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FINANCIAL RISK MANAGEMENT PRACTICES AND FINANCIAL PERFORMANCE OF DEPOSIT MONEY BANKS IN NIGERIA

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Abstract

This study aims to assess the effect of financial risk management practices on the financial performance of deposit money banks quoted on the Nigerian Stock Exchange (NSE) *for the period 2014-2018. Secondary data was obtained from annual financial reports of a sample of 10deposit money banks. Financial risk management practices are proxy by loans and advances ratio as a measure of credit risk, liquidity ratio as a measure of liquidity risk and cost to income ratio as a measure of operational risk, while return on assets as a measure of financial performance. Panel regression technique was used for data analysis. The findings show that credit risk has significant positive effect on financial performance, while operational risk also has significant negative effect on the financial performance of banks in Nigeria. However, liquidity risk has insignificant effect on financial performance of deposit money banks. The study therefore recommends that management of deposit money banks in Nigeria should ensure that the banks' formulated policies and laid down procedures for appraisal and approval of credit facilities are strictly followed and applied by credit officers. Management should also ensure effective and efficient management of the banks liquid and current assets. The central bank of Nigeria and other relevant agencies should make economic and financial policies that would facilitate the factors enhancing the profitability of deposit money banks in Nigeria.*

Keywords: Credit Risk, Financial Performance, Liquidity Risk, Operational Risk, Return on Assets

JEL Classification: G30; G32; G33

1. Introduction

The nature of business operations carried out by the banking institutions exposes them to some financial risks which if not effectively managed could result in financial distress. Indeed, the banking industry has over the years suffered some financial challenges due to large amount of nonperforming loans and advances. This problem of bad debts is mostly worsened by the non-performance by the credit officers who extend credit facilities to customers without following the basic tenets and criterion of lending. For example, Bello (2020) asserts that deposit money banks in Nigeria have faced wide spread of financial damages, which had led to declaration of many banks as distressed and consequently resulted in mergers and acquisitions. Similarly, Shafiq and Nasr (2010) note that banking sector has faced varying risks such as credit risk, market risk, foreign exchange risk, inflation rate risk, capital adequacy risk, operating risk and many other forms of risk due to political instability and volatile economic environment. Kajola, Olabisi, Adedeji and Babatolu(2018) argued that any default by customers in the repayment of loans and advances as and when due may lead to bad debts which may consequently cause an adverse effect on the financial heath, profitability of bank and its going concern status.

Consequently, the issue of financial risks experienced in the banking sector and effective management practices and strategies necessary to manage such risks have attracted a lot of attention and interest from researchers, scholars and practitioners in the field of finance over the years. Selma, Abdelghani and Rajhi (2011) posit that risk management as a technical discipline in the field of corporate finance has been of paramount importance to the banking industry as it ensures the financial stability of banks and economic sustainability of a nation. Therefore, a banking sector that is strong and resilient is critical for the growth and development of the nation's economy (Charmler, Musah, Akomeah & Gakpetor, 2018).

The activities and operations of deposit money banks play a vital role towards the development of financial sector in particular and economic growth of the nation in general. This is done through the creation and provision of funds which facilitates transactions and economic activities in the economy. Therefore, poor risk management practices and noncompliance with rules, laws and weak internal control could lead to the deterioration in capital adequacy, failure in the banking sector and thereby causing a direct adverse effect on shareholders' funds and the entire economy of the nation

(Olukotun, James & Olurunfemi, 2013; Olalere, Omar & Ahmad, 2016). Conversely, banks that have sound risk management practices and strong internal control systems in place are likely to operate effectively and survive in business.

Several studies have been conducted for years in many foreign countries on the impact of financial risk management practices on the financial stability and performance of deposit taking banks (Harelimana, 2017; Ismail, AbdSamad & Romaila, 2018;Sathyamoorthi, Mapharing, Mphoeng & Dzimiri, 2020;Ali &Oudat, 2020;Ewool & Quartey, 2021). In Nigeria, appreciable empirical studies have been conducted by some authors. However, most of the studies have only exploredthe effect of credit risk management on the financial performance (Olalere, Omar &Ahmad, 2016; Harcourt, 2017; Kajola, Olabisi, Adedeji & Babatolu, 2018; Gambo, Bambale & Ibrahim, 2019). Although a few studies were conducted on the nexus betweenfinancial risk management and the financial performance of quoted deposit money banks in Nigeria(Oyerogba, Ogungbade & Idode, 2016; Chukwunulu, Ezeabasili & Igbodika, 2019). Therefore, this study attempts to broadly evaluate the effect of financial risk management practiced by quoted deposit money banks in Nigeria on their financial performance.

The study hypothesizes that loans and advances ratio, liquidity ratio and cost to income ratio have no significant influence on return on asset of quoted deposit money banks in Nigeria.

2. Literature Review

2.1 Conceptual Issues

Yahaya and Lamidi (2015) posit that financial performance is the state at which the financial objectives of the corporation are being achieved. Financial performance subjects to how efficiently a firm uses its assets in the course of its normal business operations in generating its revenue (Kajirwa, 2015). Similarly, Khrawish views financial performance as the financial well-being of a firm over time. On the other hand, Rejda (2011) defines risk management as a process of identifying and assessing the firm's financial loss exposures and determining the most effective techniques and strategies to be adopted in dealing with these risk exposures. Similarly, Buttimer, Clark and Ott (2008) view risk management as the process which the bank executes in order to control its financial losses and exposures. Thus, Muriithi(2016) views credit risk as a risk that arises when a debtor is not able or fails to repay his or her debt at maturity. He also opines that liquidity risk occurs when a bank is not capable of meeting its short-term debt obligations when they become due. Operational risk is a financial risk that a business suffers due to lack of effective business policies and procedures that facilitate the successful business processes and operations that to generate adequate revenue to firm (Rejda, 2011).

2.2 Empirical Review

Mahohta, Namusonge and Sakwa (2016) undertake a study to assess the influence of risk management on the performance of banks in Kenya. The study employs a mixed research design approach and primary data was collected using questionnaire and interview. A sample of 133 managers was selected randomly from the 43 licensed banks in Kenya. Multiple regression analysis was used to analyze the data. The findings indicate that credit risk, liquidity risk, interest risk and operational risk practiced by the banks are regularly monitored by the management. The study therefore observes that a significant positive association exists between risk management practiced by the deposit taking banks in Kenya and their financial performance. The study used a mixed method in collecting the data. However, it is inappropriate to obtain data on financial ratios through questionnaire.

Similarly, Olalere, Omar and Ahmad (2016) examine the effect of credit risk management on profitability of quoted deposit money banks in Nigeria. They document that poor and ineffective risk management practices reduce banks profitability which leads to low profit. Similarly, poor risk management causes the capital adequacy to deteriorate and directly affects the shareholders' funds. Conversely, the findings further reveal that the risk management effort does not frequently result in an enhanced financial performance of the banks or cause a growth in the return on equity.

Harelimana (2017) explores the role of risk management strategies on corporate performance of Unguka Bank Ltd in Rwanda for the period 2012 to 2016. Primary data was obtained using questionnaires administered to 30 employees of Unguka Bank Ltd. The study employed quantitative and qualitative techniques. Interviews were conducted for the bank staff. Findings from the study suggest that credit risk, operating risk and liquidity risk are the factors determining the risk management and consequently affect financial performance in Unguka Bank Ltd. The findings further reveal a strong link between risk management and bank financial performance. The study of one bank as a sample is not large enough to represent the banking industry in Rwanda; therefore the findings cannot be generalized.

In their study, Bagh, Khan and Razzaq (2017) evaluate the underlying influence of risk management strategies on the performance of some banks in Pakistan during the period 2004 to 2016. The study selected 18 top performing banks, which were classified into small, medium, large banks based on the market share served by

each bank. Financial data was sourced from published annual reports. Risk management was proxied by capital adequacy, operational risk, nonperforming loans, interest rate risk and liquidity risk, while financial performance was proxied by return on equity. The results from the descriptive statistics and regression analysis depict that risk management has significant influence on performance of all the banking groups listed in Pakistan. The classification of the banks based on market share makes it possible for adequate coverage of the banking sector.

In another study, Harcourt (2017) examines the influence of credit risk on bank performance in Nigeria using the over parameterized and parsimonious and granger causality. The financial data was extracted from Central Bank of Nigeria statistical bulletin, Stock Exchange fact book and World Development Indicators for the period 1989 to 2014. Result shows that total loans to deposit ratio, nonperforming loans to total loans and total loans to total asset have a significant causality association with return on equity and return on assets. The study considered only credit while ignoring other forms of financial risks associated with banking business.

Kalu, Shieler and Amu (2018) explore the link between credit risk management strategies and the performance of microfinance banks in Uganda during the period 2011 to 2015. Data was obtained using questionnaire administered to 60members of staff of and the annual financial reports 3 licensed microfinance banks as sample. The study uses frequencies and descriptive statistics and Pearson linear correlation coefficient in analyzing the data. The results show that credit risk appraisal and credit risk identification strongly and positively influence the financial performance of microfinance institutions. They further observed that credit risk monitoring and credit risk mitigation moderately and positively affect business performance of the microfinance banks listed in Uganda. The study considered appropriate strategies of managing financial risks. However, the sample size is not large enough to represent the banking industry.

Ismail, AbdSamad and Romaila (2018) analyze the influence of financial risk on financial performance of Islamic banks listed in Malaysia. The study covers most of the Islamic banks in Malaysia listed from 2008 to 2014. Secondary data was obtained from 15 Islamic banks and findings indicate that on the overall, capital risk and operating risk have strong relations with the financial performance. However, no correlation exists between credit risk, liquidity risk and the performance of the Islamic banks in Malaysia. The result of the findings may be applicable in the conventional banks as interest free banks are not exposed to other financial risk such as interest risk.

Kajola, Olabisi, Adedeji, Babatolu (2018) investigate to find the link between credit risk management and financial performance of Nigerian taking banks during the period 2005 to 2016. Nonperforming loans to total loans ratio, nonperforming loan to total deposit ratio and capital adequacy risk ratio were assessed as proxies for credit risk management. The random effect generalized least square regression was employed to analyze the secondary data. The results reveal that the study indicators of credit management significantly influence return on asset and return on equity as indicators of bank performance of the listed commercial banks in Nigeria. Although the study covered only credit risk management but has adequately assessed the indicators of credit risk associated with lending.

Similarly, Gambo, Bambale and Ibrahim (2019) examine the influence of credit risk management on corporate performance of deposit taking institutions in Nigeria from 2010 to 2018. Secondary data was used on 7 banks. The study proxied credit management by loans to total deposits ratio, credit risk, capital adequacy risk and solvency risk, while return on assets was used as a measure of financial performance, after controlling for firm size. The ex post factor research design was employed and data was analyzed using regression analysis. Findings reveal that loans to total deposits ratio, credit risk ratio and capital adequacy risk ratio have insignificant influence on return on asset, while solvency risk ratio and firm size have significant positive influence on return on asset.

Furthermore, Chukwunulu, Ezeabasili and Igbodika (2019) explore the impact of risk management on bank corporate performance in Nigeria for the period 1994 to 2016. Data was sourced for from the Nigeria Insurance Deposit Corporation (NIDC) annual reports. They observe that credit risk strategy has a significant negative influence on return on equity, and insignificant influence on return on asset. Liquidity risk and operating risk have no significant influence on banks corporate performance, while capital adequacy risk has positive influence on banks performance.

Kioko, Oweny and Ochieng(2019)explore the influence of financial risks management on banks performance in Kenya from 2014 to 2018. The proxies used as measures of financial risk were credit risk ratio, market risk ratio, liquidity risk ratio and operational risk ratio. A sample of 11 banks was selected from the target popular of 44 banks. Secondary data was analyzed using multiple regression technique. The findings show that credit risk, market risk and operational risk have a significant positive influence on bank performance, while liquidity risk has a significant but negative influence on the performance of banks in Kenya.

In another related study, Laar and Adjei (2020) evaluate the influence of credit risk management effort of some banks in Ghana on their performance. Explanatory research design was adopted and a census sampling was used in selecting 4 banks. Secondary data was used.Results from regression analysis depict that credit risk has a negative influence on the performance of the banks. Credit risk ratio has a negative association with capital adequacy risk, asset quality, management quality, earnings and profitability and liquidity. The study further concludes that ineffective credit management practice causes poor performance of deposit money banks listed in Ghana.

Sathyamoorthi, Mapharing, Mphoeng and Dzimiri (2020) evaluate the influence of financial risks on corporate performance of 10 deposit taking banks listed in Botswana from 2011 to 2018. Return on asset and return on equity were used as measures of financial performance, while inflation rate, interest rate, total debts to total asset ratio, total debts to total equity ratio and loans to deposit ratio were used as indicators of financial risk. Secondary financial data was used and results of the regression analyses show that interest rate has a significant influence on return on assets and return on equity. Total debt to total asset has a negative insignificant influence on return on asset. Conversely, total debts to total asset has an insignificant but positive influence on return on equity, while loan deposits ratio also has a significant but negative influence on return on asset and return on equity respectively.

Ali and Oudat (2020) explore the effect of credit risk management on financial performance of 11 banks listed in Bahrain during the period 2014 to 2018. Secondary financial data was gathered from the database of the Bahrain Stock Exchange. Financial risk was proxied by capital risk, exchange rate risk, liquidity risk and operating risk, while financial performance was proxied by return on asset respectively. The result of the regression analysis reveals that exchange rate risk, liquidity risk and operating risk have insignificant influence on the performance of the banks. The results further indicate that capital risk positively and significantly influence the banks performance.

In a recent study conducted in Ghana, Ewool and Quartey (2021) attempt to determine the influence of risk management on performance of some microfinance banks in Ghana. The bank financial performance was measured by return on equity and return on asset respectively. A five Likert scale questionnaire was administered to staff members of 10 microfinance banks with closed ended questions on risk identification, risk appraisal, risk control, as proxies for risk management. The results show to a great extent the use of risk identification, risk monitoring, risk appraisal, risk control practiced by the microfinance banks in Ghana affect their performance.

2.3Theoretical Review

This study is anchored on the Financial Distress Theory. A firm is said to be in financial distress when its business performance deteriorates to the point where it cannot fulfill its financial obligations (Baldwin &Scott, 1983). It is a state in which a corporation is unable to generate revenue to meet its financial obligations. This situation poses an operational risk which results in deterioration of the firm's financial performance, posing challenges in raising funds. This by extension affects the inability of a money deposit bank to meet deposit withdrawal needs of depositors and loan disbursements to applicants which consequently creates a liquidity risk. Conversely, a credit risk occurs as a result of non-performing loans caused by borrowers delay in repaying their loans owed to the bank. Therefore, these financial situations constitute financial distress that prompt management of a bank to make corrective or preventive efforts in order to improve on its financial performance (Whitaker, 1999).Thus, this study adopts the financial distress theory as suitable in explaining the relationship between financial risk management and financial performance since it proposes that liquidity, credit risks and operating risks are predictors of financial distress (Wamalwa & Mukanzi, 2018).

3. Methodology

The correlational research design was employed since the study attempts to assess the effect of explanatory variables on dependent variable. A sample of10 banks was selected from population 18 banks on the basis of availability of data through the use of convenience sampling method. Secondary data was used and the data on the explanatory and dependent variable was sourced for from the annual reports of the selected quoted deposit money banks in Nigeria from 2014 -2018respectively.In view of the panel nature of the data, the study employed Ordinary Least Square model, Fixed Effect model and Random Effect model. The Hausman Specification and Breusch and Langragian Multiplier tests were also applied in order to have suitable model for the study. Additional tests for normality, heteroscedasticity and multicollinearity were carried out in order to comply with the classical assumptions of regression analysis. The data was analyzed via the aid of STATA 14 software.

The following model was employed in testing the research hypotheses formulated for the study and the model is specified based on empirical framework using the variables to be studied as explained:

$ROA_{it} = \beta_0 + \beta_1 LAR_{it} + \beta_2 LQR_{it} + \beta_3 CIR_{it} + \varepsilon_{it}$ ……i

ROA= Return on asset, measured as the earnings before interest and tax divided by total assets, measure of financial performance (Ali & Oudat, 2020).

LAR= Loans and advances ratio, measured as total loans and advances divided by total deposit, measure of credit risk (Sathyamoorthi, Mapharing, Mphoeng & Dzimiri, 2020).

LQR= Liquidity ratio, measured as liquid assets divided by total liabilities, measure of liquidity risk (Ali & Oudat, 2020).

CIR= Cost to income ratio, measured as operating expenses divided by gross income, measure of Operational risk (Kioko, Oweny & Ochieng, 2019)

ε = Error term

β_0 = intercept

$_i$=period i

$_t$ = time t

β_1, β_2, and β_3= the various slope coefficients of the explanatory variables.

4. Result and Discussion

Table 1: Descriptive Statistics

Variables	Mean	Std. Dev.	Min.	Max.	Obs.
ROA	0. 023	0.014	0.001	0.059	50
LAR	0.610	0.132	0.391	0.889	50
LQR	0.182	0.133	0.016	0.911	50
CIR	0.349	0.199	0.076	1.191	50

Source: Extracted from STATA Output, 2021

As depicted in able 1, the mean for return on asset of 0.023 shows a standard deviation of 0.014. This implies that on average, the shareholders of the deposit taking banks quoted on the Nigeria Stock Exchange earn a return on their investment of 2.30%, while the standard deviation compared to the mean indicates that there was a very small dispersion in the rate of return on investment earned by the shareholders of the banks during the period under study. Some banks had a relatively low return on assets during the period under review. This is evident from the minimum value of 0.001. The maximum value of 0.059 also implies that the banks with high return on assets performed better than the banks with lower return on assets during the period.

The mean of loans and advances ratio of0.610 suggests that on average, the total loans and advances extended by the banks was 61% of the total deposits, which was relatively high. The standard deviation of 0.132compared to the mean loans and advances ratio indicates that there was a wide dispersion in the amount of credit facilities extended by the banks during the period under study. The minimum value of 0.391 and the maximum value of 0.889indicate that some quoted commercial banks granted small amount of loans and advances while others extended huge amounts as loans to their customers.

The liquidity ratio has a mean value of 0.182 and a standard deviation of 0.133 respectively, implying that on average the selected deposit money banks were able to utilize their current assets to settle about 8.2% of their short-term debts during the period under consideration. The standard deviation of 0.133 compared to the mean value of the liquidity ratio shows that there is a considerable dispersion in the ability of the banks to settle their short-term financial obligations from their current assets. The minimum value of liquidity ratio of 0.016 is. On the other hand, the maximum value of 0.911 suggests that some banks were low liquid while some were high liquid during the period.

Lastly, the descriptive statistics for mean value of cost to income ratio of 0.349 shows that on average, the selected commercial banks could meet about 34.9% of their operating costs from the income generated during the period under study. Also, the standard deviation of 0.199 suggests that there was a considerably small dispersion in the income generated by the banks and their ability to meet the running expenses during the period. The minimum value of 0.076 and maximum value of 1.191show that some banks generated low amounts of income while others generated high amounts of income during the period under consideration.

Table 2: Correlation Matrix Results

Variables	ROA	LAR	LQR	CIR
ROA	1.0000			
LAR	0.4069	1.0000		
	0.0053			
LQR	-0.1931	-0.2947	1.0000	
	0.1790	0.0378		
CIR	-0.3316	-0.2802	-0.0205	1.0000
	0.0186	0.0487	0.8878	

Source: Extracted from STATA Output, 2021

Table 2 shows that the loans and advances ratio is positively correlated with return on asset. However, liquidity ratio and cost to income ratio are negatively related with return on asset. Similarly, the relations among the explanatory variables are shown in Table 2. The correlation between loans and advances ratio and liquidity ratio is -0.2947 with a p-value of 0.0378 which signifies that it is negative but significant at 5% level. Furthermore, the correlation between loans and advances ratio and cost to income ratio is -0.2802 with p-value of 0.0487indicating that it is negative and significant at 5% level. Lastly, the correlation between liquidity ratio and cost to income ratio is -0.0205 with a p-value of 0.8878 which signifies that it is negative and not significant at all level. The relations among them are weak.

Table 3: Summary Results of Diagnostic Checks

Variables		VIF	Tolerance
LAR		1.19	0.838
LQR		1.10	0.909
CIR		1.09	0.917
Hettest Chi^2	0. 0327		
Hausman Chi^2	0.4625		
Breusch- Pagan	0.2638		

Source: Extracted from STATA Output, 2021

From table 3, the results of the multicolinearity test clearly depict that variance inflation factor value and tolerance value for each explanatory variable is consistently less than 10 and greater than 0.10 respectively, signifying that the variables do not pose multicolinearity problem with one another, as rule of thumb (Gujarati & Porter, 2009). This indicates that the model is suitable. Similarly, the result of the hereroscedastiscity test with a chi square probability of 0.0327 indicates the presence of hereroscedastiscity. In addition, Hausman specification test result shows chi square probability of 0.4625 implies that Random Effects model is better than Fixed Effects model. Furthermore, the Breusch- Pagan Lagrangian multiplier test for Random Effects was conducted which revealed a chi square probability of 0.2638 implying that Ordinary Least Square is better that Random Effects. Consequently, robust standard errors were eventually used for analysis and drawing logical inferences on the data obtained on the variables.

Table 4: Robust ORL Regression Result

Variables	Coefficients	P-values
LAR	0.0325	0.019
LQR	-0.0101	0.173
CIR	-0.0169	0.023
Constant	0.0110	0.271
R^2	0.2255	
Adj. R^2	0.1749	
F-Stat	4.4600	
Prob>F	0.0018	

Source: Extracted from STATA Output, 2021

As shown in Table 3, the value of the coefficient of determination (R^2) of 0.2255indicates that loans and advances ratio, liquidity ratio and cost to income ratio explain only 22.55% of the variations in the financial performance. This suggests that other factors determining the financial performance not considered in this study contribute 77.45%. Similarly, the adjusted R^2 of 0.1749 implies that after adjusting for the number of observations, only 17.49% of the variations in the financial performance are explained by loans and advances ratio, liquidity ratio and cost to income ratio. The F-Stat of 4.46 and Prob>F of 0.0018 show that the model is fit.

From Table 3, the coefficients for loans and advances ratio of 0.0325 indicates that loans and advances, a measure of credit risk has a positive relationship with return on asset, an indicator of financial performance. The p-value of 0.019 also signifies that the association between credit risk ratio and performance is significant at level 5% significance level. Consequently, the study rejects null hypothesis which states that loans and advances ratio has no significant influence on financial performance of banks in Nigeria. This means that the financial performance of deposit money banks in Nigeria is positively significantly influenced by the credit risk management strategy adopted by banks, implying that for 1% increase in credit risk, holding other things constant, profitability will increase by 3.25%. This finding is in support of the financial distress theory which contends that credit risk management affects the financial performance of corporations. This result is in close consonance with the findings observed by Makohta, Namusonge and Sakwa (2016),Kioko, Oweny and Ochieng (2019)and Laar and Adjei (2020)where it was documented that credit risk management strategy is a major determinant of financial performance, but not in conformity with study by Ismail, AbdSamad and Romaila (2018), Sathyamoorthi, Mapharing, Mphoeng and Dzimiri (2020)which reported that credit risk has no influence on financial performance of banks.

Furthermore, the coefficient for liquidity ratio of -0.0101, a measure of liquidity risk as shown in Table 3 depicts a negative association with the return on asset. Also, the p-value of 0.173 indicates that the nexus between liquidity ratio and return on asset is statistically insignificant at all significance level. Thus, the study accepts the null hypothesis that liquidity ratio has no significant effect on financial performance of deposit money banks in Nigeria. This means that the financial performance of banks is insignificantly determined by liquidity risk. This signifies that liquidity risk management does not boost the financial performance of quoted deposit money banks in Nigeria. This result is in consonance with the financial distress theory, which proposes that liquidity risk management affects the financial performance of firms. This finding corresponds with findings of AbdSamad and Romaila (2018)and Ali and Oudat (2020)who noted that liquidity risk has a negative and insignificant correlation with financial performance, but contradicts the findings of Makohta, Namusonge and Sakwa (2016), Harelimana (2017) and Bagh, Khan and Razzaq (2017)who reported a significant positive association between liquidity risk management and financial performance.

Finally, the coefficient value for the cost to income ratio of -0.0169, a measure of operational risk shows that a negative correlation exists between cost to income ratio and return on assets, while the p- value of 0.023 further indicates that the relationship is significant at 5% level, implying that operational risk negatively significantly influences the financial performance of banks in Nigeria. Thus, the study rejects the null hypothesis that cost to income ratio has no significant influence on banks financial performance in Nigeria. The positive relationship therefore suggests that any 1% increase in operational risk management causes 1.69% decrease in financial performance and vice versa. It can therefore be deduced that the ability of the banks to generate sufficient earnings to meet their operating expenses boosts their financial performance. The result is in support of the financial distress theory. This finding is congruent with findings of Bagh, Khan and Razzaq (2017), Ismail, AbdSamad and Romaila (2018), Kioko, Oweny and Ochieng (2019), but not in line with Ali and Oudat (2020).

5. Conclusion and Recommendations

The study assesses the influence of financial risk management strategies on the financial performance of quoted deposit taking banks on the Nigerian Stock Exchange over the period (2014-2018). Arising from the findings, the study concludes that the financial performance of deposit money banks in Nigeria is significantly influenced by the credit risk and operational risk management strategies employed by the banks. However, the financial performance of the banks is insignificantly influenced liquidity risk management practice of the commercial banks quoted in Nigeria during the period under consideration. The study recommends that management of the banks should ensure that the banks' formulated policies and laid down procedures for the appraisal and approval of credit facilities are strictly followed and applied by credit officers to avoid default in loan repayment. The management should ensure effective and efficient management of the banks liquid and current assets to avoid short-term and long-term liquidity problem. The central bank of Nigeria and other relevant agencies should make economic and financial policies that would facilitate the factors that can enhance the profitability of the deposit money banks in Nigeria.

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