the financial manager is concerned with the makeup of the right-hand side of the balance sheet. Once the mix of financing has been decided, the financial manager must still determine how best to physically acquire the needed funds. The mechanics of getting a short term loan, entering into a long-term lease arrangement, or negotiating a sale of bonds or stock must be understood.

Financial Performance

Financial performance also can be categorized as a measure of how well the firm use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry to compare industries or sectors in aggregation. Weygandt (2005:67) stated performance evaluation is a management function that compares actual results with budget goals. Finally, performance can be defined as profitability-how the company can result in profit. Every company or organization needs to conduct an analysis in order to measure its financial performance, in order terms, it is called financial analysis. Horngren and Lasher (2000:10) stated performance measures are a central component of management control systems. Making good planning and controlling decision requires information about how different subunits of the organization have performed.

To be effective, performance measures (both financial and non-financial) must also motivate managers and employees at different levels of the organization to strive to achieve organization goals. It is very important to measure the performance company's financial performance. A financial performance measurement is a must thing that managers need to worry about. Neumann and Suver (1993:126) stated financial Performance focuses on the effective use of assets of how well financial and organizational goals are met". To understanding the importance of performance measurement, the management of every business company needs to do on analysis on order to make an evaluation, look for a problem, or even look forward for any prospects in the future. Measurement is the start of any improvement data or feedback hat to communicate the outcome of work to both the employees and employer.

Banks Profitability

Peter (2010:10) stated ROE is return on equity that result or the amount declared as a parameter and earned on investments in the company's common stock for a certain period of time. Return on Assets (ROA) is primarily an indicator of managerial efficiency, it indicates how capable management has been in converting assets into net earnings. The ROA ratio measures how good the quality of net income when compare with assets. Gitman (2006:92) stated the return on assets (ROA) measures the overall effectiveness of management in generating profits with its available assets. The higher of ROA point is better that will make the level of profit that the bank achieved and the better the bank's position in the use of the asset. ROA is a profitability ratio that is used to measure the effectiveness of the company in generating profits by exploiting its total.

Previous Research

ObilorIbe (2013) the objective of this research is to determine the effect of liquidity management on the performance of commercial banks in the face of the need to attain both corporate goals of maintaining high level of liquidity and profitability. Nimalathasan (2013) this study is aimed at discovering the specific factors that are useful in enhancing the profitability and liquidity position of the companies. Management of liquidity and profitability has become a crucial issue in today's cut throat competition. Egbiide et. al (2013) this research investigates the seemingly conflicting relationship between liquidity and profitability goals of companies using evidence from Nigerian manufacturing sector.

Research Hypotesis

- H₁: There is a significant simultaneously influence of cash, certificate of Bank Indonesia, allowance for uncollectible accounts, assets in foreign currencies, on profitability in PT. Dana Raya period 2010 – 2014.
- H₂: There is a significant partially influence of cash on profitability in PT. BPR Dana Raya period 2010 – 2014.
- H₃: There is a significant partially influence of certificate of Bank Indonesia on profitability in PT. BPR Dana Raya period 2010 – 2014.
- H₄: There is a significant partially influence of allowance for uncollectible accounts on profitability in PT. BPR Dana Raya period 2010 – 2014.
- H₅: There is a significant partially influence of assets in foreign currencies on profitability in PT. BPR Dana Raya period 2010 – 2014.

Conceptual Framework

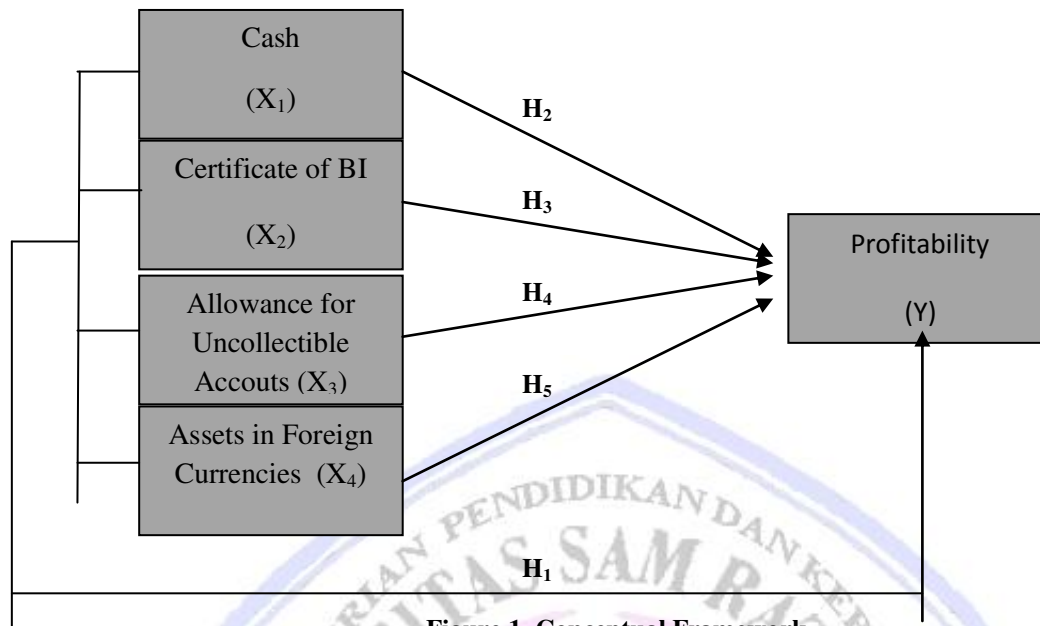


Figure 1. Conceptual Framework

Source: *Theoretical Framework*

RESEARCH METHOD

Type of Research

The formulation of the problem and research objective have been defined, the type of research that writer used is a quantitative approach with secondary data from company's annual reports as the analysis tools.

Place and Time of Research

The object of this research is the financial data at PT. BPR Dana Raya in Manado from January 2010 until September 2014 by collecting data from Bank publication issued by PT. BPR Dana Raya itself.

Population and Sample

Population of this research is all the financial data for 4 years in PT. BPR Dana Raya period 2010 – 2014. This research using a saturated sampling method, consider about the view financial data available. The financial report of PT. BPR Dana Raya for 4 years will be the sample for this research.

Data Collection Method

Primary data originated by the researcher specifically to address the research problem. The researcher gets primary data from the result of financial data. Secondary data, acquire from PT. BPR Dana Raya and as the object of research through the financial reports of PT. BPR Dana Raya for period 2010-2014, taken from annual report 2010 until 2014 includes income statement and balance sheet. Library research, the research will be by books or any literature that contains information about the research and theories. Internet browsing, regarding the research and theories of the research will be used.

Data Analysis Method

Multiple Regression Model

The analysis method that used in this research is multiple regression. Multiple regression is a statistical technique that simultaneously develops a mathematical relationship between two or more independent variables and an interval-scaled dependent variable. So, this method is used to analyze the liquidity management on the profitability.

Classic Data Assumption

1. Normality Test

Normality test aims to test the regression model whether, the dependent variables with three independent variables have a normal distribution or not. To test the normality, this research uses the One Sample Kolmogorov Smirnov Test. The basic decision-making in this test is if the 2-tailed is more than 0.05, the regression model meets the assumption of normality.

2. Multicollinearity Test

Multicollinearity is used to test whether the regression models finds no correlation between the independent variables or not. If there is a correlation, then there is a problem called multicollinearity. The presence / absence of multicollinearity can be determined by using Variance Inflation Factor (VIF) and Tolerance. If the VIF value is less of ten and the value of Tolerance (T) is more than 0.1 and less or equal to 1, meaning there is not multicollinearity. On the contrary, if the VIF value is more than ten and the Tolerance (T) is less than 0.1 or more than 1, than there is multicollinearity.

3. Autocorrelation Test

Autocorrelation test is used to test a linear regression model whether there is no correlation between the variables tested or not. If there is a correlation, then there is a problem called Autocorrelation which causes the constructed model is not appropriate. Autocorrelation is used to detect the presence of Durbin Watson value, while criteria of the test are:

- a. If the value is below the D-W 0 to 1.5 means that there is a Positive autocorrelation
- b. If the DW value is between 1.5 to 2.5 means that there is a no autocorrelation
- c. If the value of DW is between 2.5 to 4 means that there is a negative autocorrelation

4. Heteroscedasticity Test

Heteroscedasticity test is a test of whether the regression model of the residual variance occurred inequality one observation to another observation or not. If the one residual observations to other observation fixed, then it is called *homoskedastisitas*. On the contrary, if the residual of the observation different to the other observation, it is called *heteroskedasticity*. To test the *heteroskedastisitas* researcher uses Langrang Multiplier test (LM). LM test perform quadratic regression and the estimated value of E (Y predicted), then the value of R square is multiplied by N value. Then, the theoretical is compared with chi square value with degrees free 1 and alpha 1 percent. If the value is greater R-Square x N of the chi square value (9.2).

Operational Definition and Measurement of Research Variables

This research uses two types of variable, which are: dependent and independent variable.

Dependent variable : Y (profitability)

Independent variable : X₁ (cash)

X₂ (certificate of Bank Indonesia)

X₃ (allowance for uncollectible accounts)

X₄ (assets in foreign currencies)

1. Operational Definition of Research Variables:

a. Independent Variables

Cash includes money in hand, petty cash, bank accounts balance, customer checks, and marketable securities. Certificate of Bank Indonesia (SBI) are Bank Indonesia (BI) certificates, the main tool used by BI, the central bank, for its open market operations. SBIs are issued to control liquidity in the banking system, and are issued in IDR with 1 – 3 month tenors. Allowance for uncollectible accounts is used in the valuation of accounts receivable, which appears on a company's balance sheet. Assets in foreign currencies or Foreign-exchange reserves should only include foreign banknotes, bank deposits, treasury bills, and short and long-term government securities.

b. Dependent Variable

Profitability to measure the firm's use of its assets and control of its expenses to generate an acceptable rate of return. In this case, the ratio that will be used to measure profitability is return on total assets (ROA). ROA is calculated based on the ratio of income before taxes and the average total assets. In this study, ROA is used as an indicator of performance or the performance of the bank.

Net income divided by total assets gives us the return on total assets (ROA):

$$\text{Return on total assets (ROA)} = \frac{\text{Net income}}{\text{Total assets}}$$

2. Measurement of Research Variables

Measurement research variables using the documentation data. Where the documentation data here means the data is available in financial report.

RESULT AND DISCUSSION

Company Profile

PT. BPR Dana Raya is a Private Bank that has operate for 4 years in Manado. In addition to Manado, PT. BPR has also recently set up a branch office in Melonguane Talaud, Kotamobagu, and Tomohon. In 4 years, PT. BPR Dana Raya has been rewarded Info Bank Award for the second time with predicate Very Good for the category of BPR with assets of Rp. 100 billion to Rp. 500 billion. PT. BPR Dana Raya established under the deed of incorporation issued by the Notary Ahmad Zainudin, SH, No. M.Kn. 32 dated October 23, 2009 and approval from the Minister of Law and Human Rights 60772.AH.01.01Tahun No. AHU-2009, dated December 11, 2009. BPR Dana Raya began operating officially since March 22, 2010 with permission from Bank Indonesia. 12/14/KEP.GBI/DpG/2010 dated March 5, 2010. PT. Bank Perkreditan Rakyat Dana Raya office is located at Jl. Sudirman No. 104 Pinaesaan, Wenang Manado with current ownership arrangement is as follows:

Mario Glenn Angouw	40 %
Iwan Darmadi	25 %
Ellen Angouw, SH	25 %
Marini Angouw	10 %

Vision and Mission

Vision:

Building a better and improve BPR with major products and services through distinctively for the welfare of the people of North Sulawesi.

Mission:

1. Serving customers with products and services unique to the specified target market.
2. Provide a dynamic work environment in order to support the development of qualified professionals, dedicated and highly integrity.

3. Having a high social responsibility towards the environment as a form of active participation builds local and state.
4. Improving the competitiveness of the company in the midst of rapid growth in the industry to provide a reasonable profit for shareholders and other interested parties.

Result

This part describes and contains of research result which can be in the form of table, figure, picture, photo, etc.

Regression (Beta Analysis)

The pointed out in the previous section is the objective of this study to know the effect of $X_1 - X_4$ on Y and to test the truth of the hypothesis used quantitative analysis with linear regression methods. In calculating the regression, with the help of a computer program package Based on the statistical software SPSS Version 19.0, the result is as follows:

Table 1. Unstandardized Coefficient Beta Table

Model	Unstandardized Coefficients		Standardized Coefficients
	B	Std. Error	Beta
1 (Constant)	.188	.416	
X_1	.044	.047	.355
X_2	-.213	.728	-.195
X_3	.208	.175	.507
X_4	-.212	.396	-.298

Source: SPSS Data Analysis, 2014

The analysis is obtained by linear regression equation as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + e$$

$Y = 0.188 + 0.044 X_1 - 0.213 X_2 + 0.208 X_3 - 0.212 X_4$ From the multiple linear regression equation above, it can inform the interpretation as follows:

1. Constant value of **0.188** means that if the independent variables in this research simultaneously increased by one scale or one unit will increase the dependent variable at **0.188** point.
2. Coefficient value of **0.044** means that if the cash increased by one scale or one unit, it will improve and increase profitability at **0.044**.
3. Coefficient value of **-0.213** means that if the certificate of BI increased by one scale or one unit, it will decrease profitability at **0.213**.
4. Coefficient value of **0.208** means that if the allowance for uncollectible account increased by one scale or one unit, it will increase profitability at **0.208**.
5. Coefficient value of **-0.212** means that if the assets in the foreign currencies increased by one scale or one unit, it will decrease profitability at **0.212**.

Thus, independent variables of this research, which are cash, certificate of BI, allowance for uncollectible account and assets in the foreign currencies have an influence on profitability.

Simultaneously Test

Simultaneous testing conducted to determine the Influence of independent variables on dependent variable hypothesis test is carried out simultaneously by using F numbers in the table below. Testing is done by comparing the number of significant level of calculation results with significance level 0.05 (5%) with the following criteria:

- 1) If $F_{\text{count}}(\text{sig}) \geq 0.05$ then H_0 is accepted and H_a rejected
- 2) If $F_{\text{count}}(\text{sig}) < 0,05$ then H_0 is rejected and H_a accepted

Table 2. Simultaneously Test Table (F – test)**ANOVA^b**

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	.000	4	.000	4.479	.008 ^a
Residual	.001	10	.000		
Total	.001	14			

a. Predictors: (Constant), LnX₄, LnX₁, LnX₃, LnX₂

b. Dependent Variable: Y

Source: SPSS Data Analysis, 2014

Value of 4.479 of F_{Count} significant 0.000. Because the $\text{sig} < 0.05$ means the confidence of this prediction is above 95% and the probability of this prediction error is below 5% which is 0.000. Therefore H_0 is rejected and accepting H_a . Thus, the formulation of the hypothesis that The Influence of cash, certificate of BI, allowance for uncollectible account and assets in the foreign currencies on profitability simultaneously, accepted.

Partially Test

Partial test is used to test the effect of each independent variable cash, certificate of BI, allowance for uncollectible account and assets in the foreign currencies on profitability by performing comparisons between the t_{count} values with t_{Table} value at $\alpha = 0.05$ or compare the probability of the real level 95% of the partial coefficient (r) so that it can be seen the influence of the independent variables individually. Using the criteria of hypothesis testing by t test as follows:

- $t_{\text{count}} \leq t_{\text{tabel}} (0,05)$, then H_0 is accepted and rejecting H_a .
- $t_{\text{count}} > t_{\text{tabel}} (0,05)$, then H_0 is rejected and accepting H_a .

The data table below shows the t-test partially results:

Table 3. Partial Test Analysis Table (t-test)

Model	t	Sig.
Cash	2.938	.004
Certificate of BI	-2.293	.008
Allowance for Uncollectible Account	3.189	.003
Assets in The Foreign Currencies	-2.536	.006

Source: SPSS Data Analysis, 2014

The calculations in the Table.3 above, the interpretation as follows:

1. t_{count} for Cash is 2.938 greater than the t_{table} value 1.96 means cash has significant influence partially on profitability. The sig. value at 0.001 means that prediction of cash has significant influence on profitability doing errors is 0.4 %, thus the confidence of this prediction is above 95%. Therefore, H_a received.
2. t_{count} for Certificate of BI is -2.293 bigger than the t_{table} value 1.96 means Certificate of BI has negative significant influence partially on profitability. Therefore, H_a rejected.
3. t_{count} for Allowance for Uncollectible Account is 3.189 greater than the t_{table} value 1.96 means Allowance for Uncollectible Account has significant influence partially on Profitability. The sig. value at 0.003 means that prediction of Allowance for Uncollectible Account has significant influence on profitability doing errors is 0.3 %, thus the confidence of this prediction is above 95%. Therefore, H_a received.
4. t_{count} for Assets in The Foreign Currencies is -2.536 greater than the t_{table} value 1.96 means Assets in The Foreign Currencies has significant influence partially on Profitability. The sig. value at 0.006 means that

prediction of Assets in The Foreign Currencies has significant influence on Profitability doing errors is 0.6 %, thus the confidence of this prediction is above 95%. Therefore, H_a received.

Discussion

Cash, certificate of BI, allowance for uncollectible account and assets in the foreign currencies have a significant influence on profitability, partially and simultaneously. This significant influence is proved by the statistical data. Cash has significant influence on probability measured by ROA. This significant based on $t\text{-count} > t\text{-table}$ then H_1 is accepted and H_0 is rejected, meaning that the variable cash ratio, adversely affect the return on assets means cash ratio significantly correlated with the profitability of assets. This happens because PT. BPR is curiously expands their market and ready to keep their value cash reserve to fund the credit expansion.

Certificate of BI has negative significant influence. This might happen because by the Bank to much hold a cash to expand to fund the credit expansion. This condition occurs because the bank increase the value of the cash reserve or hold cash as a maximum, the opportunity to fund credit expansion or investing in short-term securities and bank certificates Indonesia will provide the opportunity to increase interest income assuming other fixed operating costs. Allowance for uncollectible account has significant influence on profitability measured by ROA. This condition happens because in order to do the credit expansion, the bank need a reserve to make an allowance for uncollectible account. This condition is caused by a decrease in the debtor's capacity to pay which results in the inability to pay the loan instalment obligations on time and right amount so that the lower profitability of banks. This circumstance caused by most debtor are failed to fulfil their obligation and bank need to stimuli their debtor to paid the obligation and by doing this way, bank will increase their profitability by ROA rather than put their fund to the foreign currencies.

Assets in foreign currencies has negative significant influence on profitability because variable loans with third party funds to the profitability of assets is not significant in the direction of negative influence. This means that an increase in the ratio of loans with third party funds do not always make a positive contribution to the increased profitability of assets, there are indications reduce profitability of assets. Correlation Loan to Deposit Ratio (Ratio of Credit to Fund Third Parties) negatively affect profitability. Because credit financed by third party funds do not always improve the profitability of assets, if the decline in credit quality cannot be controlled by management, so managers must be able to control credit risk is realized and can control effectively, the failure of the debtor's obligation to pay the principal and interest on the loan can be lowered revenues and increase the cost of removal of bad loans, resulting in a decrease in the profitability of assets.

CONCLUSION AND RECOMMENDATION

Conclusion

This research concludes findings are:

1. There is a significant simultaneously influence of cash, certificate of Bank Indonesia, allowance for uncollectible accounts, assets in foreign currencies, on profitability in PT. Dana Raya period 2010 – 2014.
2. There is a significant partially influence of cash on profitability in PT. BPR Dana Raya period 2010 – 2014.
3. There is a negative significant partially influence of certificate of Bank Indonesia on profitability in PT. BPR Dana Raya period 2010 – 2014.
4. There is a significant partially influence of allowance for uncollectible accounts on profitability in PT. BPR Dana Raya period 2010 – 2014.
5. There is a negative significant partially influence of assets in foreign currencies on profitability in PT. BPR Dana Raya period 2010 – 2014.

Recommendation

In managerial role should consider about the Profitability since it is the most crucial part of the company and how the company should revealed their self to the public, so that the people will invest their money to the bank. For the next researcher should add more variable on Profitability Disclosure to make a diversification in this research.

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