

Liquidity and Cash Management in Business-A Key to Business Survival and Growth: The Nigerian Case

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Abstract : Focusing on liquidity comes more naturally to a Chief Executive Officer than an Accountant who is trained to practice accrual accounting. When business is just commencing, it is essentially run on a cheque book (cash accounting) and for as long as there is cash in the accounts, the business is solvent. When complexity sets in and the business adopts financial accounting, the effect of liquidity and cash management becomes more pronounced. The management of cash no doubts impacts positively on the survival and growth of firms. What is in doubt is the amount of cash to be held by a firm as enough cash to enable the firm stay "afloat". The focus of this paper is to determine liquidity and cash management in business, the Nigerian case. The specific objectives of the study are to do a theoretical review of the amount of cash to be held by a firm as enough cash to enable it stay afloat and to do a theoretical analysis to show the effect of cash flow on the survival and growth of firms in Nigeria.

Keywords : cash, firm survival, growth, liquidity management

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