



# Journal of Frontiers in Multidisciplinary Research

## Advances in Cash Liquidity Optimization and Cross-Border Treasury Strategy in Sub-Saharan Energy Firms

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### Article Info

**E-ISSN:** 3050-9726

**P-ISSN:** 3050-9718

**Volume:** 01

**Issue:** 01

**January-June 2020**

**Received:** 07-03-2020

**Accepted:** 08-04-2020

**Published:** 10-05-2020

**Page No:** 44-56

### Abstract

Effective cash liquidity optimization and cross-border treasury strategy are critical for energy firms operating in Sub-Saharan Africa, where unique challenges such as political instability, currency volatility, and limited financial infrastructure pose significant risks. This paper explores the latest advances in liquidity management and treasury strategies employed by energy firms in the region, with a focus on how innovative approaches can address these challenges. Cash liquidity optimization techniques, such as cash forecasting, liquidity planning, and cash concentration, are examined, along with the role of digital platforms and financial technologies in improving cash flow management. The paper also delves into cross-border treasury strategies, highlighting the importance of currency risk management, efficient cash management structures, and the impact of local regulations on treasury decisions. Key strategies for navigating cross-border complexities, including hedging instruments, centralized treasury models, and the use of multi-currency accounts, are discussed in the context of the region's financial ecosystem. The paper also identifies the role of emerging technologies, such as blockchain, artificial intelligence, and machine learning, in enhancing treasury operations and liquidity management in the energy sector. Furthermore, it addresses institutional, regulatory, and infrastructural barriers that hinder effective treasury management, offering practical insights into overcoming these obstacles. Through case studies and examples from Sub-Saharan energy firms, this paper provides a comprehensive overview of best practices in cash liquidity optimization and cross-border treasury strategy, offering recommendations for energy firms and policymakers to improve financial stability, optimize cash flows, and manage cross-border risks. Ultimately, the findings emphasize the growing importance of advanced treasury practices for Sub-Saharan energy firms to remain competitive in a dynamic and volatile market.

**DOI:** <https://doi.org/10.54660/IJFMR.2020.1.1.44-56>

**Keywords:** Advancement, Cash Liquidity, Optimization, Cross-border, Treasury strategy, Sub-Saharan, Energy firms

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### 1. Introduction

The Sub-Saharan African energy sector plays a pivotal role in the continent's economic development, serving as a key driver for industrialization, infrastructure growth, and job creation (Ogungbenle and Omowole, 2012; Faith, 2018).

As of recent years, the energy sector in the region has experienced significant growth due to increased investments in both traditional and renewable energy sources. Oil, gas, and renewable energy particularly solar and wind represent the backbone of energy production and distribution (Lanzafame *et al.*, 2017; Rafiee and Khalilpour, 2019). Sub-Saharan Africa is endowed with abundant natural resources, and its energy sector continues to attract considerable foreign direct investment (FDI). However, despite these opportunities, the sector faces substantial challenges related to infrastructure, regulatory frameworks, and market volatility (Andoni *et al.*, 2019; Parker *et al.*, 2019). These challenges are compounded by geopolitical instability, currency fluctuations, and limited access to capital markets, all of which place pressure on energy firms operating in the region.

In such a volatile economic environment, effective cash liquidity optimization and treasury management have become crucial for the sustainability and financial health of energy firms. Liquidity management refers to a company's ability to maintain sufficient cash flow to meet its operational needs and financial obligations (Edem, 2017; Mwashu and Miroga, 2018). In the energy sector, where large-scale capital investments, long payback periods, and fluctuating commodity prices are common, ensuring adequate liquidity is vital for maintaining operations, facilitating growth, and ensuring solvency. Energy firms must effectively balance working capital, manage debt levels, and optimize their cash reserves to mitigate the risks associated with unexpected cash flow shortages.

Treasury management encompasses a broader set of financial practices designed to manage an organization's financial risks, investments, and capital structure. For energy firms in Sub-Saharan Africa, treasury management is particularly important because of the region's complex economic dynamics. Firms need to employ sophisticated strategies for managing currency risks, securing financing for projects, and navigating regulatory environments that vary significantly across different countries (Ducas, E. and Wilner, 2017; Zachariadis *et al.*, 2019). Additionally, the cross-border nature of many energy operations means that treasury strategies must account for diverse and sometimes unpredictable financial and political factors.

The purpose of this review is to explore the advances in cash liquidity optimization and cross-border treasury strategy in Sub-Saharan energy firms. By analyzing the key strategies and practices currently employed in the region, this review seeks to identify the most effective tools for liquidity management and risk mitigation. Furthermore, this will examine the role of digital technologies, regulatory frameworks, and best practices that can enhance treasury operations. Through this analysis, this aims to provide insights that can guide energy firms in improving their treasury management functions, especially in managing cash liquidity, mitigating currency risks, and optimizing capital use.

The objectives of this are threefold: first, to investigate the challenges faced by energy firms in managing cash liquidity and the strategies used to optimize it; second, to evaluate the importance of cross-border treasury strategies in mitigating risks inherent in the Sub-Saharan energy market; and third, to highlight emerging technologies and best practices that can assist in overcoming the unique financial and operational challenges of the region. Through these objectives, this seeks

to provide a comprehensive understanding of how energy firms in Sub-Saharan Africa can enhance their treasury management functions to improve financial stability, optimize cash flow, and manage cross-border risks more effectively.

## 2. Methodology

The systematic review on advances in cash liquidity optimization and cross-border treasury strategy in Sub-Saharan energy firms follows the PRISMA methodology to ensure a structured and transparent approach to identifying, evaluating, and synthesizing the relevant literature. The process begins with a comprehensive search of multiple databases, including academic journals, industry reports, and financial publications, to identify articles, case studies, and research papers that address liquidity management, treasury strategies, and financial practices within the Sub-Saharan energy sector. Keywords such as "cash liquidity," "treasury management," "energy firms," "Sub-Saharan Africa," and "cross-border treasury strategy" are used to refine the search. The review includes literature published in the last two decades to ensure the analysis is relevant to the current landscape of the energy sector and its financial practices.

Inclusion criteria for the review involve selecting studies that focus on cash liquidity optimization techniques, treasury management practices, and cross-border treasury strategies in energy firms operating within Sub-Saharan Africa. Case studies and empirical research from various Sub-Saharan countries, including those involved in oil, gas, and renewable energy projects, are considered. Studies that specifically address challenges related to liquidity management, currency risk, or cross-border financial management in this context are prioritized. Literature focusing on technology adoption, digital platforms, and advancements in treasury management systems is also included to highlight the role of innovation in improving financial practices.

Exclusion criteria are applied to remove studies that are not directly relevant to the energy sector, those that do not specifically address Sub-Saharan Africa, and research that focuses primarily on sectors outside energy. Studies that are outdated or lack empirical data on current treasury practices are excluded to maintain the relevance and quality of the review. Articles that do not meet these criteria or lack sufficient methodological rigor are excluded from the analysis.

The selected studies undergo a critical appraisal, where the quality of the evidence is assessed. This involves evaluating the methodology, sample size, and relevance of findings to the current practices in the Sub-Saharan energy sector. Data extraction focuses on key themes such as liquidity optimization techniques, risk management strategies, the role of technology in treasury operations, and the impact of regulatory and institutional factors on financial practices. Data from case studies are synthesized to understand best practices in cash liquidity management and cross-border treasury strategy, providing actionable insights for energy firms in the region.

The synthesis of data is presented in a structured manner, summarizing the effectiveness of various strategies and their applicability to the Sub-Saharan context. The review also identifies gaps in the literature, highlighting areas where further research is needed to improve treasury management practices in the region. By following the PRISMA methodology, the review ensures a rigorous, transparent, and

comprehensive evaluation of the advances in cash liquidity optimization and cross-border treasury strategy within Sub-Saharan energy firms.

## 2.1 Background and Context

Sub-Saharan Africa is a region of great economic potential, rich in natural resources, and home to a rapidly growing energy sector (Card, 2017; Warner and Jones, 2018). The region encompasses a vast array of energy assets, including oil, gas, and increasingly, renewable energy sources such as solar and wind. Energy production is critical to the economic growth and industrialization of many Sub-Saharan African countries. According to the International Energy Agency (IEA), Sub-Saharan Africa is expected to experience significant energy demand growth, driven by both population growth and industrialization. However, despite this potential, the energy sector in Sub-Saharan Africa faces considerable challenges related to infrastructure, regulation, political instability, and financial management (Pueyo, 2018; Chirambo, 2018). These challenges are compounded by a volatile economic environment, making efficient treasury management essential for the sustainability of energy firms operating in the region.

The economic and political landscape in Sub-Saharan Africa presents both opportunities and risks for energy firms. On one hand, the region is rich in untapped natural resources, with oil and gas reserves concentrated in countries such as Nigeria, Angola, and Equatorial Guinea. Additionally, Sub-Saharan Africa is home to some of the world's most promising renewable energy markets, particularly in solar power (Avila *et al.*, 2017; Barasa *et al.*, 2018). These resources offer significant growth potential for energy companies, attracting investments from both local and international stakeholders. On the other hand, political instability, corruption, and weak governance structures often create an unpredictable business environment. Changes in government, regulatory shifts, and concerns over the security of investments and assets further complicate the ability of energy firms to make long-term, strategic financial decisions. The region also experiences challenges such as inadequate infrastructure, inconsistent regulatory frameworks, and a lack of financial depth in many local markets (Gorelick, 2018; Jones and Knaack, 2019). These issues make it difficult for energy firms to effectively manage cash flow and plan for future capital expenditures, all of which have significant implications for financial management.

Energy firms in Sub-Saharan Africa face significant challenges in managing cash liquidity due to several factors. One of the primary challenges is the region's inherent economic volatility. Commodity price fluctuations, particularly in oil and gas markets, can severely impact cash flow projections and liquidity. The price of crude oil, for example, can experience dramatic swings, influenced by both global market dynamics and regional geopolitical events (Mohaddes and Pesaran, 2017; Amineh and Guang, 2017). For energy firms that rely heavily on revenues from commodity sales, these price fluctuations can lead to cash flow instability, making it difficult to manage day-to-day operations or plan for large-scale projects. Additionally, many energy firms in the region operate in environments where local currencies are prone to devaluation, and inflation rates can fluctuate unpredictably. As a result, the value of revenues and capital reserves can erode quickly, compounding the challenge of maintaining adequate

liquidity. Furthermore, limited access to capital markets in Sub-Saharan Africa, coupled with the relatively high cost of capital, further exacerbates the difficulty of managing liquidity. Energy firms must navigate a landscape where traditional banking systems may not always be reliable, and the financial infrastructure is often underdeveloped (Falcone *et al.*, 2018; Zachariadis *et al.*, 2019).

Cross-border treasury strategies play a critical role in helping energy firms address these liquidity challenges. Many energy firms in Sub-Saharan Africa operate across multiple countries, making their financial management inherently complex (Pueyo, 2018; Opeyemi *et al.*, 2019). In this context, managing cash liquidity requires a sophisticated approach that involves not only managing cash within individual subsidiaries but also coordinating cash management across borders. Cross-border treasury strategies typically include techniques for managing currency risk, optimizing liquidity across different jurisdictions, and ensuring compliance with varying regulatory frameworks. For example, a firm operating in multiple Sub-Saharan countries may face challenges related to currency exchange volatility, where the value of local currencies can fluctuate significantly against international currencies. A cross-border treasury strategy could involve the use of hedging instruments to mitigate currency risk or the establishment of centralized treasury functions to streamline cash management. Moreover, multi-currency bank accounts and cash concentration techniques can help firms reduce the impact of currency fluctuations and ensure that liquidity is available where it is needed most (Kallio *et al.*, 2019; Nyamadzawo, 2018). Additionally, these strategies help energy firms manage cross-border financial reporting requirements, tax implications, and regulatory compliance, all of which are critical in an environment with inconsistent financial regulations across countries.

The relevance of efficient treasury management for financial stability and growth in Sub-Saharan Africa cannot be overstated. For energy firms to succeed and remain competitive, it is imperative that they effectively manage their cash flow, minimize liquidity risks, and optimize their capital structure (Johansson and Thollander, 2018; Solnørdal, M.T. and Foss, 2018). Efficient treasury management practices allow firms to make informed decisions regarding investments, manage debt effectively, and ensure that they can continue to fund ongoing projects without experiencing liquidity shortfalls. Furthermore, effective liquidity management enhances a firm's ability to respond to market changes, whether it be through investment in new projects, expansion of operations, or the ability to weather periods of low commodity prices. Without sound treasury practices, energy firms risk facing operational disruptions, missed opportunities, or even insolvency. As such, efficient treasury management is integral not only to the financial health of individual firms but also to the broader stability and growth of the energy sector in Sub-Saharan Africa (Hall *et al.*, 2017; Omopariola and Aboaba, 2019). Through the development of advanced treasury strategies and the use of technology, energy firms can better navigate the region's economic and political challenges, ensuring that they can capitalize on the substantial opportunities the region presents.

## 2.2 Cash Liquidity Optimization in Sub-Saharan Energy Firms

Cash liquidity optimization refers to the management of cash and liquid assets to ensure that a business can meet its short-

term obligations while maximizing returns on its available resources (Kontuš and Mihanović, 2019; Konovalova, 2019). In the context of Sub-Saharan energy firms, this concept is of utmost importance due to the volatile economic conditions and fluctuating cash flows that these companies often face as shown in figure 1. Liquidity optimization enables firms to avoid liquidity crises, reduce the risk of insolvency, and improve overall financial stability, thereby fostering their ability to invest in long-term projects, manage debt, and capitalize on opportunities in the energy sector (Nigam and Boughanmi, 2017; Thakor, 2018).

Effective cash liquidity management is particularly critical for energy firms in Sub-Saharan Africa, where economic volatility, fluctuating commodity prices, and political instability can significantly impact cash flows. The region's energy sector is heavily reliant on revenues from oil, gas, and increasingly renewable energy sources, all of which are susceptible to price fluctuations (Seel *et al.*, 2018; Fattouh *et al.*, 2019). Additionally, many Sub-Saharan countries face challenges such as limited access to capital markets, high inflation rates, and devaluation of local currencies, which further complicate liquidity management. Therefore, optimizing cash liquidity is not just about managing cash inflows and outflows, but also about mitigating risks associated with currency volatility, inflation, and other macroeconomic factors.

Several key strategies can help Sub-Saharan energy firms optimize their cash liquidity and mitigate the risks posed by economic and financial instability; Cash forecasting is a fundamental practice in liquidity management, which involves predicting the future cash inflows and outflows based on historical data, market trends, and future business activities (Pohl, 2018; Lee and Kim, 2019). For energy firms in Sub-Saharan Africa, cash forecasting becomes particularly important due to the volatility of oil and gas prices, which can dramatically affect cash flow predictions. Accurate cash forecasting allows firms to anticipate periods of liquidity strain and make necessary adjustments, such as delaying capital expenditures, securing financing, or adjusting working capital. Furthermore, liquidity planning ensures that firms can maintain sufficient cash reserves to meet their short-term obligations, even during periods of economic downturn or commodity price drops (Baker *et al.*, 2017; Edem, 2017).



**Fig 1:** Key strategies for liquidity management in energy firms

Cash concentration involves consolidating cash from various accounts held by subsidiaries or operations across multiple locations into a central account. This technique allows firms to streamline cash management, reduce the need for external borrowing, and ensure that cash is readily available for use in areas that require immediate liquidity (Ismail, 2017; Horváth and Szerb, 2018). Pooling techniques, such as notional pooling or physical pooling, can be used to combine cash balances from various entities into one central pool. These techniques enable energy firms to optimize their available cash, reduce idle balances, and minimize the costs of borrowing by ensuring that funds are allocated efficiently across the organization. By centralizing cash resources, firms can gain better control over liquidity and reduce the risks associated with currency fluctuations and regulatory complexities across different jurisdictions in Sub-Saharan Africa (Huang and Mazouz, 2018, Nnenna *et al.*, 2018).

In a volatile market, short-term financing solutions can provide the necessary liquidity to bridge the gap between cash inflows and outflows. These solutions include lines of credit, short-term loans, and trade credit. For energy firms in Sub-Saharan Africa, short-term financing is often required to address gaps in working capital, manage operational costs, or capitalize on business opportunities in the short run (Bilotta and Colantoni, 2018; Shirley *et al.*, 2019). However, accessing affordable and reliable short-term financing can be a challenge due to the region's limited access to capital markets and the high cost of borrowing. As such, energy firms often have to explore alternative financing options, such as supplier credit, or engage in bilateral agreements with financial institutions and investors to secure liquidity at competitive rates.

The use of digital platforms and technology has become increasingly important in enhancing liquidity management for energy firms in Sub-Saharan Africa (Marwa *et al.*, 2018; Hinson *et al.*, 2019). The integration of technology into treasury management systems allows firms to automate processes such as cash forecasting, payments, and account reconciliation, leading to more accurate and efficient liquidity management. Digital platforms also enable real-time monitoring of cash flows, which helps firms to respond quickly to liquidity challenges and make data-driven decisions. Furthermore, technology can provide more accurate forecasting models by incorporating variables such as commodity prices, foreign exchange rates, and geopolitical events, which are critical for energy firms operating in Sub-Saharan Africa.

Blockchain technology and distributed ledger systems are emerging as innovative tools in cash management, particularly in cross-border transactions (Vishwakarma *et al.*, 2018; Petrushenko *et al.*, 2018). These technologies can reduce transaction costs, enhance transparency, and improve security in the transfer of funds between subsidiaries operating in different countries, making them particularly useful for energy firms operating across multiple jurisdictions in the region.

Several energy firms in Sub-Saharan Africa have successfully implemented liquidity optimization strategies to address the challenges they face. For example, Nigeria's oil giant, Shell Nigeria, has adopted sophisticated cash concentration techniques to manage its large cash flows across multiple subsidiaries in different countries. By centralizing its cash management through a notional pooling system, Shell Nigeria has been able to optimize its liquidity,

reduce borrowing costs, and improve cash flow forecasting accuracy (Ikponmwosa, 2018). Additionally, the company has leveraged advanced technology to track commodity price movements, which has enabled them to develop more accurate liquidity forecasts and mitigate the risk of price volatility.

Similarly, TotalEnergies in Angola has implemented a digital treasury management system that integrates real-time cash flow data from its operations in various parts of Sub-Saharan Africa (Counterterrorism, 2019). This system has allowed the company to streamline its liquidity planning and improve its responsiveness to changing market conditions. By using cloud-based platforms, TotalEnergies can quickly adjust its liquidity management strategies based on real-time data and insights.

Optimizing cash liquidity is critical for energy firms in Sub-Saharan Africa, given the region's economic volatility, fluctuating commodity prices, and financial instability. Through effective strategies such as cash forecasting, cash concentration, short-term financing, and the use of digital platforms, energy firms can improve their liquidity management and navigate the challenges of the region's complex financial environment (Gomber *et al.*, 2018; Yao *et al.*, 2018). These practices not only ensure financial stability but also enable firms to invest in growth and capitalize on opportunities in the rapidly developing energy sector.

### 2.3 Cross-Border Treasury Strategy

Cross-border treasury management is a critical aspect of global business operations, particularly for companies operating in international markets with diverse regulatory environments, currencies, and financial systems. For energy firms in Sub-Saharan Africa, managing treasury functions across multiple jurisdictions involves addressing challenges related to currency volatility, regulatory complexities, and tax considerations, all of which significantly impact liquidity, financial stability, and operational efficiency. As energy firms in this region continue to expand their operations across borders, the development and implementation of effective cross-border treasury strategies become essential for mitigating financial risks and ensuring sustainable growth (Sen and Ganguly, 2017; Fattouh *et al.*, 2019).

Cross-border treasury management refers to the practices and strategies used by multinational corporations to manage cash, liquidity, financing, and financial risks across multiple countries. In the context of energy firms operating in Sub-Saharan Africa, these companies often engage in international trade, manage subsidiaries in different countries, and operate across regions with varying financial infrastructures and regulatory landscapes. Effective cross-border treasury management enables energy firms to optimize cash flows, minimize risk exposure, and ensure adequate liquidity across all markets in which they operate (Poudineh and Rubino, 2017; Harris and Rajgopal, 2018).

The importance of cross-border treasury strategies in international energy markets lies in the need to effectively allocate financial resources, manage risks associated with fluctuating commodity prices, and navigate the complexities of varying tax and regulatory environments. Cross-border treasury functions also help ensure that capital can be efficiently transferred between subsidiaries, allowing firms to maintain financial flexibility and meet operational demands in different markets.

Currency risk, also known as foreign exchange (FX) risk,

arises from fluctuations in the exchange rates of currencies. For energy firms operating in Sub-Saharan Africa, currency risk is particularly pronounced due to the region's reliance on foreign capital, imports, and exports of energy products. As many Sub-Saharan countries have volatile currencies influenced by political instability, inflation, and commodity price changes, managing currency risk is essential for maintaining financial stability and profitability (Mose and Kaboro, 2019; Nissanke, 2019).

Hedging strategies play a key role in mitigating currency risk in cross-border treasury management. The use of financial instruments such as forward contracts, options, and swaps allows energy firms to lock in exchange rates and protect themselves from adverse currency fluctuations. For instance, forward contracts can be used to set an exchange rate for a future transaction, while options provide the right, but not the obligation, to exchange currency at a specified rate. Currency swaps, on the other hand, enable firms to exchange currencies at an agreed-upon rate, reducing exposure to fluctuating exchange rates.

In addition to these financial instruments, energy firms may also engage in natural hedging strategies, such as matching revenues and expenses in the same currency or conducting cross-border transactions within regions that use stable currencies. While these strategies provide some protection against currency volatility, they are not foolproof, and energy firms must remain vigilant in monitoring market conditions to adapt their hedging strategies accordingly (Carlisle, 2017; Pearl, 2018).

The currency volatility in Sub-Saharan Africa presents unique challenges for cross-border treasury management. Many African countries experience substantial fluctuations in their exchange rates due to macroeconomic instability, political uncertainty, and reliance on commodity exports such as oil and gas. This volatility makes it difficult for energy firms to predict cash flows, set accurate financial forecasts, and secure financing. Moreover, currency devaluation and inflation can significantly erode the value of revenues, leading to liquidity shortages and operational inefficiencies. Currency volatility also complicates the treasury function by creating discrepancies between the value of revenues and the cost of operations, especially when energy firms rely on imports for equipment, technology, and raw materials. The increased cost of imports and the unpredictability of exchange rates can result in financial strain, limiting the firm's ability to invest in new projects or expand operations (Kang and Dagli, 2018; Latief and Lefen, 2018). Managing this volatility requires a proactive and dynamic approach to hedging and currency management, ensuring that energy firms can adapt to changes in the exchange rate environment. Cross-border treasury strategies must also address the challenges of structuring cash management solutions across multiple jurisdictions. The choice between centralized and decentralized treasury models significantly impacts how energy firms manage liquidity and allocate financial resources in international markets.

In a centralized treasury model, a single treasury function is responsible for managing cash flows, liquidity, and financial risk for all subsidiaries across various jurisdictions. This approach provides greater control over cash management, simplifies financial reporting, and enables the centralization of financial decision-making (Polak *et al.*, 2018; Shapiro and Hanouna, 2019). However, it requires robust systems and governance structures to ensure that the treasury team can

effectively manage cash across multiple regions.

Alternatively, decentralized treasury models distribute cash management responsibilities to individual subsidiaries or regional treasury functions. This approach allows for greater local autonomy and flexibility in managing liquidity and risk, particularly in regions with different financial and regulatory environments. However, decentralized models may face challenges in achieving consistency and coordination across subsidiaries, potentially leading to inefficiencies and fragmented financial decision-making.

The banking systems and regulatory environments in different countries have a significant impact on the structuring of cash management solutions. In Sub-Saharan Africa, local banking infrastructure and regulatory frameworks can vary widely, which affects how energy firms can transfer, pool, and manage cash across borders. In many countries, restrictions on capital flows, foreign exchange controls, and tax regulations may limit the ability to move funds freely between subsidiaries, requiring energy firms to navigate complex compliance issues. Furthermore, local regulations regarding anti-money laundering (AML) and know-your-customer (KYC) requirements can increase the administrative burden of cross-border transactions (Komandla, 2017; Batsaikhan *et al.*, 2019).

Tax considerations also play a crucial role in cross-border treasury decisions. Energy firms must navigate a complex web of tax laws in different jurisdictions, including transfer pricing regulations, withholding taxes on cross-border payments, and value-added tax (VAT) implications. Tax planning and structuring are essential for minimizing the tax burden on cross-border transactions, optimizing the use of available tax incentives, and ensuring compliance with international tax regulations. In some cases, energy firms may establish tax-efficient treasury structures to manage the flow of funds and minimize tax exposure, thereby enhancing profitability and financial flexibility.

Effective cross-border treasury management is essential for energy firms operating in Sub-Saharan Africa, where currency volatility, regulatory complexities, and tax considerations present unique challenges. By adopting strategic hedging mechanisms, designing efficient cash management structures, and leveraging digital platforms, energy firms can mitigate risks, optimize liquidity, and enhance financial stability (Tiwary, 2019; Wangui and Jagongo, 2019). A comprehensive cross-border treasury strategy is vital for navigating the complexities of international energy markets and ensuring sustainable growth for energy firms in the region.

#### 2.4 Technological Advances in Treasury Management

In the rapidly evolving landscape of global business, technological innovations are transforming the way treasury functions are managed (Roszkowska and Prorokowski, 2017; Casey *et al.*, 2018). Energy firms, particularly those operating in regions with complex financial environments like Sub-Saharan Africa, are increasingly leveraging digital platforms and financial technologies to optimize cash liquidity, enhance treasury strategies, and streamline their financial operations. The adoption of new technologies such as blockchain, artificial intelligence (AI), machine learning (ML), cloud-based Treasury Management Systems (TMS), and real-time data analytics is reshaping treasury practices, enabling firms to make more informed decisions and better manage financial risks.

Digital platforms and financial technologies have revolutionized the way treasury operations are conducted, particularly in the context of cash liquidity management. In the past, treasury teams relied on manual processes and spreadsheets to manage cash flows, liquidity, and funding requirements. However, the integration of digital platforms has streamlined these tasks, allowing for more accurate forecasting, efficient liquidity management, and quicker decision-making.

One significant development is the use of automated cash forecasting tools that enable treasury teams to predict cash needs and optimize working capital. By leveraging cloud-based platforms, these tools can integrate real-time financial data from multiple sources, providing more accurate and timely information. Treasury teams can then make decisions based on the most up-to-date information, which is critical in regions where currency volatility, inflation, and regulatory changes can significantly impact cash flows. Additionally, digital platforms allow for real-time monitoring of global bank accounts, facilitating liquidity management across borders and multiple currencies (Kiarie *et al.*, 2018; Poser, 2019).

Blockchain technology has the potential to disrupt treasury management by providing secure, transparent, and efficient solutions for cross-border payments, trade finance, and transaction verification. Blockchain's decentralized ledger system can reduce the need for intermediaries, streamline settlement processes, and enhance security. For energy firms operating in cross-border markets, blockchain can significantly reduce the time and cost of international payments while ensuring the integrity of financial transactions. This technology is particularly valuable for managing currency risks and ensuring that cash flows between subsidiaries in different countries are accurately recorded and transparent.

Artificial intelligence (AI) and machine learning (ML) are increasingly being integrated into treasury management strategies to optimize decision-making processes. AI algorithms can analyze vast amounts of financial data in real time, identifying patterns, trends, and potential risks that may not be immediately apparent to human analysts. For example, AI can help firms detect fraudulent activities, assess credit risks, and optimize cash allocation based on predictive models. Machine learning, on the other hand, can improve cash forecasting accuracy by learning from past data and adjusting predictions based on changing market conditions. These technologies can also be applied to risk management, enabling firms to develop dynamic hedging strategies that automatically adjust to fluctuating commodity prices or currency exchange rates.

The application of AI and ML can significantly enhance the efficiency of treasury operations, allowing energy firms to make more proactive and data-driven decisions. This is particularly crucial in emerging economies, where volatility and instability can create unpredictable financial environments. By utilizing AI and ML, treasury teams can adapt more quickly to changing market conditions, minimizing potential losses and improving overall financial performance (Met *et al.*, 2019; Jagtap and Duong, 2019).

Cloud-based Treasury Management Systems (TMS) and Enterprise Resource Planning (ERP) software have become indispensable tools for modern treasury functions. These systems offer centralized platforms that allow energy firms to manage cash, liquidity, financing, and risk across multiple

regions and subsidiaries. Cloud-based solutions are particularly valuable because they offer scalability, flexibility, and real-time access to financial data, enabling treasury teams to monitor and manage their global operations more effectively.

A cloud-based TMS provides a comprehensive view of a firm's cash position, including real-time updates on bank balances, liquidity forecasts, and exposure to currency and commodity risks. This visibility allows treasury teams to optimize cash flow management, improve decision-making, and reduce operational costs. Additionally, cloud-based systems can integrate seamlessly with other financial software, such as ERP systems, allowing for more efficient data flow between departments and improving overall financial reporting.

ERP systems, which integrate core business processes such as accounting, procurement, and supply chain management, are increasingly being used in conjunction with TMS to provide a holistic view of an organization's financial health. The integration of ERP systems with treasury management software allows for the automation of manual processes, such as invoicing, payment processing, and reconciliation, which in turn reduces errors and enhances efficiency (Kuate, 2017; Nyaga *et al.*, 2019). For energy firms, ERP and TMS integration ensures that treasury activities are aligned with broader corporate goals, enhancing financial stability and performance.

The integration of real-time data analytics into treasury management allows firms to make more informed decisions based on up-to-date financial and market data. Real-time data analytics tools enable treasury teams to monitor key financial metrics, such as cash positions, liquidity levels, and credit exposures, as they evolve throughout the day. This constant flow of information allows firms to respond quickly to changes in market conditions, ensuring that they can maintain optimal liquidity levels and mitigate financial risks.

Advanced data analytics platforms can also provide predictive insights by analyzing historical data and applying machine learning algorithms to forecast future financial conditions. For example, these tools can predict cash flow fluctuations based on past performance, enabling firms to plan for future liquidity needs. This is particularly important in emerging markets like Sub-Saharan Africa, where economic volatility, currency fluctuations, and regulatory changes can disrupt cash flow projections.

Furthermore, real-time data analytics helps treasury teams identify and manage financial risks more effectively. By integrating market data from external sources such as commodity prices, exchange rates, and interest rates, analytics platforms can provide insights into potential risks and help treasury teams make better hedging decisions (Musawa and Mwaanga, 2017). This allows firms to respond proactively to market shifts, reducing the likelihood of adverse financial outcomes.

Technological advances in treasury management are revolutionizing the way energy firms manage cash liquidity, financial risk, and operational efficiency. Digital platforms, financial technologies like blockchain, AI, and ML, and cloud-based Treasury Management Systems are enabling firms to optimize liquidity, enhance decision-making, and navigate complex financial environments more effectively. The integration of real-time data analytics further enhances the ability of treasury teams to make data-driven decisions, improving the financial stability and growth potential of

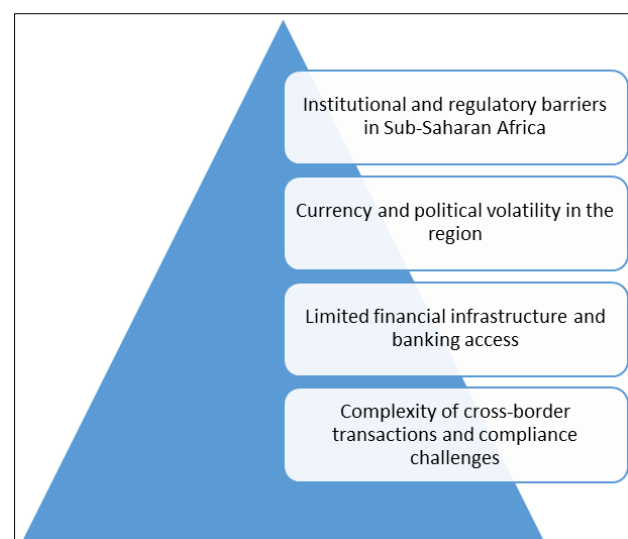
energy firms. As these technologies continue to evolve, their impact on treasury strategies will only become more significant, driving further efficiencies and opportunities for energy firms worldwide.

## 2.5 Challenges and Barriers

The landscape of treasury management for energy firms operating in Sub-Saharan Africa presents unique challenges, largely due to institutional, regulatory, financial, and political factors. While the region holds immense potential for energy development, these challenges must be navigated carefully to optimize cash liquidity and implement effective cross-border treasury strategies as shown in figure 2. The ability to overcome these barriers is crucial for ensuring financial stability, profitability, and growth for energy firms working within the region (Horváth and Szabó, 2018). This explores the significant challenges faced by energy firms in Sub-Saharan Africa, with a focus on institutional and regulatory barriers, currency and political volatility, limited financial infrastructure, and capacity gaps in local financial teams.

One of the foremost challenges faced by energy firms in Sub-Saharan Africa is the often complex and inconsistent regulatory environment. Many countries in the region have institutional frameworks that are still evolving, making it difficult for businesses to navigate through the maze of local and international regulations. Regulatory inconsistency, particularly in the context of cross-border transactions, can create uncertainty for firms trying to implement treasury strategies that span multiple jurisdictions. The lack of transparency and delays in regulatory approvals also create operational inefficiencies, making it difficult for firms to make timely and informed decisions regarding liquidity management and financial risk control.

The lack of coordination between financial regulators across the region further complicates cross-border treasury operations. Different regulations governing foreign exchange, taxation, and reporting requirements in each country can create compliance headaches for energy firms, particularly those managing liquidity across multiple markets. Without a harmonized regulatory framework, firms are exposed to increased legal and operational risks, which can hinder their ability to optimize cash liquidity or conduct smooth cross-border transactions.



**Fig 2: Challenges and Barriers**

Sub-Saharan Africa is known for its currency volatility, which can significantly impact liquidity optimization efforts for energy firms. Fluctuations in exchange rates and inflationary pressures can drastically affect cash flow forecasts and financial stability. For energy firms, these challenges are compounded by the fact that they often operate in multiple countries, with differing currencies and exposure to international market fluctuations. Currency risk management thus becomes a critical component of cross-border treasury strategies, with firms needing to implement hedging mechanisms and financial instruments to protect their cash positions from foreign exchange risks (Ito *et al.*, 2018).

In addition to currency volatility, political instability is another significant factor influencing the financial environment in Sub-Saharan Africa. Countries in the region have experienced political unrest, sudden policy shifts, and changes in leadership, all of which can have profound effects on the business climate. Political risk, including the risk of expropriation, nationalization, or regulatory changes, increases the uncertainty surrounding long-term investments and cash flow management. As such, energy firms must account for both currency volatility and political instability in their treasury strategies, with a particular emphasis on risk mitigation and contingency planning.

Another major barrier to cash liquidity optimization and effective treasury management in Sub-Saharan Africa is the region's limited financial infrastructure. While financial markets have developed in certain countries, many nations still face challenges such as underdeveloped banking systems, limited access to credit facilities, and inadequate financial products. In rural areas, energy firms may face difficulties accessing local banking services, making it harder to manage day-to-day liquidity requirements. The lack of modern payment systems and the inability to perform cross-border transactions quickly and securely adds another layer of complexity to treasury management.

For energy firms, limited banking access is a significant challenge when it comes to centralizing cash management operations. Treasury departments are often forced to rely on a fragmented banking network, resulting in inefficient cash pooling, fragmented liquidity management, and increased transaction costs (Lambe and Daniel, 2019). The absence of digital banking systems or modern cash management tools in some Sub-Saharan countries further limits the ability of firms to manage liquidity efficiently across borders and subsidiaries.

Cross-border treasury strategies often face the challenge of navigating complex and fragmented banking systems and compliance landscapes. For energy firms operating across multiple Sub-Saharan countries, each with distinct regulatory and tax environments, the complexity of managing cash flows and liquidity becomes compounded. Firms must deal with not only currency risks but also regulatory requirements that differ significantly from country to country. Compliance with local tax laws, anti-money laundering (AML) policies, and other financial regulations can become cumbersome, requiring extensive legal and accounting resources.

In addition, trade and investment flows in Sub-Saharan Africa are frequently affected by cumbersome customs procedures, slow processing times, and inefficient transaction systems. These factors contribute to the inefficiencies in cross-border payments and the liquidity management processes of energy firms. The complexity of managing

intercompany transactions between multiple jurisdictions adds additional layers of regulatory compliance, which increases operational costs and slows down the treasury decision-making process.

Another significant barrier is the lack of capacity within local financial teams. In many Sub-Saharan countries, energy firms often face shortages in skilled financial professionals who are well-versed in modern treasury management practices, such as liquidity forecasting, currency risk management, and cross-border cash pooling. The shortage of financial expertise can lead to inefficient management of cash flow and treasury operations, increasing the risks associated with financial mismanagement (Oruand and Odumisor, 2019).

Furthermore, capacity gaps often extend to understanding and implementing new financial technologies. The adoption of modern treasury management systems (TMS) and digital tools such as cloud-based platforms, blockchain, and AI-based risk management tools has been slow in the region. The inability to fully integrate these technologies into the financial operations of energy firms limits their ability to optimize liquidity and effectively manage risks. This highlights the need for targeted training and capacity building within local financial teams to ensure that they can operate effectively in an increasingly complex global treasury environment.

The challenges faced by energy firms in Sub-Saharan Africa regarding cash liquidity optimization and cross-border treasury strategy are multi-faceted. Institutional and regulatory barriers, currency and political volatility, limited financial infrastructure, complexity in cross-border transactions, and capacity gaps in local financial teams all contribute to the difficulties firms face in managing liquidity and risk. Overcoming these barriers requires both local and international collaboration, robust risk management practices, and targeted capacity-building efforts to ensure that treasury functions are effectively integrated into the broader financial strategies of energy firms operating in the region.

## 2.6 Best Practices for Cash Liquidity Optimization and Cross-Border Treasury

In Sub-Saharan Africa, energy firms face a unique set of challenges related to cash liquidity optimization and cross-border treasury management. With economic volatility, political instability, and fragmented financial infrastructures, implementing best practices for these critical functions is key to ensuring financial stability, operational efficiency, and growth. By adopting proven strategies for cash flow management, working capital optimization, and structuring cross-border treasury systems, energy firms can better navigate the complexities of the region's economic environment as shown in figure 3 (Greene *et al.*, 2018). This outlines key best practices for improving cash liquidity optimization and structuring cross-border treasury strategies, along with case studies from Sub-Saharan energy firms.

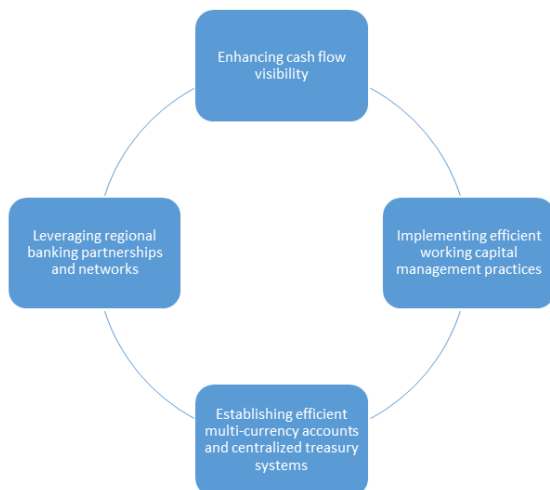
Effective cash liquidity management is crucial for energy firms operating in Sub-Saharan Africa, where market fluctuations and geopolitical instability can significantly impact cash flow. A number of best practices can help firms improve their cash liquidity optimization efforts.

One of the most important strategies is enhancing cash flow visibility. Energy firms should implement robust cash forecasting tools and techniques to gain a clear understanding of their cash position at any given time. This involves adopting digital platforms and automated treasury

management systems that provide real-time insights into cash balances, liquidity gaps, and short-term financial needs. Enhanced cash flow visibility allows firms to respond quickly to liquidity shortfalls and ensure that cash resources are allocated effectively across operations.

Another key practice is implementing efficient working capital management practices. Firms should focus on improving the efficiency of receivables and payables management to ensure that cash inflows and outflows are optimized. This includes shortening the collection cycle for receivables and negotiating favorable payment terms with suppliers to manage payables effectively. By maintaining a balance between working capital requirements and available liquidity, energy firms can ensure that they meet their short-term obligations without compromising long-term financial stability.

For energy firms operating in multiple jurisdictions across Sub-Saharan Africa, cross-border treasury strategies are essential to manage liquidity, currency risks, and regulatory compliance. A well-structured cross-border treasury system enables firms to optimize cash management while navigating the complexities of multiple currencies, taxation policies, and banking environments (Rajagopal *et al.*, 2018).



**Fig 3:** Best Practices for Cash Liquidity Optimization and Cross-Border Treasury

One of the best practices for structuring cross-border treasury strategies is leveraging regional banking partnerships and networks. Energy firms should establish relationships with regional banks that have the infrastructure and local expertise to manage cross-border transactions efficiently. These partnerships can help streamline cash transfers, mitigate currency risks, and ensure compliance with local regulations. By working with banks that have regional networks, firms can also take advantage of economies of scale in currency exchange and reduce transaction costs.

Another best practice is the establishment of efficient multi-currency accounts and centralized treasury systems. Centralizing treasury functions, such as cash management, foreign exchange, and liquidity forecasting, allows energy firms to manage their cash resources more effectively across different regions. By maintaining multi-currency accounts, firms can reduce the complexity and costs associated with currency conversion and improve liquidity management in countries with volatile currencies. Centralized treasury systems also enable real-time visibility into cash positions

across subsidiaries, allowing for better decision-making and more efficient allocation of resources.

Several Sub-Saharan energy firms have successfully implemented cash liquidity optimization and cross-border treasury strategies to improve their financial performance. One notable case is that of an energy firm operating in Nigeria, which faced significant challenges related to currency volatility and inefficient cash management. The company implemented a centralized treasury system that allowed for real-time cash flow visibility across its operations in multiple countries. By establishing multi-currency accounts and working with regional banking partners, the firm was able to reduce its exposure to foreign exchange risk and optimize cash liquidity across its subsidiaries (Zhou, 2018).

In another case, a large energy corporation in South Africa adopted advanced cash forecasting techniques to improve cash flow management. By using cloud-based treasury management systems, the firm gained greater visibility into its liquidity position, enabling it to proactively manage cash shortages and optimize its working capital. The company also established a series of partnerships with local and regional banks to facilitate cross-border payments, which reduced transaction costs and streamlined its liquidity management processes. The firm's improved cash flow management allowed it to invest in key infrastructure projects while maintaining a stable financial position.

A third example is an energy firm operating in Kenya, which implemented a dynamic cash management system that included automated receivables and payables management. This system allowed the company to reduce its working capital cycle by ensuring faster collection of receivables and negotiating favorable payment terms with suppliers. By improving working capital efficiency, the firm was able to optimize its liquidity, ensuring that it had the necessary funds to meet its operational and capital expenditure needs.

Improving cash liquidity optimization and structuring effective cross-border treasury strategies are essential for energy firms operating in Sub-Saharan Africa. Key best practices such as enhancing cash flow visibility, implementing efficient working capital management, leveraging regional banking networks, and establishing centralized treasury systems can significantly improve financial stability and performance. Successful case studies from Nigerian, South African, and Kenyan energy firms demonstrate that adopting these best practices can help mitigate risks associated with currency volatility, political instability, and fragmented financial systems. By integrating these strategies into their treasury management practices, Sub-Saharan energy firms can better navigate the challenges of the region and achieve sustainable financial growth (Newell and Bulkeley, 2017).

## 2.7 Future Directions and Research Areas

As the global energy landscape evolves, Sub-Saharan energy firms face increasing pressure to optimize their treasury management practices in an environment of economic uncertainty, political volatility, and technological disruption. The advent of financial technologies (fintech), emerging trends in regional and global financial integration, and the need for policy reforms are all shaping the future of treasury management in the energy sector (Hua *et al.*, 2019). This explores the potential advancements in treasury management practices, focusing on fintech innovations, financial

integration, policy reforms, and the future research areas necessary to address gaps in current treasury practices for Sub-Saharan energy firms.

The rise of fintech is transforming treasury management by offering innovative solutions to optimize cash liquidity, enhance risk management, and streamline cross-border treasury operations. The proliferation of blockchain technology, smart contracts, and decentralized finance (DeFi) solutions promises to enhance the transparency and efficiency of financial transactions. Blockchain, for example, can offer immutable transaction records that reduce fraud risks and increase trust in cross-border payments, a critical concern for Sub-Saharan energy firms dealing with multiple currencies and jurisdictions. Additionally, fintech innovations in automated cash flow forecasting, real-time liquidity monitoring, and AI-driven decision-making tools enable energy firms to gain better visibility into their financial positions, allowing for proactive risk management. The integration of machine learning and artificial intelligence into treasury functions offers the potential for predictive analytics, optimizing financial planning and resource allocation. These tools can help energy firms automate routine tasks, reducing human errors, and improving decision-making processes. Furthermore, the shift to cloud-based treasury management systems (TMS) provides energy firms with flexible, scalable solutions to manage their cash positions, streamline payment processes, and integrate cross-border banking systems. As fintech solutions become increasingly integrated into treasury practices, energy firms in Sub-Saharan Africa can leverage these technologies to better navigate the challenges posed by volatile markets, fragmented financial systems, and currency fluctuations.

Sub-Saharan Africa is experiencing a gradual shift toward greater regional and global financial integration. Initiatives like the African Continental Free Trade Area (AfCFTA) aim to foster economic cooperation, reduce trade barriers, and enhance financial connectivity between African nations. This movement toward regional integration is likely to improve the effectiveness of cross-border treasury strategies by reducing transaction costs, facilitating easier access to capital markets, and improving access to liquidity across the region (Fall and Gasealahwe, 2017).

Moreover, the growing interest in sustainable finance, driven by international bodies like the United Nations and the World Bank, is encouraging energy firms to integrate environmental, social, and governance (ESG) factors into their financial strategies. Global financial markets are increasingly demanding that firms disclose their ESG risks, which can affect access to capital and the cost of financing. For Sub-Saharan energy firms, aligning with these global financial trends will be crucial for maintaining competitiveness and attracting investments.

As the global economy continues to integrate, Sub-Saharan energy firms will also face new opportunities to tap into international capital markets, diversify their financing options, and optimize their liquidity management through global banking networks. However, navigating this complex financial landscape requires advanced cross-border treasury strategies, effective risk management, and improved financial infrastructure.

Policy reforms play a critical role in shaping the treasury practices of energy firms in Sub-Saharan Africa. As financial markets in the region continue to evolve, governments must enact policies that promote financial stability, enhance

market transparency, and create a conducive environment for cross-border trade. Regulatory reforms that encourage the development of financial markets, improve access to credit, and ease currency convertibility will support the liquidity management efforts of energy firms.

Additionally, policies aimed at improving the regulatory framework for digital currencies and fintech innovations will help energy firms adopt cutting-edge technologies to enhance their treasury management systems. For example, reforms that reduce cross-border banking restrictions and simplify currency exchange controls would enable firms to better manage their cross-border cash flows and mitigate currency risk. Furthermore, governments in Sub-Saharan Africa could support financial literacy programs and capacity-building initiatives to improve the skill sets of local treasury teams, enabling them to better navigate complex financial environments (O'Connell *et al.*, 2019).

While significant progress has been made in the field of treasury management for Sub-Saharan energy firms, several areas remain underexplored, creating valuable opportunities for future research. One key area for further study is the impact of fintech on treasury management practices. Research can investigate how emerging technologies such as blockchain, machine learning, and cloud computing can optimize cash liquidity management, reduce operational risks, and enhance the efficiency of cross-border treasury strategies. Additionally, examining the regulatory frameworks around fintech innovations in Sub-Saharan Africa will provide insights into the challenges and opportunities for energy firms in adopting these technologies. Another important area for research is the role of regional financial integration in improving treasury efficiency. Although initiatives like the AfCFTA have the potential to enhance cross-border financial flows, little is known about how regional financial markets can be leveraged to optimize liquidity management for energy firms. Studies exploring the effects of regional financial hubs, integrated payment systems, and cooperative banking arrangements will provide valuable insights into how Sub-Saharan energy firms can streamline their treasury functions across multiple jurisdictions.

Finally, the development of standardized metrics for assessing the effectiveness of cash liquidity optimization strategies in Sub-Saharan energy firms remains a key research gap. Research can focus on creating robust performance indicators and benchmarks that help energy firms assess their liquidity management practices and identify areas for improvement. Longitudinal studies examining the impact of these practices on financial stability, risk mitigation, and profitability would provide essential evidence to guide policy reforms and best practices for treasury management.

The future of treasury management in Sub-Saharan energy firms is heavily influenced by advancements in fintech, emerging trends in financial integration, and policy reforms that aim to improve liquidity management and cross-border treasury efficiency (Perez-Saiz and Sharma, 2019). As these firms increasingly adopt innovative technologies and strategies, it will be essential for future research to address existing gaps, particularly in the areas of fintech, regional financial integration, and standardized metrics for assessing treasury practices. By addressing these research needs, energy firms in Sub-Saharan Africa can improve their treasury management functions and achieve greater financial

stability and growth in the region's dynamic economic environment.

### 3. Conclusion

This review has explored the crucial aspects of liquidity optimization and cross-border treasury strategies in Sub-Saharan energy firms, highlighting both the challenges and opportunities that exist in the region. The key insights emphasize the importance of effective cash liquidity management, particularly in the face of volatile markets, political instability, and limited financial infrastructure. By optimizing cash flow visibility, leveraging digital platforms, and implementing efficient working capital management practices, energy firms can mitigate financial risks and enhance operational resilience. Additionally, cross-border treasury strategies, particularly in managing currency risks, structuring cash solutions across multiple jurisdictions, and understanding tax considerations, are vital for navigating the complexities of international energy markets.

For Sub-Saharan energy firms, adopting these best practices can significantly improve financial stability, operational efficiency, and competitiveness on a global scale. Policymakers play a pivotal role in shaping an enabling environment by enacting regulations that enhance liquidity management, simplify cross-border transactions, and support the development of financial infrastructure. By fostering regional financial integration and supporting fintech innovations, governments can help energy firms better manage their treasury functions in the face of challenges such as currency volatility, regulatory complexity, and fragmented banking systems.

To improve treasury management practices, it is recommended that Sub-Saharan energy firms invest in digital tools such as cloud-based treasury management systems and real-time data analytics to enhance decision-making. Furthermore, energy firms should engage in partnerships with regional banks and leverage multi-currency accounts to streamline cross-border treasury functions. Policymakers must focus on implementing reforms that reduce barriers to cross-border financial transactions, improve access to credit, and support the integration of digital finance solutions. Addressing these areas will ensure that Sub-Saharan energy firms can optimize their liquidity, strengthen their treasury strategies, and thrive in an increasingly interconnected global economy.

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