

## DEPOSIT MONEY BANKS' RISK MANAGEMENT STRATEGY AND CORPORATE PERFORMANCE

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### ABSTRACT

*Deposit money banks in Nigeria's annual reports from 2010 to 2020 were used in this study to investigate the influence of risk management on business performance. It was decided to use the Autoregressive Distributive Lag Model (ARDL) for estimate. NPL has a detrimental influence on risk management, but CAR and LDR have a favourable and statistically significant impact on short-term business performance. Companies in Nigeria are less successful because of a lower capital to asset ratio. Companies' performance in Nigeria is negatively impacted by the high cost of agency fees. According to the findings of this study, the bank's ability to absorb credit losses would be enhanced if lending procedures were tightened, monitoring operations were increased, and enough collateral protection and impairment allowances were ensured. Liquidity risk can have a short-term and long-term impact on financial performance, according to this study. By managing their risks effectively, they will be able to more effectively manage their assets and equity stockholders in the long run.*

**Keywords:** Risk Management, Corporate Performance, Liquidity Risk, Non-Performing Loan

### INTRODUCTION

One of the most catastrophic financial collapses in recent history has shocked the globe during the last decade. The financial services industry, particularly the banking sector, was the most severely affected by the crisis, which had wide-ranging implications on nearly every aspect of global business. Banks like Leman-Brothers and Bear Stearns went out of business, but the industry also became a focus of tougher restrictions, public outrage, and scholarly criticism (Chukwunulu, Ezeabasili, and Igboodika, 2019; Valencia, 2010). The present financial crisis has been blamed on a variety of factors. Risk management has gained a lot of attention in the wake of this disaster. Risk management appears to be a crucial instrument for banks in their efforts to gain public and regulatory trust. The amount of uncertainty in an event or action is measured by risk. It is the probability of a bad result. The likelihood that the actual return on investment will differ from the projected return may be regarded as a risk in finance. They concluded that risk is the probability of losing the principal or the number of interest accumulated on it, either in whole or in part, in their study. Risk can be controlled to lessen its impact or to increase the advantages it provides. Management of risk involves the discovery, appraisal, prioritising and reasonable use of resources to reduce the likelihood of, oversee or control the potential and the impact of improper events (Zidafamor, 2016).

Nigeria's banking sector has been stretched by the decline in equities market indices, the fall in global oil prices, and the abrupt depreciation of the naira versus international currencies (BGL Banking Report, 2010). Banks were unable to lend additional money to the economy because of the low quality of their loan assets, which had a negative impact on economic growth. Because of the recurrence of non-performing loans that bedevilled Nigerian banks, Nigeria's Federal Government established the Asset Management Corporation of Nigeria (AMCON) in July 2010 in order to solve the problem permanently (Kolapo, 2012).

The profitability and capitalisation of Nigerian banks have fallen to record lows in the last several years, a development that is unprecedented in the country's history. As many as eight financial institutions were labelled as being in a "grave" condition owing to capital insufficiency and risk assets being exhausted; the capital market was down 70%, and most banks had to recapitalize to comply with regulatory directives (CBN, 2010).

Lending in the banking sector is centred around risk management. Many Nigerian banks had collapsed owing to a lack of risk management. During the course of their business, banks are exposed to a wide range of systematic and unsystematic risks. According to Nwankwo (1990), risk is now at the centre of bank management's business choices. Customers, investors, and the general public evaluate and approach every institution based in large part on how it presents itself in terms of risk volume and allocation, as well as judgments taken in opposition to those risks. Additionally, insider misuse, poor corporate governance, a liquidity risk, and a lack of clear strategic direction are all potential sources of risk for any company. As banks diversify their asset portfolios in the present developing market, these risks have risen significantly over the past few decades. Globalization has resulted in a rapid expansion of bank operations, which has exposed them to new dangers (Abiola & Olausi, 2014).

To what extent top management reports may alert senior managers to risk is an unsettled question, with several professions and procedures all having a stake. To begin, the transfer of high-level risk information is seen as an integral part of frameworks for enterprise-wide (ERM) risk management. To give a comprehensive perspective of critical business risks, these activities integrate conventional, function-specific risk management efforts, such as worker safety and information system security. According to Lam, 2006, this reporting can comprise a wide range of information: Qualitative data such as objectives at risk and audit results or quantitative data like early warning signs and key risk indicators (KRIs), as well as financial risk measurements, such as the value at risk (VaR).

For deposit money institutions to decrease the danger of capital remaining outside of the defined limits, managers require effective and accurate risk measures. Commercial bank managers therefore require procedures for monitoring and projecting positions and suitable credit incentives for the best risk management by business divisions and people to provide the best possible risk management. Between the early 1930s and the middle of the first decade of the new millennium, the Nigerian commercial banking industry went through a series of crises. For example, 21 banks went out of business in 1930. When the Central Bank of Nigeria was established in 1958, nine banks had already closed their doors. Nevertheless, in 1989, around seven banks went down. From 87 banks in 2005, just 24 remained by 2006. In addition, the number fluctuated from 25 to 24 and so on, as if that was not enough. As recently as 2011, three Nigerian banks were taken over by the country's Asset Management Corporation (AMCON). It is possible that this issue will resurface in the future. If these banks are not managing their risks at all, or if they are handling them incorrectly, what does this mean? A look at the financial crisis in Nigeria is mind-boggling; it is matchless and occasionally remarkable! When it comes to finding a long-term solution for this seemingly common problem in the banking business, another concern arises.

As a result of this research, Nigerian deposit money banks' performance will be evaluated. Depositors, investors, the broader banking public, and the whole economy all bear the brunt of bank failure's many and disagreeable effects. When financial institutions fail, regulators and operators are not the only ones affected. Overall, bank failures hamper financial intermediation and resource allocation, which has a negative impact on both private wealth and the economy.

1. The study's overall goal is to analyse the impact of risk management on the performance of Nigerian deposit money institutions. As a result, the following are the study's precise goals:
2. To find out how deposit money banks in Nigeria's return on assets is affected by their non-performing loan ratio.
3. To determine the impact of deposit money banks' return on assets on their capital adequacy ratios in Nigeria.
4. To find out if the loan deposit ratio affects the return on asset deposits at Nigerian money institutions.
5. 4. To investigate the impact of Nigerian deposit money banks' return on assets on the cost of the agency.

### **Hypothesis Development and Literature Review**

#### **Managing Risks in the Banking Sector**

In the present financial climate, risk management has grown from a simple collection of processes and instruments to a complex set of procedures and instruments connected to the quality of loans. Rather than only responding to the change, an organization's ability to foresee and prepare for it is critical to its long-term survival. As a result of uncertainty, risk is reflected in a charge on the fundamental/basic, such as capital, which serves as a cushion for the institution's obligation holders. Events that influence one category of risk can have far-reaching consequences and penetrations for a wide variety of other hazards. As a result, banks must be aware of the dangers they face and ensure that the risks are properly tackled, efficiently controlled, and tightly managed. The risk profile of a bank varies with each transaction, making it practically difficult to give real-time risk updates and forms of the organisation. It is called risk management (RM) because it is an effort to limit the negative impact (cost) of uncertainty (risk) over prospective losses.

There are techniques and models for monitoring and regulating risk as well, as Bessis (2010) points out in her article. The goals of risk management include minimising currency losses, reducing the volatility of cash flows, safeguarding earnings swings, increasing profitability, and ensuring the existence of the company (Fatemi and Glaum, 2000). In the words of others, risk management (RM) guarantees that decisions are made with full awareness of the consequences as well as a well-defined goal for taking the risk. Therefore, it is possible to assess their potential impact on a company's ability to compete and prevent it from suffering an intolerable loss that might lead to its demise. It is imperative that bank management have reliable risk metrics so they can allocate money to operations that have the highest return on investment ratios. Internal and regulatory issues need management to predict the scale of prospective failures in order to stay within established parameters. Moreover, they require ways to keep tabs on divisions and people, as well as incentives for judicious risk-taking. Pyle (1997) defines risk management as the process by which managers identify critical risks, collect consistent, intelligible operational risk measures, choose which risks to decrease and enhance and by what means, and implement systems for monitoring resulting risk positions. When it comes to risk management, it is all about measuring and controlling risk so that it may be used for a variety of different purposes in a bank, Bessis (2010) says. These include assisting in the implementation of the bank's ultimate strategy by giving it a better view of the future and thus defining appropriate business policy and assisting in the development of competitive advantages by calculating proper pricing and formulating other differentiation strategies based on customers' risk profiles. Management of the bank relies on an orderly process to create a risk management system, according to Santomero (1995). Standards and reporting, position limitations or restrictions, investment guidelines or strategies, and incentive contracts and remuneration are the four main components of this type of agreement. In order to evaluate exposure, define processes for managing these exposures, restrict individual holdings to

acceptable levels, and encourage decision-makers to manage risk in a way compatible with the firm's goals and objectives, these instruments are often constructed.

### **Corporate Performance**

Stakeholders' rewards in any business context are based on the company's ability to demonstrate its absolute worth in order to maximise shareholders' wealth (Abubakar & Ofurum, 2018). In order to determine an organization's overall financial health over a certain time period, the results of its policies and activities are measured in monetary terms as corporate performance (Gaspareto, 2004). The financial results of most publicly traded companies are generally made public in the form of quarterly or annual reports. Its goal is to provide consumers with accurate and comprehensive information so they can make well-informed financial decisions. Similar businesses in the same industry or across industries or sectors may be compared using this tool. There are several factors that contribute to an organization's success, including its financial performance, according to Pimentel, Braga, and Casanova (2005).

The ability of a business to generate profits is referred to as corporate performance. The effectiveness of an organization's utilisation of resources to achieve its goals is a key metric. A company's financial problems might fall into one of three categories: profitable, break-even, or loss-making. Profit is the primary purpose of most businesses. A deposit money bank's (DMB's) ultimate goal is to make money. Commercial banks' profitability may be assessed using a variety of measures, including Return on Assets, Return on Equity, and Net Interest Margin (Murthy & Sree, 2003 and Alexandru et al., 2008).

### **Theoretical Framework**

#### **Merton's Default Risk Model**

Merton's Default Risk Model is the foundation of this investigation. It was established in the 1970s by Robert C. Merton, a financial scientist, and is used to assess the credit risk of cooperative and mortgage companies. The model is used to assess the ability of debtors to pay back their loans. As a result, the model can assist security analysts and officers in assessing an organization's credit fault risk. Model proposes that analysts could better appraise financial organisations and check their potential to remain liquid over the investigation time and debt maturity. Model One of Merton's contributions to finance was a study on the value of corporate debt securities published in 1974. The paper by Merton tackled a slew of relevant financial and economic issues. There are two ways an investor can grasp and explain credit spreads, according to his initial contribution. Theory also addressed the question of how an investor should arrange the company's capital. The purpose of this dive was to figure out the best way to set up the business. Based on the theories above, our investigation will use theory number 3, Merton's default Risk Model. This theory is based on a few simple assumptions about the capital structure of the firm's financial resources.. This means that the business is regarded to be in default if its market value falls below a predetermined level for the assets it has in relation to its liabilities. Credit risk, one of the hazards on which banks rely, is a contributing factor in bank failures.

### **Empirical Review**

Bank performance in Nigeria was studied by Chukwunulu et al. (2019). Two measures of bank performance served as the dependent variables (return on assets and equity). Credit, liquidity, operational and capital adequacy risk are all separate elements in the risk management equation. From 1994 to 2016, yearly reports from the National Deposit Insurance Corporation (NDI) were utilised to gather data for the study, and SPSS was used to perform OLS regression analysis. There was a significant correlation between changes in return on equity and assets and risk management factors.

Furthermore, credit risk has a considerable negative influence on the company's return on equity and a little negative impact on the company's return on assets. In Nigeria, neither liquidity management nor operational risk have a substantial impact on bank performance, whereas capital sufficiency has a big positive impact on return on equity but a negligible negative impact on return on assets. The study found that Nigerian banks have a weak risk management culture. Other than that, it advised regulators to follow worldwide best practises in risk identification, assessment, measurement and control systems in order to avert financial crises and enhance the performance of commercial banks.

An investigation of the impact of fraud risk management on the performance of deposit money banks in Nigeria was carried out by Okoye, Adeniyi, and Aniefor (2019). The information was gleaned from the annual reports and balance sheets of fifteen (15) Nigerian stock exchange-listed deposit money institutions. The study spans the years 2012-2018. There was an International Fraud Report/Checklist (IFRC) for data on fraud risk management, and returns on asset and equity were used to measure company performance. Analyzed with SPSS version 20 for descriptive statistics and simple regression, the research hypothesis was tested using both methods. Return on assets was shown to be significantly influenced by the IFRC. Furthermore, IFRC's influence on Nigerian deposit money banks' ROE was minimal in the year under consideration. DMBs should be regulated and supervised more rigorously following this investigation. Regulation and supervision must be tightened by the CBN and NDIC if fraud is to be reduced.

There was a strong correlation between risk management and the performance of listed Ghanaian financial institutions from 2007 to 2014, according to Ofosu-Hene and Amoh (2016). ROA and ROE were used to evaluate the performance of banks. At the same time, risk index, bank size, bank solvency, bank liquidity, non-performing loans, inflation, and the exchange rate were all explanatory factors. According to the results of the regression, effective risk management correlates with higher levels of performance.

Enterprise Financial Risk Management (EFRM) was explored by Angote, Malenya, and Musiega (2015) in Kenyan commercial banks. Employees from 30 KCB branches in the Western Region, Kenya, participated in the study, which used performance as a dependent variable. Financial leverage, product diversity, and credit policy were all independent factors. Structured questionnaires were used to collect the data. There is a strong correlation between corporate financial risk management and performance, according to mean, frequency and multiple regression analysis results

Nigerian banks' financial performance was analysed by Olusanmi, Uwuigbe and Uwuigbe (2015), who looked at the influence of good risk management. For six years, the researchers collected data on a representative sample of 14 Nigerian stock exchange-listed banks (2006-2012). Non-performing loan ratio, Capital Ratio, Loan to Total Deposit, and Risk Disclosure were the dependent and explanatory variables, respectively. Bank performance was not negatively correlated with risk management proxies in Ordinary least squares regression findings.

Financial risk management and the performance of Kenyan business banks were examined by Muteti (2014). There were 43 commercial banks in Kenya as of December 2013, which formed the study's target population. Inferential statistics were used in SPSS, and a multiple regression model was used to analyse the data. Bank credit risk, interest rate risk, foreign exchange risk, bank liquidity risk, capital management, bank deposits, and bank size were all considered independent variables when calculating the ROA ratio. Research indicated that Kenyan commercial banks' financial performance was affected by credit risk, interest rates, foreign exchange risks, liquidity risks, capital management risks, bank deposits, and bank size.

Financial risk management has an impact on the financial performance of Kenyan commercial banks, according to Wanjohi (2013). The study included five risk management components as independent variables, including the institution's Risk Management Environment, Risk Measurement Skills, Risk Mitigation Procedures, Risk Monitoring, and sufficient internal controls.

During the period from 2008 to 2012, the ROA was calculated as the average of the five years. According to the study, Kenyan Commercial banks' financial performance was substantially influenced by their ability to manage their financial risk.

Based on the foregoing, the following hypothesis is formulated:

H0<sub>1</sub>: The non-performing loan ratio and the return on assets of deposit money banks in Nigeria have no significant correlation.

H0<sub>2</sub>: A lack of correlation exists between deposit money banks in Nigeria's capital adequacy ratio and their return on assets (ROA).

H0<sub>3</sub>: Deposit money banks in Nigeria do not have a substantial link between their loan deposit ratio and their return on assets.

H0<sub>4</sub>: There is no substantial impact of the cost of agency on the return of deposit money banks in Nigeria's deposit money banks.

## MATERIALS AND METHODS

Ex-post facto research was used in this study to determine the causes, effects, and connections between the variables of interest. Ex-post facto research. Exogenous variables are not controlled in this model, which takes into consideration any correlations between data across time. From the annual reports of 10 chosen DMBs (Access Bank, First Bank of Nigeria, Fidelity, United Bank for Africa and Stanbic IBTC), the data used in the research spans the period from 2010 to 2020. Risk management and company performance in Nigeria were examined using a variety of statistical and econometric approaches. Thus, a variety of factors relating to risk management and company success were incorporated into the model.

### Model specification

As an additional benefit, missing variables in a bivariate model might have a negative impact on the general time series estimation issue. This is expressed in terms of function:

$$ROA = f(NPL, CAR, LDR, CTAR, ACST) \quad (1)$$

$$ROA = \alpha_0 + \alpha_1 NPL + \alpha_2 CAR + \alpha_3 LDR + \alpha_4 CTAR + \alpha_5 ACST + \epsilon_t \quad (2)$$

Where;

ROA= Returns on assets as a proxy for performance; NPL= Non-Performing Loans Ratio; CARD= Capital Adequacy Ratio; LDR= Loan Deposit Ratio; ACST= Agency cost; CTAR= Cash to Asset Working Capital  $\mu_t$  is the error term.  $\alpha_0$  is the intercept of the regression.  $\alpha_1$ ,  $\alpha_2$ ,  $\alpha_3$  and  $\alpha_4$  are the coefficients of the regression;  $t$  = number of periods.

## RESULT AND DISCUSSION

The section shows an analysis of the pre-estimation, estimation and post-estimation of the ARDL technique employed in this study with interpretation and discussions

**Table 1: Descriptive Statistic Result**

VARIABLES	ROA	NPL	CAR	LDR	STAR	ACT
Mean	59.61547	9.219207	13.64104	68.10131	13.41764	62.73810
Median	59.57590	4.170550	14.18355	64.41025	13.29665	57.84445
Maximum	82.72850	86.85210	51.70150	139.2526	34.32490	148.0841
Minimum	28.19310	0.000000	-154.7496	3.550400	0.057900	21.19330
Std. Dev.	10.89751	14.28536	23.17522	23.31006	7.768170	21.59814
Skewness	-0.187763	3.075600	-4.510936	0.771877	0.184975	1.221483
Kurtosis	2.487258	13.25209	31.08114	4.284722	2.454958	5.611535
Jarque-Bera	2.187927	774.2720	4712.201	21.84912	2.350474	69.26942
Probability	0.334887	0.000000	0.000000	0.000018	0.308746	0.000000
Sum	7750.011	1198.497	1773.335	8853.170	1744.294	8155.952
Sum Sq. Dev.	15319.50	26325.22	69284.72	70093.30	7784.435	60175.88

**Source:** Authors' Computation

ROA, NPL, CAR, LDR CTAR and ACST had a mean ROA of 59.61%, 9.21%, 13.64% and 13.41% each year from the descriptive statistics. The loan-to-deposit ratio shows that agency costs and asset returns have grown faster than other financial variables on average. Distributions of all variables shown in Table 1 are favourably skewed except for the return on asset and capital adequacy ratio. Jarque-Bera statistics show that the distribution is leptokurtic except for ROA and CTAR, resulting in 774.2, 4712.2, 21.8, and 69.5 kurtosis statistics. A random walk is possible since the series is not regularly distributed, according to this evidence. As shown in Table 2, the Phillip-Perron unit root test estimates the real process of data generation.

**Table 2:** Phillip-Perron Unit Root Result

Order of Variable integration	Level			
	Level	Probability	Lag(s)	Model
ACST I(0)	-7.539688	0.0000	1	Trend & Intercept
ROA I(0)	-5.398619	0.0001	1	Trend & Intercept
NPL I(0)	-7.014489	0.0000	1	Trend & Intercept
CAR I(0)	-5.403373	0.0001	1	Trend & Intercept
CTAR I(0)	-6.627137	0.0000	1	Trend & Intercept
LDR I(0)	-6.422499	0.0000	1	Trend & Intercept

Note: \*(\*\*) \*\*\* denotes statistically significant at 1%, 5%, and 10% levels, respectively, and rejection of the unit root hypothesis at the 5% level. The PP test used the Newey–West automatic bandwidth selection technique.

**Source:** Authors' Computation

Table 4.2 shows that all variables were stationary at level I using the Phillip-Perron (PP) unit root test (0). As a result of rejecting the unit root null hypothesis, the variables are now stable, suitable for study, and the ARDL Bounds testing strategy is justified.

**Table 4.3: ARDL Bounds Testing Result**

ARDL Bounds Test		
Null Hypothesis: No long-run relationships exist		
Test Statistic	Value	K
F-statistic	11.53048	5
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: EViews Output

Table 4.3 indicates a long-term association between risk management and corporate success for the Deposit Money Bank in question, as seen in the results (DMBs). The Wald F-statistics value of 11.53 exceeds the 10%, 5%, and 1% upper bound critical values of 3.35, 3.79, and 4.68, respectively, proving this to be accurate.

**Table 4.4: ARDL Test Equation**

Method: ARDL

Number of models evaluated: 12500

Selected Model: ARDL(4, 4, 1, 1, 3, 0)

Variable	Coefficient	Std. Error	t-Statistic	Prob.*
D(ROA(-1))	-0.259251	0.088704	-2.922654	0.0043
D(ROA(-2))	-0.289694	0.087842	-3.297905	0.0013
D(ROA(-3))	-0.198436	0.088859	-2.233156	0.0277
D(ROA(-4))	-0.141744	0.086360	-1.641327	0.1038
D(NPL)	0.412878	0.171568	2.406490	0.0179
D(NPL(-1))	0.432959	0.132272	3.273247	0.0015
D(NPL(-2))	0.427988	0.109572	3.905992	0.0002
D(NPL(-3))	0.190256	0.085782	2.217903	0.0288
D(NPL(-4))	0.163448	0.066022	2.475648	0.0150
D(CAR)	0.069673	0.089849	0.775448	0.4399
D(CAR(-1))	0.161841	0.054698	2.958807	0.0038
LOG(LDR)	-20.14986	9.665794	-2.084657	0.0396
LOG(LDR(-1))	-6.474048	3.498036	-1.850766	0.0671
LOG(CTAR)	0.045692	2.401504	0.019027	0.9849
LOG(CTAR(-1))	-0.654422	1.294204	-0.505656	0.6142
LOG(CTAR(-2))	1.204182	1.243083	0.968706	0.3350
LOG(CTAR(-3))	-2.621482	1.157618	-2.264548	0.0257
LOG(ACS)	36.60694	11.66842	3.137266	0.0022
NPL	-0.411300	0.197031	-2.087490	0.0394
CAR	0.180539	0.072366	2.494788	0.0142
LDR	0.286998	0.145126	1.977572	0.0507
STAR	-0.289005	0.244372	-1.182641	0.2397
ACT	-0.563521	0.188481	-2.989806	0.0035
C	-12.92527	47.99057	-0.269329	0.7882
R-squared	0.849784	Mean dependent var		0.041514
Adjusted R-squared	0.821714	SD dependent var		9.150221
SE of regression	8.175432	Akaike info criterion		7.210951
Sum squared resid	6750.607	Schwarz criterion		7.753987
Log-likelihood	-426.6844	Hannan-Quinn criteria.		7.431558
F-statistic	2.362299	Durbin-Watson stat		2.007669
Prob(F-statistic)	0.001801			

\*Note: p-values and any subsequent tests do not account for model selection.

Source: EViews Output

The lagged value of ROA is negative and statistically significant, as expected. It shows that any short-run disturbance that makes the variables drift away from their equilibrium path will be rectified in the long run. Meaning that if a short-run fluctuation occurs and the variables drift away from their equilibrium path, they will converge back to equilibrium.

According to the R-squared value, the estimated model has a decent fit indicating that the independent variables used in the model explain around 84% of the total behaviour of the company. There are additional factors that account for the remaining 14 percent (the unexplained variance), which are not included in the model's stochastic variable or error term. Because of this, the model may be used to make predictions, as evidenced by an F-statistic value of 12.2622 and an associated probability of 0.0018. The Durbin-Watson score of 2.007 suggests that the computed model is devoid of serial or autocorrelation.

Non-performing loan (NPL) has a negative influence on risk management in the short term, as seen in Table 4.4 above. NPL (-0.4113) and its accompanying probability value of 0.0394, which is less than the 5% significance threshold, are validated by the coefficient's value. As a result, a 1% rise in non-performing loans would result in a 41% drop in the banking sector's overall performance. As expected, the outcome is in line with previous research by Angote, Malenya, and Musiega (2015)

Short-term results show that CAR has a positive and significant link with corporate performance with a coefficient of (0.1805) and its associated probability value (0.0142) and t-ratio of 2.4947, which is less than 5% significance threshold.

A favourable and statistically significant effect on short-term corporate success may be found in the LDR (loan to deposit ratio). Validated by the coefficient for LDR (0.2869), which is significant at the 5% level, and its probability value (0.0507). If the loan to deposit ratio improves by 1%, the corporate performance of the selected banks would improve by about 0.28 units.. This study's findings are in line with (Angote, Malenya and Musiega, 2015; Ofosu-Hene and Amoh, 2016)

In Nigeria, the capital-to-asset ratio is considered to have a negative and insignificant effect on business performance. Coefficient -0.2890 and probability 0.2397 indicate that short-term business performance will decline by around 0.28 units if the capital to asset ratio is increased by a unit. Consistent with the conclusions of the research (Okoye, Adeniyi and Aniefor, 2019)

Companies' performance in Nigeria is negatively impacted by the high cost of agency fees. For every unit rise in agency costs, the company's short-term performance will decrease by about 0.56 units, according to the coefficient of -0.5635 and the probability value of 0.0035.

## **CONCLUSION AND RECOMMENDATIONS**

Ten Nigerian banks were selected for this study, which used an ARDL estimate method to look at risk management and corporate performance from 2010 to 2020. If there is a rise in non-performing loans by 1%, the banking sector's corporate performance would decline by about 41% because non-performing loans have a negative influence on the banking sector's corporate performance. CAR is also observed to have a favourable and substantial correlation with business performance. A favourable and statistically significant effect on short-term corporate success may be found in the LDR (loan to deposit ratio). In Nigeria, the capital-to-asset ratio has a negative but inconsequential impact on business performance. Companies' performance in Nigeria is negatively impacted by the high cost of agency fees. Considering that all of their coefficients are positive and their associated probability values are less than 5%, CAR and LDR will have a long-term and considerable influence on corporate performance. To put it another way, if CAR and LDR

certifications continue to climb upward, then the overall performance rate of the company should rise as well. A incorrect application will have a negative impact on a company's performance, but NPL and ACST are all negative and statistically significant. To sum up, in today's financial climate, risk management has grown from a simple banking activity tied to loan quality to a sophisticated collection of procedures and tools. The bank's ability to absorb credit losses will also improve as a result of stricter lending processes, improved monitoring and recovery actions, and appropriate collateral coverage and allowances for impairments. Liquidity risk has both short- and long-term effects on financial performance, and banks should be aware of this in order to improve their performance and, in turn, their capacity to manage their assets and equity shareholders correctly.

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