INTERNATIONAL JOUNAL OF: FINANCIAL RES. AND MANAGEMENT SCIENCE

TIMBOU-AFRICA ACADEMIC PUBLICATIONS
INTERNATIONAL JOURNAL, NOVEMBER, 2022 EDITIONS
VOL. 11 NO. 7 ISSN: 2773-1040

RISK MANAGEMENT STRATEGY AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM NIGERIAN BANKS

***BABALOLA, O.A; **OLAOYE B.O; ***OLADEJI, A.A; ****TOGUN, O.R,**

*Department of Banking and Finance, Osun State Polytechnic, Iree, Osun State, Nigeria **Department of Business Administration and Management, Osun State Polytechnic, Iree, Osun State, Nigeria.
***Department of Business Administration and Management Studies, the Polytechnic, Ibadan, Oyo State, Nigeria.
****Department of Accountancy, Osun State Polytechnic, Iree, Osun State, Nigeria

ABSTRACT

This study examines the effect of the risk management strategy on organizational performance with specific reference to the Nigerian selected banks. A sample of 150 staff members was conveniently selected from all the branches of the three selected banks in the Ibadan metropolis. The sample comprises 50 each from the banks. Consequently, 150 copies of the questionnaire were administered by the researchers to participants who volunteered to participate in the study. Pearson Correlation Coefficient and Path

Introduction

The banking sector is a strong pillar of economic sustainable development across the globe. Economic research establishes that a well-functioning banking system helps accelerate economic growth and poverty alleviation, while poorly-functioning banks can impede economic progress. The general role of commercial banks is to provide financial services to the general public and businesses, ensuring economic and social stability and sustainable growth of the economy (Oyedele, Adeyemi & Fasesin, 2018; Ogunlade & Oseni, 2018). Globally, there is no nation can experience sustainable development without a sound financial system (Alobari, Naenwi, Zukbee, & Grend, 2018). In Nigeria, the sector contributes 24% to Nigeria's GDP as of the first quarter of 2020 (National Bureau of Statistics 2020). In the same direction, Nwanna, and Oguezue (2017) argue that the banking sector has the opportunity to alter useful resource allocation and saving rates with an influence on long-term financial growth. Recently, the Nigerian banks have been bedeviled by asset management challenges owing largely to official recklessness amongst managers, unhealthily competition, adverse global economic conditions feeding through to the local economy and operating environment, low credit costs, and strong loan growth as the economy rebounded after the pandemic

Analysis were employed to analyze the data. The results establish that risk management practices have a significant association with banks' performance. Furthermore, results indicate that reveal that risk understanding, risk monitoring, and control, risk assessment and analysis, managing market risk, managing liquidity risk, and managing operational risk has a significant effect on a bank's performance, while risk identification and managing credit risk is not significantly influenced organizational performance. The findings of this research study, therefore, seem to support the claim that risk management contributes significantly to the performance of some Nigerian banks. Therefore, banks should develop active risk management processes to identify, measure, monitor, and control various risks, including credit, market, liquidity, and operational risks, and hold capital against these risks. it is also very important to consider the CBN Risk Management Guidelines, the formation of a comprehensive risk management system in Nigerian banks is not only a useful exercise to meet regulatory requirements, but also an effective practice to improve the performance of banking institutions.

Keywords: Risk Identification, Risk monitoring, Credit risk, Operational risk, Performance

shock (Owojori, Akintoye & Adidu, 2011; Kolapo, Ayeni & Oke, 2012). According to Fathi, Zarei, and Esfahani (2012), risks are uncertainties and in the banking sector, financial institutions are faced with a large number of risks. They argue that bankruptcy in the financial sector is costly, not only for the equity and debt holders of banks' but also for the taxpayers and the main goal of the bank's management is to maximize the shareholder's value. Peterson (2014) argues that the rapid growth in the banking sector of Nigeria has made it more leveraged and risky due to modern technological, product innovations, financial deregulations, and global market integration. According to Osuka, and Amako, (2015), poor risk management reduces bank profitability and leads to bank distress and/or failure. To support this revelation, Uwalomwa, et al (2015) confirm that poor implementation of risk management makes the banks' portfolio lead to the problem of bad debts in Nigerian banks which eventually made them perform below expectation.

As a result, the risk has undermined the confidence of depositors, shareholders, and foreign investors in the Nigerian banking sector. Banks in Nigeria are exposed to numerous financial and non-financial risk factors, including interest rate, liquidity, credit, market, operational, reputational, legal, and exchange rate risks, which can affect the survival and success of banks. (). According to a World Bank report (2020), Nigerian banks will be under stress until 2025 unless sound risk management is put in place.

In light of this forecast, the Central Bank of Nigeria has imposed risk management policies on Nigerian banks to improve their ability to cope with the competitive environment (Reta, 2011; Uwuigbe, Uwuigbe & Oyewo, 2015). It provides a detailed description of the main risks and sets out some key principles for any bank's risk management framework, regardless of complexity or size. According to these guidelines, risk management includes identifying, measuring, monitoring, and controlling risks to ensure that: The bank's risks are within limits set by the board of directors, all risk-taking decisions are aligned with the objectives and business strategy set by the Board, the expected payment compensates for the risk borne by the bank, all risk decisions are clear and unambiguous and sufficient capital is available as a buffer for taking risks (Uwuigbe, Uwuigbe & Oyewo, 2015).

Research shows that risk management in financial institutions is fundamental to fair and acceptable banking practices. According to Kagoyire and Shukla (2016), sound risk management is a prerequisite for the stability and continued profitability of financial institutions, and poor credit quality is the most common cause of poor financial performance and health. Apparently, Wambua (2010) found that risk management in the areas of interest rate, credit, foreign exchange, and liquidity risk contributes positively to bank management. Similarly, Owolabi, Oloyede, Iriyemi, and Akinola (2017) found a positive correlation between risk management practices and firm value. This means that risk management is one of the most important activities in any business and cannot be overlooked by any business entity involved in the lending business, regardless of the nature of that business. Risk management and organizational performance have received much research attention in developed and developing countries and have been measured and conceptualized in a variety of ways. However, the construct has not been studied and is still challenging in the Nigerian banking sector. Apparently, the existing literature on Nigerian banks often analyzes specific aspects of Nigerian banks such as credit management, capital management, bank reform, capital structure, efficiency, etc. no one of them explored the relationship between them (Peterson, 2014; Ogunlade & Oseni, 2018). The above discussion highlights that there is an opportunity for special research in the area of Nigerian banking risk management. Therefore, this research intends to explore the above potential research gaps by addressing the full range of risk factors and particularly in examining the relationship between risk management and performance

Review of related literature

Risk in banking

The term risk in banking has been broadly defined by various scholars. These days, there is no universally accepted definition of risk in banking. Different authors have used different approaches to describe the scope of this term. For example, Rahman, Abdullah, and Ahmad (2012) see risk in banking as the risk of the unpredictability of outcomes with possible variations in desired or expected returns. Ghosh (2012) defines bank risks as potential risks that could arise from adverse events such as economic downturns, adverse changes in tax and trade policies, adverse interest or exchange rate movements, or declines in stock prices. Similarly, Schroeck (2002) interprets risk in banking as the undesirable impact on earnings of various sources of uncertainty. In addition, both contain the caveat that banks' risks depend on real-world conditions, which again consist largely of an amalgamation of conditions in the external environment. According to Ishtiaq (2015), given all the above definitions, the term risk in a bank is defined as the probability of an event or threat that could disrupt a bank's core earning capacity or increase earnings and cash flow volatility. Banking risk can therefore be described as the potential loss of a bank due to the occurrence of certain events. Previous research has shown that the main risks in banking operations include credit risk, interest rate risk, market risk, liquidity risk, solvency risk, and operational risk (Oyedele, Adeyemi & Fasesin, 2018).

Risk Management

The concept of risk management in banking emerged in the 1990s. However, prior to the 1990s, risk management was used to describe the techniques and risks associated with insurance. This type of risk management is the purchase of traditional insurance products that are appropriate for each case to protect against future dangers. Recently, derivatives have also been promoted in financial markets as risk management tools for hedging purposes (Uwuigbe, Uwuigbe & Oyewo, 2015; Uwuigbe, Uwuigbe & Oyewo, 2015). This form of risk management is often referred to as "financial risk management" and derivatives are used as a solution to manage the risks associated with financial activities. Risk management is not a new term in many fields, from business to the military to the environment. Moreover, traditional risk management approaches in the financial and insurance industry have been used for decades in various risk management functions such as audit, credit risk management, and market risk management. Risk management in banking is theoretically defined as "the logical development and execution of plans to deal with potential losses". Typically, the focus of risk management practices in the banking industry is to manage the risk of loss or exposure of a financial institution and protect the value of its assets (Uwuigbe, Uwuigbe & Oyewo, 2015; Uwuigbe, Uwuigbe & Oyewo, 2015).

Risk management practices have been measured differently by different scholars. For example, Nazir, Daniel, and Nawaz (2012) conceptualize risk management through risk identification, risk assessment and analysis, and risk monitoring. A study by Abu Hussain and Al-Ajmi (2012) measures risk management in terms of risk management, risk identification, risk assessment analysis, risk surveillance, and credit risk management. Similarly, Hassan (2011) measures risk management practices as risk identification, risk assessment and analysis, and risk monitoring. Research conducted by Bilal, Talib, and Khan (2013) conceptualizes risk management practices as risk understanding, risk identification, risk assessment and analysis, risk monitoring, and credit risk management. . Therefore, in this latest research, through risk understanding, risk identification, risk assessment and analysis, risk monitoring and control, credit risk management, market risk management, liquidity risk management, and operational risk management. , which conceptualizes the practice of risk management.

Theoretical review

Transaction Cost Theory

Previous research has linked many theories such as Agency theory (Sufi & Qaisar, 2015; Moti, Masinde, Mugenda & Sindani, 2012), Institutional theory (Lucy, 2015; Linet & Willy, 2017), Stakeholder theory (Ngwira & William, 2017), Transaction cost theory (Oloyede, Adeyemi & Fasesin, 2018; Njeru, Mohhamed & Wachira, 2017), Shiftability Theory (Peterson, 2014; Ogunlade & Oseni, 2018), Anticipated Income Theory (Ahamed, Abdul & Abdul, 2016; Alobari, Naenwi, Zukbee, & Grend, 2018),Credit Risk Theory (Reta, 2011; Uwuigbe, Uwuigbe & Oyewo, 2015), Liability Management Theory (Owojori, Akintoye & Adidu, 2011; Kolapo, Ayeni & Oke, 2012). This current study is therefore based on traditional cost theory as the theory is relevant to research. Transaction cost theory states that organizations always try to minimize transaction costs through internal resource management or outsourcing of services (Williamson, 2010). From the same perspective, Oloyede, Adeyemi, and Fasesin (2018) postulate that all types of transactions generate coordination costs for monitoring, controlling, and managing transactions. According to Williamson (2010), transaction cost theory states that the goal of an organization is to minimize the costs associated with transactions. Njeru, Mohhamed & Wachira (2017) found that transaction costs can be distinguished from production costs and that decision-makers choose between using a fixed structure or procuring from the market by comparing transaction costs to internal production costs. It shows what you can do. Therefore, the cost is the main determinant of such decisions. Milcah, Kirichi, and Joseph (2014) argue that transaction costs in credit markets are driven by a variety of processes, including finding and gathering relevant information about customers, negotiation procedures and contracts, opportunistic customer behavior, and failure to extend credit. It claims to be an indirect financial cost. the terms, risk aversion behavior associated with credit allocation, and monitoring and enforcement costs incurred in determining whether customers are complying with the terms of the contract; Transaction cost theory, therefore, allows the banking sector to have a healthier ability to monitor and enforce loan repayments. All these benefits give providers a cost advantage over financial institutions (Nduta, 2013). Correspondence. The theory of transaction cost economics makes it very difficult for banks to determine whether a borrower is able to pay (a viable project) and/or is willing to pay (because of moral hazard). banks argue that they have no interest in providing credit to their customers (Eppy, 2005). Driga (2012) found that lack of adequate and reliable collateral, lack of adequate risk management tools, ignorance of complex information about borrowers, and perceived risks are all contributing factors to Nigeria's commercial banks providing much-needed funding. Strengthen this argument by pointing out that it means you don't want to.

Empirical Review

Available research provides empirical evidence that risk management practices are critical to banking institution performance. For example, Tanui, Wanyoike, and Ngahu (2015) stated that risk management is very important to protect bank assets and shareholder interests. A study by Oloyede, Adeyemi, and Fasesin (2018) demonstrates that risk management is highly relevant to organizational performance. Moti, Masinde, Mugenda & Sindani (2012) found that risk management practices align with the compliance function in terms of compliance requirements, improve a bank's reputation, increase its chances of attracting more customers, and increase the bank's cash flow. Zimbe (2011) conducted a study in Uganda on the role of internal audit and risk management in bank organizational performance. The results show that internal audit and risk management have a significant impact on organizational performance. Similarly, Ahamed, Abdul, and Abdul (2016) conducted a study on the impact of credit risk management on the lending performance of banks in the Ampara district of Sri Lanka. Results show that credit rating, affordability, technical feasibility, creditworthiness, risk transfer, risk diversification, and risk retention are not significantly associated with credit performance. Similarly, Linet and Willy (2017) conducted a study on Kenyan commercial banks and found a positive association between risk management and defined benefit lending.

Another study conducted in Kenya by Njeru, Mohhamed, and Wachira (2017) reaffirms that risk management has a direct link with organizational performance. A similar study conducted in Zambia showcases that risk management practices impact loan performance in selected microfinance banks. Moti, Masinde, Mugenda, and Sindani (2012) also attest that risk management practices such as risk understanding, risk identification, risk assessments, and analysis, risk monitoring and control, managing credit risk, managing market risk, managing liquidity risk, and managing operational risk are independently ad jointly predictors of organizational performance. Similarly, Alobari, Naenwi, Zukbee, and Grend (2018) also confirm that a positive and significant relationship exists between risk identification; risk assessment and analysis, risk monitoring, and organizational performance. The study by Abu Hussain and Al-Ajmi (2012) also establishes that risk management, risk identification, risk assessment analysis, risk monitoring, and managing credit risk have a significant relationship with organizational performance. In the same vein, Hassan (2011) proves that risk identification, risk assessment and analysis, and risk monitoring are predictors of organizational performance. The study conducted by Bilal, Talib, and Khan (2013) also demonstrates that understanding of risk, risk identification, risk assessment and analysis, risk monitoring, and managing credit risk are major determinants of banks' performance.
Based on the empirical review, the following hypotheses emerged:

H_1: Risk understanding is significantly associated with organizational performance
H_2: Risk identification is significantly associated with organizational performance
H_3: Risk assessments and analysis are significantly associated with organizational performance
H_4: Risk monitoring and control are significantly associated with organizational performance
H_5: Managing credit risk is significantly associated with organizational performance
H_6: Managing market risk is significantly associated with organizational performance
H_7: Managing liquidity risk is significantly associated with organizational performance
H_8: Managing operational risk is significantly associated with organizational performance

Methodology

Sample and procedure

The study population comprises permanent staff members of the three selected Nigerian banks, as it is primarily responsible for the implementation of risk management practices. The sample was selected using non-probability sampling techniques. First, a purposive sampling technique was used to select the three banks (Guaranty Trust Bank, Zenith Bank, and First Bank). The selection was based on the fact that they are three of the biggest five banks in Nigeria, it is assumed that some degree of uniformity is expected in the implementation of CBN risk management guidelines and other related policies and practices. Thereafter, a sample of 150 staff members was conveniently selected from all the branches of the three selected banks in the Ibadan metropolis. The sample comprises 50 each from the banks. Consequently, 150 copies of the questionnaire were administered by the researchers to participants who volunteered to participate in the study. At the end of the period, 135 copies of the questionnaires were returned representing a response rate of 0.90%. 30% of them came from the GTB, 50% of respondents came from the First bank, and only 20% of them came from Zenith Bank. 68% of the respondents were male and 32% were female. This trend suggests that men make up the majority of respondents. This distribution may be due to the fact that in most Third World countries, men are culturally more educated than women. Forty-five percent of respondents were between 40-55 years, 36% were between 30- 45 years, and only 19% were above 55 years. The average age of most respondents is 44 years. This means that most faculty members are still very young, energetic, and active. This development means that they can still make a meaningful contribution to the banking sector. 55% of respondents have been in the banking industry for 15 years, 35% have been in university for 10 years, and 10% have been in university for over 30 years. Years of banking experience show that most of them understand the risk management practices that inevitably determine their coping strategies.

Measurements

This study included eight scales: (1) risk understanding, (2) risk identification, (3) risk monitoring and control (4) risk assessment and analysis, (5) managing credit risk, (6) managing market risk, (7) managing liquidity risk and (8), managing operational risk. Each scale was measured using multiple items, while the respondents responded on a 5-point Likert Scale ranging from 1(strongly disagree) to 5 (strongly agree)

Risk Understanding Scale (RUS): The 4-item scale was developed and validated by Ishtiaq (2015). Sample items are; there is a common understanding of risk management across the bank, there is a proper system for understanding various risks implemented in the bank, and Responsibility for risk management is clearly set out and understood throughout the bank. The author reported a Cronbach's Alpha coefficient of 0.782 and composite reliability of 0.825.

Risk Identification Scale: This 5-item scale of leadership capability was derived from the study of Oyedele et al (2018). Sample items are: the bank carries out a compressive and systematic identification of its risks relating to each of its declared aims and objectives, the bank finds it difficult to prioritize its main risks and the bank is aware of the strengths and weaknesses of the risk management systems of other banks. The authors reported a Cronbach's Alpha coefficient of 0.799 and composite reliability of 0.809.

Risk Monitoring and Control Scale: This 4-item scale was adopted from the work of Moti et al (2012). Sample items are: " monitoring the effectiveness of risk management is an integral part of routine management reporting, the level of control by the bank is appropriate for the risks that it faces and reporting and communication processes within the bank support the effective management of risk. The authors reported a Cronbach's Alpha coefficient of 0.860 and composite reliability of 0.819.

Managing Credit Risk Scale: The 5-item scale developed and validated by Ahamed, Abdul, and Abdul (2016). Sample items are: "the credit risk strategy set by the Board of Directors are effectively transformed and communicated within the bank in the shape of policies and procedures by the top management, the bank has a credit risk rating framework across all type of credit activities, and the bank regularly prepares periodic report of credit risk. The authors reported a Cronbach's Alpha coefficient of 0.719 and composite reliability of 0.822.

Managing Market Risk Scale: The 4-item scale developed and validated by Linet and Willy (2017). Sample items are: "the market risk strategy set by the Board of Directors are effectively transformed and communicated within the bank in the shape of policies and procedures by the top management, the bank regularly prepares periodic report of market risk and the bank's overall

TIJFRMS
ISSN: 2773-1040

market risk exposure is maintained at prudent levels and consistent with the available capital. The authors reported a Cronbach's Alpha coefficient of 0.771 and composite reliability of 0.815.

Managing Liquidity Risk Scale: The 4-item scale developed and validated by Alobari et al., (2018). Sample items are: "there is a proper set of rules and guidelines, for managing liquidity risk, available in the bank, the bank regularly prepares periodic report of liquidity risk and applications of liquidity risk management techniques reduce costs or expected losses The authors reported a Cronbach's Alpha coefficient of 0.749 and composite reliability of 0.888.

Managing Operational Scale: The 5-item scale developed and validated by Ishtiaq (2015). Sample items are: "there is a proper set of rules and guidelines, for managing operational risk, available in the bank, senior management of the bank transforms the strategic direction given by the board through operational risk management policy, and the bank regularly prepares periodic report of operational risk. The author reported a Cronbach's Alpha coefficient of 0.707 and composite reliability of 0.818.

Organizational Performance Scale: The 6-item scale developed and validated by Oyedele et al (2018). Sample items are: "Book-value per share has improved to a great extent, return on assets ane equity improved to a great extent, staff appearance and friendliness towards customers improved to a great extent and corporate governance has improved tremendously. The authors reported a Cronbach's Alpha coefficient of 0.787 and composite reliability of 0.899.

Pearson Moment Correlation Coefficient and Path analysis were employed to analyze the data.

Results and Discussion

Able 1: Relationship between variables

variable	1	2	3	4	5	6	7	8	9
1. OP	1.0000								
2. RU	0.6958	1.0000							
3. RI	0.6030	0.6460	1.0000						
4. RMC	0.6435	0.6408	0.6713	1.0000					
5. RAA	0.5682	0.8611	0.5805	0.5543	1.0000				
6. MMR	0.1383	0.1355	0.1675	0.1058	0.2338	1.0000			
7. MCR	0.5511	0.5978	0.8931	0.5598	0.5789	0.1542	1.0000		
8. MLR	0.8591	0.6297	0.5151	0.5159	0.5994	0.0772	0.5327	1.0000	
9. MOR	0.1413	0.1367	0.1666	0.1033	0.2261	0.9995	0.1538	.0809	1.0000

Table 1 depicts the relationship between risk management practices and organizational performance. The results reveal that organizational performance has a positive ad significant association with risk understanding (r = 0.6958, P<.05), risk identification (r = 0.6030, P<.05), risk monitoring and control (r = 0.6435, P<.05), risk assessment and analysis (r = 0.5682, P<.05), managing credit risk (r = 0.5511, P<.05) and managing liquidity risk (r = 0.8591, P<.05). This demonstrates that the risk management practices put in place by selected Nigerian banks have helped the sector build resilience and promote long-term sustainability, even in the face of COVID-19. Evidence further reveals that managing market risk (r = 0.6958, P<.05) and managing

TIJFRMS
ISSN: 2773-1040

operational risk ($r = 0.6958$, $P<.05$) are positive related with organizational performance but not significant. This may be due to rising inflation and unemployment, as well as volatility in Naira -dollar exchange rates due to volatile oil prices. These factors combine to curb consumption and investment, reduce government spending, and affect banking activity.

Table 2: Results of Path Analysis

Path	Coefficient	Std. Err.	Z-value	Probability	[95% Conf. Interval]	
OP <- RU	.464	.086	5.36	0.000	.2944065	.6338652
OP <-RI	.136	.083	1.64	0.100	-.0262843	.2998095
OP <-RMC	.144	.049	2.94	0.003	.0482011	.2410612
OP <-RAA	.420	.087	4.79	0.000	-.593154	-.248487
OP <-MCR	.087	.075	1.16	0.248	-.2363268	.061054
OP <-MMR	3.247	1.401	2.32	0.020	.5006755	5.993806
OP <-MLR	.725	.043	16.74	0.000	.6403863	.8102039
OP <-MOP	3.155	1.394	2.26	0.024	-5.888402	-.4228807

Table 2 summarizes the results of the path analysis for the study, which shows the relationship between risk management practices and organizational performance. The results reveal that risk understanding ($Z= 5.36$; $P <.05$), risk monitoring and control ($Z= 2.94$; $P <.05$), risk assessment and analysis ($Z= 4.79$; $P <.05$), managing market risk ($Z= 2.32$; $P <.05$), managing liquidity risk ($Z= 16.74$; $P <.05$), and managing operational risk ($Z= 2.26$; $P <.05$) are independently and significantly associated with organizational performance. The study is consistent with Njeru, Mohhamed, and Wachira (2017) that risk understanding, risk monitoring and control, risk assessment and analysis, managing operational risk are major predictors of bank's performance. A similar study conducted in Zambia also establishes that risk understanding, risk monitoring and control, risk assessment and analysis, and managing operational risk impact bank performance (see figure 1). A similar study by Moti, Masinde, Mugenda, and Sindani (2012) also attest that risk management practices such as risk understanding, risk assessments, and analysis, risk monitoring and control, managing market risk, managing liquidity risk, and managing operational risk are independently and jointly predictors of organizational performance. The study conducted by Bilal, Talib, and Khan (2013) also demonstrates that understanding of risk, risk assessment and analysis, and risk monitoring are major determinants of banks' performance. Hence, $\mathbf{H_1}$, $\mathbf{H_3}$, $\mathbf{H_4}$, $\mathbf{H_6}$, $\mathbf{H_7}$ and $\mathbf{H_8}$ are confirmed.

Evidence further reveals that risk identification ($Z = 1.64$; $P>.05$) and managing credit risk ($Z = 1.16$; $P>.05$) are not significantly influence organizational performance. This finding is contrary to the previous studies that risk identification and managing credit are major determinants of bank's performance (Oloyede, Adeyemi & Fasesin, 2018; Njeru, Mohhamed & Wachira, 2017; Ahamed, Abdul & Abdul, 2016; Alobari, Naenwi, Zukbee, & Grend, 2018). This may be due to rising inflation and unemployment, as well as volatility in Naira -dollar exchange rates due to volatile oil prices. These factors combine to curb consumption and investment, reduce government spending, and affect banking activity. Thus, $\mathbf{H_2}$ and $\mathbf{H_5}$ are not supported.

TIJFRMS
ISSN: 2773-1040

The findings of this survey imply that all selected banks should develop proactive risk management systems to address material risks such as credit, market, liquidity and operational risks. Apparently, CBN said that despite a challenging macro-economic environment exacerbated by the COVID-19 pandemic, eight Nigerian banks generated a whopping sum of N176.11billion as profit in the half-year ended June 30, 2022, an increase of 34.66 per cent over N130.78 billion profit earned in the corresponding period of 2021.

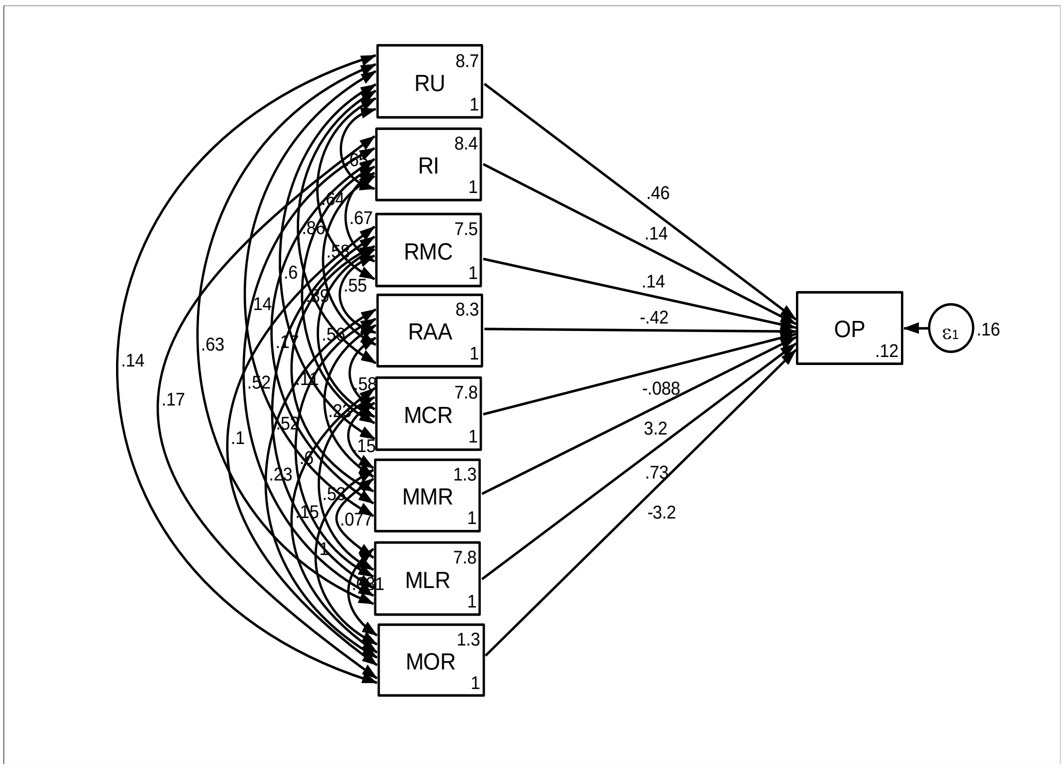

Figure 1: Path Analysis

Conclusion and Recommendations

This study examines the effect of the risk management strategy on organizational performance with specific reference to the Nigerian selected banks. The results establish that risk management practices have a significant association with bank performance. Furthermore, results indicate that reveal that risk understanding, risk monitoring, and control, risk assessment and analysis, managing market risk, managing liquidity risk, and managing operational risk has a significant effect on a bank's performance, while risk identification and managing credit risk is not significantly influenced organizational performance. The findings of this research study, therefore, seem to support the claim that risk management contributes significantly to the performance of some Nigerian banks.

This shows that an effective risk management framework for Nigerian banks depends on many important factors. The effectiveness of risk management practices is highly dependent on the

TIJFRMS
ISSN: 2773-1040

proper understanding of risk and risk management among Nigerian bankers. Banks should therefore develop active risk management processes to identify, measure, monitor, and control various risks, including credit, market, liquidity, and operational risks, and to hold capital against these risks. It is very important to consider the CBN Risk Management Guidelines, the formation of a comprehensive risk management system in Nigerian banks is not only a useful exercise to meet regulatory requirements, but also an effective practice to improve the performance of banking institutions.

References

Abu- Hussain, H. and Al-Ajmi, J., 2012. Risk management practices of conventional and Islamic banks in Bahrain. *The Journal of Risk Finance,* 13(3), pp.215 – 239.

Ahamed, L., Abdul, R, Abdul, H. M (2016). Influence of Credit Risk Management on Loan Performance: Special Reference from Commercial Banks of Ampara District in Sri Lanka. *International Journal of Advances in Management and Economics. 4(6); 30-36.*

Alobari, C., Naenwi, M.O., Zukbee, S. A and Grend, M.D. (2018). Impact Of Credit Management On Bank Performance In Nigeria. *Equatorial Journal of Finance and Management Sciences,* 2018; 3 (1):17-23.

Bilal, A.R., Talib, N.B.A. and Khan, M.N.A.A., 2013. Remodeling of risk management in banking: evidence from the Sub-Continent and Gulf. *The Journal of Risk Finance,* 14(5), pp.468 – 489.

Driga, I. (2012). Financial risks analysis for a commercial bank in the Romanian banking system, *Annales Universitatis Apulensis Series Oeconomica*, 14(1), pp. 164-177.

Eppy, I. (2005) *Perceived Information Asymmetry, Bank lending Approaches and Bank Credit Accessibility by Smes in Uganda (*Unpublished thesis) Makerere University.

Fathi S, Zarei F, & Esfahani SS. (2012). Studying the role of financial risk management on return on equity. *International Journal of Business & Management.*7(9). 70-79.

Ghosh, A., 2012. *Managing risks in commercial and retail banking*. Chichester, United Kingdom: John Wiley and Sons Inc.

Hassan, A., (2011). Risk management practices of Islamic banks of Brunei Darussalam. *The Journal of Risk Finance,* 10(1), pp.23-37.

Ishtiaq, M (2015) Risk Management in Banks: Determination of Practices and Relationship with Performance. PhD Thesis of University of Bedfordshire.

Kagoyire A, and Shukla J. (2016). Effect of credit management on performance of commercial banks in Rwanda (A case study of equity bank Rwanda Ltd). *International Journal of Business and Management Review.* 4(4):1-12.

Kolapo, T.F. Ayeni, R.K & Oke, M.O. (2012). Credit risk and commercial banks' performances in Nigeria: a panel model approach", *Australian journal of business and management research,* vol. 2, No.2. pp. 31-38.

Linet, T. M and Willy, M. (2017). Effects of credit risk management on loan Performance in Kenyan Commercial Banks. *International Journal of Economics, Commerce and Management*; 5(9); 486-499.

Lucy, J.K (2015). Effects Of Credit Assessment On Loan Repayment In Microfinance Institutions In Nakuru Central Business District (CBD). Masters Thesis of Kabarak University.

Milcah, C., Kirochi, E. & Joseph, M. (2014). An evaluation of credit appraisal techniques adopted by commercial banks in Kenya in lending to small and medium-sized enterprises *European Journal of Business and Management* www.iiste.org 6(36):1-8.

Moti,H.O, Masinde, J.S, Mugenda, N.G., and Sindani, M.N. (2012). Effectiveness of Credit Management System on loan performance. Empirical Evidence from Microfinance sector in Kenya. *International Journal of Business, Humanities and Technology.* 2(16),99-108.

Nazir, M.A., Daniel, A. and Nawaz, M.M., 2012. Risk management practices: a comparison of conventional and Islamic banks in Pakistan. *American Journal of Scientific Research,* (68), pp.114-122.

Nduta, R. G. (2013). The effect of credit management on the financial performance of microfinance institutions in Kenya. M.Sc Dissertation, School Of Business, University Of Nairobi, Kenya.

Ngwira, L. and William, P. (2017). A critical evaluation of credit risk management and loan performance in microfinance institutions: A case of a leading microfinance company, Lusaka, Zambia. *International Journal of Multidisciplinary Research and Development*. Volume 4; Issue 11; November 2017; Page No. 131-136

Ngwira, L. and William, P. (2017). A critical evaluation of credit risk management and loan performance in microfinance institutions: A case of a leading microfinance company, Lusaka, Zambia. *International Journal of Multidisciplinary Research and Development*. Volume 4; Issue 11; November 2017; Page No. 131-136

Njeru, M. Mohhamed, S and Wachira, A. (2017). Effectiveness of Credit Management System On Loan Performance Of Commercial Banks In Kenya. *International Journal of Finance and Accounting*. 2(4), 106 – 122.

Nwanna IO, Oguezue FC. (2017). Effect of credit management on profitability of deposit money banks in Nigeria. *IIARD International Journal of Banking and Finance Research.* 3(2):137–161.

Ogunlade, O., and Oseni, M (2018). Credit Management Practices and Bank Performance: Evidence from First Bank. *South Asian Journal of Social Studies and Economics 1(1): 1-10,*

Osuka, B. and Amako, J. (2015). "Credit Management in Nigeria Deposit Money Banks (2003-2013) (A Study of Selected Deposit Money Banks)".*International Research Journal of Education and Innovation (IRJEI).* 1(3); 66 – 103

Owojori A, Akintoye I, Adidu F (2011). The challenge of risk management in Nigerian banks in the post consolidation era. Journal of Accounting & Taxation. 2011; 3(2):23-31.

Owolabi, A. O., Oloyede, F. A., Iriyemi, A. B., &Akinola, A. T. (2017).The Impact of Risk Management on the Profitability of Insurance Companies in Nigeria.*International Journal of Marketing and Technology, 7*(6), 1-26.

Oyedele, O, Adeyemi, A. Z., and Fasesin, O. O (2018). Credit Risk Management and Its Influence on the Financial Performance of Banks: A Study of Selected Banks in Nigeria. *South Asian Journal of Social Studies and Economics*. 2(2): 1-11.

Peterson, M. K (2014). The Effect Of Credit Risk Management Practices On Loan Performance In Microfinance Institutions In Nairobi, Kenya. Masters Thesis of University of Nairobi, Kenya.

Rahman, N.A.A., Abdullah, N.A.H. and Ahmad, N.H., 2012.*Banking risk: ownership structure, moral hazard and capital regulation.* Saarbrucken, Germany: Lap Lambert Academic Publishing.

Reta, F. (2011). Determinants of loan Repayment Performance: A case study in the Addis Credit and Saving Institution, Addis Ababa, Ethiopia. Master's Thesis of Wageningen University

Schroeck, G., 2002. Risk management and value creation in financial institutions. Hoboken, USA: John Wiley and Sons, Inc.

Sufi, F. A. & Qaisar, A. M. (2015). Credit Risk Management and Loan Performance: Empirical Investigation of Micro Finance Banks of Pakistan. *International Journal of Economics and Financial Issues*, 5(2), 574-579.

Tanui, J. K., Wanyoike, D. M. & Ngahu, S. (2015). Assessment of Credit Risk Management Practices on Financial Performance among Deposit Taking SACCOs in Nakuru East Sub County, Kenya. *International Journal in Management and Social Science*, 3(5), 602-610

Uwalomwa, U., Uwuigbe, O.R. and Oyewo, B. (2015). Credit Management and Bank Performance of Listed Banks in Nigeria. *Journal of Economics and Sustainable Development*, 6(2). 27-32.

Uwuigbe U, Uwuigbe OR, Oyewo B. Credit management and bank performance of listed banks in Nigeria. *Journal of Economics and Sustainable Development*. 2015;6(2):27-32.

Wambua, M. (2010). Enterprise risk management strategies and practices as determinants of performance in commercial banks in Kenya. Journal of Accounting and Finance, 3, 1-66.

World Bank (2020) The Economic and Social Impact of COVID-19. Western Balkans Regular Economic Report no. 17. https ://docum ents1 .world bank.org/curat ed/en/79056 15912 86827 718/pdf/The- Econo mic-and-Socia l-Impac t-of-COVID -19-Finan cial-Secto r.pdf.

Zimbe, L. (2011): Internal Audit Function and risk management in Commercial Banks in Uganda.

TIJFRMS
ISSN: 2773-1040