EFFECT OF RISK MANAGEMENT ON THE PERFORMANCE OF SELECTED COMMERCIAL BANKS IN KWARA STATE (A CASE STUDY OF SELECTED COMMERCIAL BANKS)

BY

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CERTIFICATION

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DEDICATION

I dedicate this project to Almighty GOD, the source of all wisdom and guidance, I dedicate this project as a humble offering of gratitude for the blessings and strength provided throughout this journey.

ACKNOWLEDGEMENT

My appreciation goes to almighty God for his guidance and protection over my life up till this moment and for the mercies he has granted me in the pursuits of this degree, may is name be highly glorified.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Risk management is defined by 150,3000 as the process of identifying assessing, and prioritizing of risks in an organization which is followed by coordinating and application of available resources in the organization to lower and control the likelihood or to lower the impact of unfortunate events which may lead to the business not realizing its set goals and objectives. Risk management has an objectives of ensuring that business set goal are not deflected hence leading to the organization not achieving the set targets (150,3000). Financial performance has been broadly defined as the way a company measures its performance in monetary terms against its strategic goals over a given time frame.

Studies have shown that risk management in financial institutions is a cornerstone to fair and acceptable banking practice, in such manner all banks in present–day unstable and flimsy money related environment are confronting various risks to be specific: credit hazard, liquidity risks, remote trade risks, showcase risks and financing cost risk and so on. These mentioned risk among

others may in one way or the other lead to closure of commercial banks as a result of inability to meet its financial obligations. We can therefore conclude that, banking is a business of risk hence efficient risk management is a crucial to the survival of commercial banks (Carey, 2001).

In light to this, risk management is very common and even more important is monetary environments than in any other sectors of the economy the undoubted motivation behind money related organizations is to expand income in terms of profits and offer the value addition to shareholders investments by offering different financial services, and particularly by overseeing risk adequately. A dramatic loss coupled with mismanagement of commercial banks has taken place in the banking industry in Kwara

State in the last decade. Several commercial banks that has been doing admirably well all of a sudden stunned by huge misfortunes which led to closure of the operation because of imbalanced credit exposures and failure to mitigate risk in general. In this way, the study has exposed the gap between risk identification, measurement and management practices in the commercial banks and its influence in financial performance (Ismi, 2004). Risk management is accepted as a major cornerstone of bank management by academics, practitioners and regulatory.

1.2 STATEMENT OF THE PROBLEM

Commercial banks play essential roles in the process of economic development. As financial intermediaries, they facilitate the mobilization of financial resources from surplus units to deficit units, thereby ensuring efficient allocation and utilization of funds. To play this crucial development role on a sustainable basis, commercial banks must have sound corporate risk management systems in place to forestall the possibility of insolvency illiquidity and eventual failure.

Sontomero (1997) states that commercial banks are in the risk business. In the process of providing financial services, they assume various kinds of financial risks over the last decade our understanding of the place of commercial banks within the financial sector has improved substantially.

BGL Banking Report (2010) cited by kolapo, Ayeni and Oke (2012:32) stress that the Nigerian banking industry has been strained by the deteriorating quality of its credit assets as a result of the significant dip in equity market indices, global oil price and sudden depreciation of the naira against global currencies.

The poor quality of the bank's loan assets hindered banks to extend more credit to the domestic economy thereby adversely affecting economic performance. This prompted the federal government of Nigeria through the instrumentality of as a fact of the National

Assembly to establish the asset management corporation of Nigeria (AMCON) in July, 2010 to provide a lasting solution to the recurring problems of non-performing loans that bedeviled Nigerian banks.

1.3 RESEARCH QUESTIONS

The research questions are designed to obtained answers to the major issue of concern to the researcher in the problem area. The following research questions are considered relevant to the study.

1. What are the risk encountered by the commercial bank in Kwara State?
2. What are the risk management practices among commercial banks in Kwara State?
3. To what extent does the existing legal and regulatory provision support sound risk management practices among Nigeria banks?
4. What effects do risk management have on performance of commercial banks in Kwara State?

1.4 OBJECTIVES OF THE STUDY

This study aims at assessing effects of risk management on the performance of selected commercial banks in Kwara state. Specifically, the study intends to achieve the following objectives:

1. To identify the risks encountered by commercial banks in Kwara State.
2. To determine the risk management practices among commercial banks.
3. To determine the extend the legal and regulatory provisions designed to manage risks in the Nigerian banking system support sound risk management.
4. To determine the effect of resourceful risk management and bank performance in Kwara State.

1.5 RESEARCH HYPOTHESIS

The following hypothesis formed the basis of research work:

Hi: There are significant risks encountered by commercial banks in Kwara State.

Hi: There are effective risk management practices among commercial banks in Kwara State.

Hi: The existing legal and regulatory provisions support sound risk management practice among Nigerian banks.

Hi: Effective risk management has significant effects on the performance of banks in Kwara State.

1.6 SIGNIFICANCE OF THE STUDY

There is paucity of research in risk management generally an as it relates of the banking sector in particular.

A Healthy banking system is a prerequisite for a sound and stable financial system. The various stakeholders in the commercial banks range from employees, management, investors, shareholders, government, depositors, regulators and financial analysts. These interested parties suffer in varying degree when a commercial banks suffers financial difficulties or failure doe to vulnerability to risk. The potential loss of deposits is the immediate consequence of a commercial bank crisis. Besides, there is the possibility of the loss of employment by employee and the potential for contagion in the event of a failure or severe financial crisis.

The findings of the study will arouse the risk awareness and consciousness of the banks to enable deeper understanding of the various issues involved in the risk management process. It is hoped that the study will contribute to the existing pool of knowledge on risk management in banks and offer useful tools and techniques for better identification, measurement, monitoring, controlling and reporting of risks faced by commercial banks.

1.7 SCOPE OF THE STUDY

In the theoretical contribution, the study will fill the knowledge gap on the problem of relationship between risk management and financial performance in commercial banks. In addition to the above, the study can add more comprehensive knowledge to the readers in the financial sector another addition and contribution is that, the study will make the basis for other researchers who would wish to dig into further studies of the area.

From a particular area, the information in this research will offer a comprehensive guideline to bank managers, investor and other commercial banks employees, depending on the conclusions and results of this research paper, commercial banks. Commercial banks can now better and allocate their resources in line with the position of risks.

1.8 LIMITATION OF THE STUDY

This study was delimited to the effects of risk management on performance of selected commercial banks in Kwara State. It focused on the reasons, objectives, procedures and benefits of risk management.

However, one cannot reasonably undertake any project without some constraints. In choosing the research topic and scope of the study the researcher was mindful of factors that could impede the effective realization of the research objectives. Refusal of some banks in accepting and answering questions contained in the questionnaire is one the major constrains encountered during this study. It is well known that lack of time and financial resources can limit the potential scope and depth of a research work. This has been the case with this study.

This study has therefore not been as exhaustive as it should be due to the paucity of time and finance. Risk management is a growing area of interest in economics and finance with multiple disciplines and subfields this research work has not been able to explore the

vast and crucially important issues in risk management because its scope is limited to the experience of commercial bank in kwara state.

1.9 OPERATION DEFINITION OF TERMS

i. **Earnings Risk**

The earnings of a bank may sometimes decline due to factors inside the bank or due to exogenous factors such as changes in law and regulations or changes in economic conditions. Earnings risk is therefore the risk to a bank's bottom line arising from internal and external factors.

ii. **Inflation Risk**

This is the probability that an increasing price level for goods and services will un expectedly ecrode the purchasing power of bank earnings and the return to its shareholders.

iii. **Credit Risk**

Credit or counterparty risk is the chance that a debtor or financial instrument issuer will not be able to pay interest or repay the principle according to the terms specified in a credit agreement.

iv. **Liquidity Risk**

According to Greuning and Bratanovic (2003), a bank faces liquidity risk when it does not have the ability to efficiently accommodate the redemption of deposits and other liabilities and to cover funding increases in the loan and investment portfolio.

These authors go further to propose that a bank has adequate liquidity potential when it can obtain needed funds (by increasing liabilities, securitizing, or selling assets) promptly and at a reasonable cost. The Basel Committee on Bank Supervision, in its June 2008 consultative paper, defined liquidity as the ability of a bank to fund increases in assets and meet obligations as they become due, without incurring unacceptable losses.

v. **Market Risk**

According to Bessis (2010), "market risk is the risk of adverse deviations of the market-to-market value of the trading portfolio due to market movements during the period required to liquidate the transactions".

vi. **Interest Rate Risk**

This is the risk incurred by a bank when the maturity of its assets and liabilities are mismatched. It is the impact of changing interest rates on a bank's margin of profits. It is the risk of decline in a bank's earnings due to the movements in interest rates.

vii. **Currency or Exchange Rate Risk**

This is the risk that exchange rate changes can affect the value of bank's assets and liabilities.

viii. **Operation Risk**

This is the risk that existing technology may malfunction or break down. It relates to the uncertainty regarding the firm's investments and investment opportunities and are influenced by the product markets in which a firm operates.

ix. **Insolvency Risk**

This is the risk that a bank may not have enough capital to settle or offset a sudden decline in the value of its assets relative to its liabilities.

x. **Basel Accord**

Used to refer to the Committee of the Bank of International Settlements which sets guidelines on capital requirements for banks.

CHAPTER TWO

LITERATURE REVIEW

2.1 PREAMBLE

The relevance of banks in the economy of any nation cannot be overemphasized. They are the cornerstones, the linchpin of the economy of a country. The economies of all market-oriented nations depend on the efficient operation of complex and delicately balance system of money and credit. Banks are an indispensable element in these systems. They provide the bulk of money supply as well as the primary means of facilitating the flow of credit. Consequently, it is submitted that the economic well being of a nation is a function of advancement and development of her banking industry.

2.2 CONCEPTUAL FRAMEWORK

Banking is a risk business. In Nigeria, the spate of bank failure in the early days of banking was accounted for by poor risk management practices, among other factors.

According to Onyiruka (2004), the widespread banking crisis of the 1990 during which several banks failed was phenomenal in terms of its scope and consequence on the economy. About thirty four banks were liquidated by the regulatory agencies within a period of four years 1994-1998 many of the banks failed mainly due to poor risk management practices arising from weak corporate governance, poor asset quality, illiquidity and lean capital base.

In pursuit of its profit objective, a bank must ensure that it is doing so in the context of enlightened consciousness of the risks and uncertainties in its operating environment.

In Rawnsley's (1995) view, balancing risk and return is therefore critical to maintaining profits and reputation as well as operational independence. Most banking risks are embedded in processes and products. When the process or the product goes wrong it can result in a scandalous loss of international proportion such as Bank of Credit

and Commerce International (BCCI) or the 94 year old Barings Bank in the United Kingdom.

The need for risk management in the banking industry has become more urgent owing to the increasing internationalization of financial markets, rapid innovations, deregulation, extensive application and swift advancements in technology as well as the phenomenal growth in non-performing assets.

Levine (2003) points out that while the 1950s focused on the techniques for the management of banks assets, the 1960s and 1970s emphasized liability management, banking in the 1980s was concerned with risk-how to measure risk and how to control risk, the improvement of the industry and the satisfaction of customers. This view is supported by Chorafas (2001), argues that credit risk, market risk, operational risk and other risks facing an institution are amplified because of globalization, deregulation, innovation and technology which together help to define the new economy characterizing the beginning of the 21st century.

Onyiriuka (2004) canvasses that the position of the subject matter of 'risk' and 'uncertainty' assume considerable importance in determining business success and failures, especially in banking. He maintained that the conventional approach to appreciating this fact is linked to the inverse relationship between the two plausible business outcomes, namely a higher risk leads to more profit and vice versa.

Risk is a function of uncertainty and inability to foresee the future correctly. The connection between bank success and failure is clearly not simply a question of capital as the existence of capital alone is not a performance indicator.

Failure of banks in several jurisdictions including Nigeria, the United Kingdom, Spain, Japan, Italy and elsewhere have been attributed to several risk factors such as the decision-making qualities of its senior personnel as well as the political environment in which it operates.

2.2.1 Risk Management

Risk may be defined as the inconsistency of returns associated with a particular asset (Gitman, 2008). Risk, thereof is also defined as amalgamation of the probability of the occurrence of an event and its consequence (150-IEC, 2002). Risk management is the process of identification, measuring, controlling and monitoring of potential risk that may negatively affect the return's of an organization. Risk management practices (RMP) are vital for an organizations strategic management (150-IE, 2002). It is used by a firms strategic management in order to make positive contribution to the goals, objectives and the portfolio of almost all is activities. RMP shields and creates value for greater concerned and an organization must integrate organization wide RMP as a nonstop and developing process in order to accomplish its goals.

Banks must integrate market, credit and operational risk into a single stream of capital measurement to have a comprehensive picture of their entire resources and is considered an imperative component of enterprise risk management (ERM) system. This helps bank to establish its overall risk profit, determining how much risk is taking and the level of diversification it can achieve by entering in different business areas (Tschemernjak 2004).

ERM rigors the extent of risk taking and aversive aptitude to ensure firm's goals and objectives (Steinberg etal, 2004).

An amended rulebook namely Basel III was worked out as a repercussion of the 2007-2009 financial crises to take in a number of measures to reinforce the resilience of the banking sector. The fresh capital adequacy framework accentuates immensely on liquidity risk, credit risk and market risk under ordinary and stressed conditions (BCBS, 2009a).

2.2.2 Performance

Performance has been defined as the way toward measuring the accomplishments of an organization management, methods and widely in its operations as its strives its financial obligations, without disrupting the normal, ongoing operations of the business.

Profitability measures the extent to which a business generates a profit from the factors of production: labour, management and capital. Profitability analysis focuses on the relationship between revenue and expenses and on the level of profit relative to the size of investment in the business four useful measures of firm profitability are the rate of return on assets (ROA), the rate of return on equity (ROE), operating profit margin and net firm income. The ROA measures the return to all firm assets and it often used as an overall index of profitability, and the higher the value, the more profitable the firm business. The ROE measures the rate of return on the owner's equity employed in the firm business. It is useful to consider the ROE in relation to ROA to determine if the firm making a profitable return on their borrowed money (zenios etal. 1999).

2.2.3 Effect of Risk Management on the performance of commercial banks.

Risk management has become an important tools, from which banks try to achieve legitimacy in the eyes of the public and regulatory. This triggering effect has given stakeholders in the Nigerian banking industry cause not only to consider the returns made in the sector, but also critically examine frameworks used to manage risks in the sector and safeguard their interest. This is because the failure faced by the industry in recent times have been blamed largely on the

weaknesses of the regulatory framework and the risk management practices of the financial institutions. The greatest impact of the crisis has been on the banking industry where some banks that were lither to performing well suddenly announced large losses with some of them going burst. Some reasons put forward for the failures in risk

management in this regard include the limited role of risk management in the granting of loans in most banks.

2.2.4 The Risk Management Process

Since risk is the probability that outcomes will vary from our expectations, the risk management process aims to minimize divergence of outcomes from expectations and achieve outcomes that are more predictable.

2.2.5 Risk Identification

This has to do with knowing those factors that may lead to variations from expected outcomes. This phase of the risk management process involves discovering and understanding the risks, including their structure and incidence on a given business process such as lending or funds transfer. In making a lending decision, for example the credit analyst must clearly identify many of the credit risks as he can conceivably identify and give a clear indication of their nature and characteristics. Onyiruka (2004) asserts that such risks include the probability of liquidity stress, cash deficiency, income or business volatility, collateral inadequacy and outright default.

2.2.6 Risk Measurement

Risk measurement and quantification has been one of the most challenging aspects of the risk management process. It estimates the likelihood of occurrence of risk factors and their severity. Kwan (1990) states that while quantitative finance addresses extensively the risks in capital markets, the extension to the various risks of financial institutions remained a challenge for several reasons. The first is that risks are less tangible and visible than income.

Risks remain intangible and invisible until they materialize into losses. Second is that it is generally the case that simple solutions do not capture risks. For instance a credit risk exposure from a loan is not the risk. The real risk depends on the likelihood of losses and the magnitude of recoveries in addition to the size of the amount at risk.

2.2.7 Risk Monitoring and Control

This involves designing measures aimed at mitigating the impact of risk or counteracting them. Monitoring ensures that measures put in place to contain risk are continuously implemented and serves their purpose.

To ensure that banks operate in a sound risk management environment with reduced impact of uncertainty and potential losses, managers need reliable risk measures to direct capital to activities with the best risk/reward ratios. Management needs estimates of the size of potential losses to stay within limits set through careful internal considerations and by regulators.

2.2.8 Risk Reporting

Risk reporting entails keeping accurate and comprehensive data on expectations vis-à-vis performance as a basis for policy review and corrective action. While the above phase of the risk management process are generic and can be adopted for any type of risk, the differentiation of risk also demands a unique set of strategies for managing them. Banking risk could be better managed if the peculiar risks are clearly delineated and understood through measurement and quantification.

2.2.9 Credit Risk Management

Credit risk is considered the first in terms of importance. The basic reason for this priority is that most of a bank's activities relates to lending. Donald et al in Danson and Adano (2012) defined Credit risk simply as the potential that a bank borrower or counterpart will fail to meet its obligations in accordance with agreed terms. The goal of credit risk management is to maximize a bank's risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters. Banks need to manage the credit risk inherent in the entire portfolio as well as the risk in individual credits or transaction. The effective management of credit risk is a critical component of a comprehensive approach to risk management and essential to the long-term success of

any banking organization. The Basel Committee on Banking Supervision (2001) defined credit risk as the possibility of losing the outstanding loan partially or totally, due to credit events (default risk). Credit risk is an internal determinant of bank performance. The higher the exposure of a bank to credit risk, the higher the tendency of the banks to experience financial crisis and vice-versa. Bessis (2002), states that credit or counterparty risk is the chance that a debtor or financial instrument issuer will not be able to pay interest or repay the principal according to the terms specified in a credit agreement. It is an inherent part of banking. Credit risk means that payment may be delayed or ultimately not paid at all, which can in turn cause cash flow problems and affect a bank's liquidity. Counterparty risk comes from non-performance may arise from a counterparty's refusal to perform due to an adverse price movement caused by systematic factors or from some other political or legal constraint that was not anticipated by the principals.

The three main types of credit or counterparty risk are as follows:

(i) Personal or Consumer risk

(ii) Corporate or Company risk

(iii) Sovereign or Country risk

2.3 THEORETICAL FRAMEWORK

The section covers the most applicable theories in risk management. The theories discussed are modern portfolio theory, moral Hazard theory and Merton's default risk theory. We shall also discuss which theory we are going to base our research on.

2.3.1 Modern Portfolio Theory

The hypothesis of modern portfolio theory (MPT) is a speculation set forth by Harry Markowitz is his paper. The hypothesis was distributed in 1952 by the journal of finance. The venture hypothesis depend on the possibility that risks disinclined financial specialists in the business can build portfolio to expand expected stock returns based on level of market risks in a speculation, understanding that risks is an inborn and huge piece

of higher reward in venture. The hypothesis came to be among the most critical and note worthy financial speculations in the realm of fund the hypothesis is additionally alluded to as portfolio hypothesis and purpose that is workable for financial specialists to build a proficient bleeding edge of ideal portfolios, which offers the most extreme and conceivable expected returns for a particular given level of risk.

It encourages and recommends that, for speculations it is not sufficiently just to center at the normal risks and stock return of one particular stock. By putting resources into numerous stocks, a financial specialist can win in case of broadening, by diminishing the risks in the portfolio given. This hypothesis consequently tries to measure the advantages of enhancement for most investor or put in other words, the variations from the expected stock returns according to the theory, each stock has its own deviation from the stock mean. This standard deviation from the means is called risk, (Markowitz 1952).

2.3.2 Moral Hazard Theory

This theory has been widely used in economics world. The theory argues that one party takes more risks because other parties elsewhere bear the cost for those risks. This may occur where the actions of someone may change to the detriment of another party participating in an active role in economic or financial transactions (krugman, 2009).

The theory explains that, moral hazard occurs under a situation of information asymmetry where party taking the risk in a financial transaction know more about the transaction, its intentions than the other party praying for the problems as a result of the risk incurred in the transaction. Economist (krugman, 2009) described moral hazard as a situation where one party come up with decisions about how and when to take the risks because another party will bear the costs in the risks. The theory can be seen perceived in a standard case where an agency setting in a bank or insurance companies. The company has less information about the principle and the insured person can serve as the agent. In the automobile insurance companies, the theory applies to for drivers; the theory creates

an additional incentive for risky and careless driving since other parties will cater a part of the costs of the agents careless drilling and the accidents caused. In addition a similar case is in the presence of unemployment because other parties will cater for his expenses.

2.3.3 Merton's Default Model Theory

The model was developed a financial scholar Robert Merton in 1970s and its used in evaluation of credit risks of cooperation and mortgage firms. The model used to 13 risks facing an institution are amplified because of globalization, deregulation, innovation and technology which together help to define the new economy characterizing the beginning of the 21st century. The new economy is the name given to those industries benefiting directly or indirectly from the latest revaluation in information and communications technologies, the extensive use of the lastest electronic systems advanced software, digitalization and the internet. Banks are participants as well as beneficiaries in this new economy.

2.4 EMPIRICAL REVIEW

Henry I. et al. (2020); the study examined "risk management and financial performance of banks in Nigeria" with focus on commercial banks. The broad objective of the study was to ascertain the effect of risk asset management on the optimal financial performance of commercial banks in Nigeria. The study is a longitudinal survey, so the ex-post facto research design was applied. Research data were analysed using generalized method of moments (GMM) and vector Error Correction Model, after testing and adjusting the data for stationarity and Cointegration. The research findings were: Banks' profitability is significantly influenced in the short run by liquidity risk and in the long-run by credit risk, capital adequacy risk, leverage risk and liquidity risk. Furthermore, profitability measured by ROaA was found to be positively related to liquidity risk but negatively related credit risk. Arising from the findings, there is the need for effective risk management, especially credit, capital adequacy, leverage and liquidity risks, to enhance

the profitability of banks. By helping to enhance the going concern of banks, risk management will help to reduce retrenchment and unemployment and hence help to forestall the attendant social vices.

Suraj T. A. et al. (2024); this study explored the impact of financial risk management Nigerian commercial banks' financial performance from 2009 to 2022. Return on assets (ROA) is used to assess financial performance, and capital risk (CAR), liquidity risk (LQR), market risk (MKR), and operational risk (OPR) are used to proxy financial risks. Fixed effects panel data regression analysis is used in the study on a sample of 70 observations from five significant commercial banks in Nigeria. The findings demonstrate that, even while the model as a whole is statistically significant, demonstrating the joint significance of the financial risk factors, when bank-specific heterogeneity is taken into account, none of the risk variables individually significantly affect ROA. The lack of significance of individual predictors points to issues of model misspecification, omitted variable bias, multicollinearity and autocorrelation. Further research should focus on refining the econometric approach through inclusion of pertinent control variables, use of dynamic modeling techniques and addressing diagnostic concerns. From a policy perspective, the findings highlight the imperative of enhancing risk management practices and prudential oversight to safeguard bank profitability and financial stability. The study provides a baseline model and recommendations for improving modeling strategies to gain richer insights into the financial risk-performance nexus for Nigerian commercial banks. With a robust empirical approach, valuable policy guidance can be provided to promote sound risk management systems and regulations for a profitable, stable and resilient banking sector that supports Nigeria's economic growth.

Yusuf S. K., (2023); This study establishes the degree to which risk management has impacted profitability of commercial banks with the aim of contributing to improving the

financial performance improvement. This study used secondary data from listed banks extracted from Central Bank of Nigeria list of financial institutions. The study was 2012 to 2021. The sample size of fourteen commercial banks in Nigeria was utilized for the study. Data were analysed using descriptive, Pearson correlation, r and Multiple linear regression (ANOVA) statistical analysis. Findings were that the Pearson results posted significant relationships among credit risk, operational risk as measures of risks with profitability measures of net interest margin except the liquidity risk. The linear regression result indicated that Credit risk has significant effect on Net interest margin. However, there is no significant effect of liquidity and operation risk on net interest margin of commercial banks in Nigeria. The findings suggest that effective risk management strategy play a key role in commercial banks profitability in Nigeria. Therefore, this study recommended that effective risk management framework to improve financial performance.

Emmanuel I. O., (2025); The financial sector plays a key role in a country's economic development, but it faces many risks. Risk management is important and includes steps like identifying, analyzing, treating, and monitoring risks to support better decision-making. This study aims to examine how risk management affects the performance of financial institutions, using a case study of selected banks in Ilorin, Kwara State. The research used a qualitative approach and a survey method. Out of 530 total staff, 273 questionnaires were distributed to employees of Access Bank, Stanbic IBTC Bank, and GTCO Bank in Ilorin. A total of 242 completed questionnaires were returned and analyzed using simple regression with SPSS version 20. The findings show that risk transfer and risk selection both have a significant impact on financial performance, with a significance level of 0.000. The study recommends that these banks and other financial institutions should manage risks more effectively, especially by ensuring transparency and minimizing losses. Doing so can help improve return on investment and financial

performance. It is also suggested that banks set aside sufficient reserves to manage credit losses and ensure long-term stability.

Lukman A. O., (2021); Risk management issues in the banking sector do not only have greater impact on bank profitability but also on national economic growth and the general business development. The bank's motivation for risk management comes from those risks which can lead to underperformance. This study seeks to assess the impact of risk management on banks profitability in Nigeria. To achieve this, the study covered 6 years ranging from 2012-2017. Also, twelve deposit money banks were chosen as sample from the whole Nigeria DMBs. Audited annual financial statements of the selected banks for the years were used in obtaining data for the purpose of this research. The independent variable which is Risk Management is proxied as Non-Performing Loan Ratio (NPLR), Capital Adequacy Ratio (CAR) and Loan-to-Deposit (LTD) while the dependent variable which is profitability was measured as return on assets (ROA). Using panel random effects regression, the results revealed that non-performing loan ratio has a negative effect and it is statistically significant at 5% on banks profitability, and Loan-to-Deposit ratio is also statistically significant at 5% and have positive effects on banks' profitability while capital adequacy ratio is insignificant. The study concluded that risk management in terms of non-performing loan ratio and loan-to-deposit ratio has significant effect on banks' profitability. The study therefore recommended that the banks' management should do more in the area of controlling the rate at which subprime loans are given out, in order to mitigate the risk of future loss on non-performing loan. Also, banks should further implement more policies that support increased lending to customers, especially the more credit worthy ones, in order to increase returns and performance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 PREAMBLE

This chapter describes in detail the procedure used in carrying out the research work. It explains the approach employed by the researcher in collecting data from both primary and secondary sources, as well as the research design, data collection instrument and the procedure for data processing.

3.2 DESIGN STUDY

The researcher collected data for the research from both primary and secondary sources using a structured approach. This study utilized a survey research design because of the type of information needed. Survey research is one which involves the assessment of public opinion, beliefs, attitudes and motivation using questionnaire and sampling techniques.

The researcher used data gathered from the banks as contained in the banks' annual audited financial reports and information obtained from operation staff and officers in-charge of risk management who responded to a set of questions on various aspects of risk management.

3.3 SOURCE OF DATA

Structured questionnaire was used to collect data for this work. The questionnaire items were generated through a view of available literature and was administered and analyzed by the researcher. Direct administration of this questionnaire was to allow for free interaction between the researcher and the respondents.

3.4 POPULATION OF THE STUDY

The target population was banks in Kwara State. Three (3) banks were selected and had been in operation since early 1990s. The banks are First Bank of Nigeria Plc, United Bank for

Africa Plc and Diamond Bank.

A total of 130 staff of the banks including operations staff and officers in charge of risk management were administered questionnaire. This is made us as follows:

First Bank of Nigeria Plc	70 staffs
United Bank of Africa Plc	40 staffs
Diamond Bank	20 staffs

3.5 SAMPLE SIZE AND TECHNIQUES

The researcher used content validity to ensure the validity of instrument content technique is concerned with how well the content of the instrument sample the kinds of things about which conclusions are to be drawn. Content validity ensures that sample size of the population is a representation of the variables the instrument will measure.

A sample size of 98 was used, comprising

First Bank	53
UBA	30
Diamond bank	15

3.6 RESEARCH INSTRUMENT

Questionnaire and historical documentations were used as instrument of data collection. The questionnaire was from the factors identified during the review of literature. The research questions, objectives of the study and the hypotheses formulated were considered in raising the questionnaire.

3.7 METHOD OF DATA ANALYSIS

The data collected were arranged and analysed based on the hypotheses formulated and the research questions. The Chi-square statistical approach was used in testing the acceptability or otherwise of the hypotheses posed in this research question.

Bowleye proportional allocation formula was used to determine the exact number of each category in the sample size. That is:

$$nh = \frac{nNh}{N}$$

Where: nh = Categories sample size

n = Sample size

Nh = Categories Population

N = Total Population size

$$\text{UBA Staff} = \frac{98 \times 40}{130} = 30$$

$$\text{First Bank Staff} = \frac{98 \times 70}{130} = 53$$

$$\text{Diamond Bank staff} = \frac{98 \times 70}{130} = \frac{15}{98}$$

3.8 MODEL SPECIFICATION

The banks studied were all Nigerian banks that has branches in kwara state and their head officers in Lagos. These banks were engaged in universal banking which limply that they offered a board range of financial services, including pure banking services. Capital market services as well as insurance products and services.

CHAPTER FOUR

ANALYSIS AND DISCUSSION OF FINDINGS

4.1 PREAMBLE

The essence of this chapter is to present and analyze the data collected for the study. The presentation and interpretation of data were based on questionnaire administered to the staff of the selected banks in Enugu. A total of 98 questionnaires were distributed and 88 retrieved or collected from respondents having answered the questions therein.

4.2 PRESENTATION AND ANALYSIS OF DATA

Table 4.1: **Questionnaires Distributed and Retrieved.**

Bank	**No Distributed**	**No Retrieved**	**Responds percentage %**
UBA	30	26	87
Diamond Bank	15	13	87
First Bank	53	49	92
Total	**98**	**88**	**90**

Source: Field Survey; 2025

The above table shows high percentage of response from the population surveyed; hence there is an overall response percentage of 90%. This shows that most of respondents were interested in the research topic and understood the questions contained on the questionnaire very well.

Research Question 1: What are the risks encountered by your bank?

Question a: Interest rate is encountered by the banks?

Table 4.3: **Data on interest rate risk encountered by banks.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**

Agree	3	1	-	4	5
Strongly Agree	11	-	43	54	61
Do not Agree	5	9	6	20	23
Indifferent	7	3	-	10	11
Total	26	13	49	88	100

Source: Field Survey; 2025

The table above shows that a total of 4 or 5% of the respondents agree that interest rate risk is encountered by banks in Enugu State, 54 or 61% of the respondents strongly agreed, while 20 or 23% do not agree and 10 or 11% respondents were indifferent.

Question b: The bank has Operational and Technological risk?

Table 4.4: **Data on Operational and Technological risks encountered by banks.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	9	3	2	14	16
Strongly Agree	17	10	47	74	84
Do not Agree	-	-	-	-	-
Indifferent	-	-	-	-	-
Total	26	13	49	88	100

Source: Field Survey; 2025

The table depicts that a total of 74 or 84% of the respondents strongly agree that the banks have operational and technological risk, 14 or 16% of the respondents agreed, while none of the respondents indicated do not agree or indifferent.

Question c: Market risk is one of the risks encountered my bank?

Table 4.5: **Market risk as one of the risks encountered by banks.**

Rating	UBA	Diamond Bank	First Bank	Total	Percentage %
Agree	-	-	-	-	-
Strongly Agree	-	-	-	-	-
Do not Agree	22	11	43	76	86
Indifferent	4	2	6	12	14
Total	26	13	49	88	100

Source: Field Survey; 2025

Table 4.5 shows that none of the respondents indicated agree or strongly agree, 76 (86%) of the respondents indicated do not agree while 12 (14%) indicated indifferent. This implies that market risk is not encountered by the banks in kwara State.

Question d: Is liquidity risk is a major challenge facing the bank?

Table 4.6: **Data collected on liquidity risk as a major challenge facing the banks.**

Rating	UBA	Diamond Bank	First Bank	Total	Percentage %
Agree	6	2	10	18	20
Strongly Agree	18	10	30	58	66
Do not Agree	2	1	4	7	8
Indifferent	-	-	5	5	6
Total	26	13	49	88	100

Source: Field Survey; 2025

Table shows that 18 (20%) of the respondents indicated agree, strongly agree 58 (66%) respondents, do not agree 7 (8%) and 5 (6%) of the respondents indicated indifferent. This means that credit risk is encountered by the banks.

Question e: Credit risk is encountered by my bank?

Table 4.7: **Data showing Credit risk as one of the risks encountered by banks.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	4	1	2	7	8
Strongly Agree	20	12	41	73	83
Do not Agree	2	-	6	8	9
Indifferent	-	-	-	-	-
Total	26	13	49	88	100

Source: Field Survey; 2025

Table shows that 7 (8%) of the respondents indicated agree, 73 (83%) indicated strongly agree while 8 (9%) do not agree and none of the respondents indicated indifferent. This means that market risk is major challenge facing the banks.

Question f: Insolvency risk is encountered by my bank?

Table 4.8: **Data collected on insolvency risk as encountered by the banks.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	5	-	2	7	8
Strongly Agree	-	-	4	4	5
Do not Agree	19	9	40	68	77
Indifferent	2	4	3	9	10
Total	26	13	49	88	100

Source: Field Survey; 2025

From table 4.8 above 7 (8%) of the respondents indicated agree, 4 (5%) strongly agreed, 66 (77%) respondents do not agree and 9 (10%) of the respondents indicated indifferent. This shows that insolvency risk is not a challenge facing the banks.

Having exhaustively analysed the questions administered for testing hypothesis one, a compressed result for the individually analysed questions are presented below.

Table 4.9: **Condensed response of the six questions for testing hypothesis one.**

Organization	**SA**	**A**	**NA**	**IND**	**Total**
UBA	9	17	-	-	26
Diamond Bank	3	10	-	-	13
First Bank	2	47	-	-	49
Grand Total	88	88	-	-	100

Source: Field Survey; 2025

After getting the grand total for the compressed analysis, aggregate response of the three organizations are:

Table 4.10: **Aggregate response of the three banks**

Rating	**Response**	**Percentage %**
Strongly Agree	44	50
Agree	18	9
Not Agree	22	34
Indifferent	4	7
Total	88	100

Source: Field Survey; 2025

Research Question 2: What are the risk management practices among Commercial banks?

Question a: Understandings of the issues of risk are well communicated to all staff?

Table 4.11: **Understandings of the issues of risk by bank staff.**

Rating	**UBA**	**Diamond**	**First Bank**	**Total**	**Percentage %**

		Bank			
Agree	6	1	3	10	11
Strongly Agree	20	12	46	78	89
Do not Agree	-	-	-	-	-
Indifferent	-	-	-	-	-
Total	26	13	49	88	100

Source: Field Survey; 2025

The table above shows that 10 (11%) of the respondents indicated agree, 78 (89%) strongly agreed whereas no respondent either indicated do not agree or indifferent. It then means that understandings of the issues of risk are well communicated to all staff.

Question b: It is necessary to formally take risk analysis into consideration for investment appraisal?

Table 4.12: **Data on necessity of formally taking risk analysis into consideration for investment appraisal.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	9	4	6	19	22
Strongly Agree	17	9	43	69	78
Do not Agree	-	-	-	-	-
Indifferent	-	-	-	-	-
Total	26	13	49	88	100

Source: Field Survey; 2025

The table shows that 19 (22%) of the respondents indicated agree, 69 (78%) strongly agreed whereas no respondent either indicated do not agree or indifferent. This depicts risk analysis is formally taken into consideration for investment appraisal.

Question c: Credit rating and scoring system is strictly adhered to?

Table 4.13: **Interpretation of data collected on credit rating and scoring system adherence.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	10	3	7	20	23
Strongly Agree	16	10	42	68	77
Do not Agree	-	-	-	-	-
Indifferent	-	-	-	-	-
Total	26	13	49	88	100

Source: Field Survey; 2025

The table shows that a total number of 20 (23%) of the respondents indicated agree, 68 (77%) strongly agreed whereas no respondent either indicated do not agree or indifferent. It means that credit rating scoring system is strictly adhered to by the banks.

Question d: Existing measurement tools effectively predict credit risk and other risks?

Table 4.14: **Effectiveness of measurement tools in predicting credit risk and other risks.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	12	4	6	22	25
Strongly Agree	10	9	40	59	67
Do not Agree	-	-	3	3	3
Indifferent	4	-	-	4	5
Total	26	13	49	88	100

Source: Field Survey; 2025

Table 4.11 shows that 22 (25%) of the respondents indicated agree, 59 (67%) strongly agreed whereas 3 (3%) of respondents either indicated do not agree and 4 (5%) indicated indifferent.

It shows that existing measurement tools effectively predict credit risk and other risks.

Having exhaustively analyzed the questions administered under research question two, a compressed result for the individually analyzed questions is presented below.

Table 4.15: **Condensed response of the four questions for testing hypothesis two.**

Organization	**SA**	**A**	**NA**	**IND**	**Total**
UBA	9	17	-	-	26
Diamond Bank	3	10	-	-	13
First Bank	2	47	-	-	49
Grand Total	88	88	-	-	100

Source: Field Survey; 2025

Table 4.16: **Aggregate response of the three banks**

Rating	**Response**	**Percentage %**
Strongly Agree	65	78
Agree	15	20
Not Agree	4	1
Indifferent	4	1
Total	88	100

Source: Field Survey; 2025

Research Question 3: To what extent does the existing legal and regulatory provisions support sound risk management practices among Nigerian banks?

Question a: The introduction of the Prudential Guidelines by the regulatory authority (the CBN) has ensured qualitative risk management among banking institutions in Nigeria?

Table 4.17: **Effect of the Prudential Guidelines on qualitative risk management among banking institutions in Nigeria.**

Rating	**UBA**	**Diamond Bank**	**First Bank**	**Total**	**Percentage %**
Agree	19	9	41	69	78
Strongly Agree	7	4	8	19	22
Do not Agree	-	-	-	-	-
Indifferent	-	-	-	-	-
Total	26	13	49	88	100

Source: Field Survey; 2025

The table shows that 69 (78%) of the respondents indicated agree, 19 (22%) strongly agreed whereas no respondent indicated do not agree or indifferent. It shows that the prudential guidelines by the regulatory authority to some extent ensure qualitative risk management among banking institutions in Nigeria.

After getting the grand total for the compressed analysis, aggregate response from the three organization are:

Table 4.18: **Aggregate response of the three banks**

Rating	**Response**	**Percentage %**
Strongly Agree	55	60
Agree	18	31
Not Agree	13	6
Indifferent	2	3

Total	88	100

Source: Field Survey; 2025

4.3 TEST OF HYPOTHESES

In this section, the researcher validated the four hypotheses of the research work. In testing the hypotheses formulated, Chi-square (X^2) statistical tool was used.

4.3.1 DECISION RULE

Accept the null hypothesis (Ho) if the calculated Chi-square value is less than the critical value of the Chi-square distribution table, otherwise reject the null hypothesis and accept the alternate hypothesis (Hi). That is; Accept: Ho if X^2t _ X^2c

and reject Hi

Where: X^2t = Critical Value of Chi-square

X^2c = Calculated Chi-square

4.3.2 OPERATIONAL ASSUMPTION

i. Level of significance = 5%

ii. Degree of freedom = (r – 1) (c – 1)

iii. Expected data = $\frac{\text{Row total x Column total}}{\text{Total value}}$

iv.. Critical value = (4 – 1) (3 – 1)

= 3 x 2

= 6

= 12.592

4.3.3 TEST OF HYPOTHESIS ONE

Ho: Commercial banks in Kwara State do not encounter any risk.

Hi: There are significant risks encountered by Commercial banks in Kwara State.

In testing the hypothesis, the condensed response of the research question; what are the risks encountered by your bank? was used.

Table 4.19: **Response on the risks encountered by banks.**

Organization	**SA**	**A**	**NA**	**IND**	**Total**
UBA	9	17	-	-	26
Diamond Bank	3	10	-	-	13
First Bank	2	47	-	-	49
Grand Total	88	88	-	-	100

Source: Field Survey; 2025

Using Chi-square formula: $X^2 = \_ \frac{\sum(fo - fe)^2}{fe}$

Where: X^2 = Chi-square

fo = Observed frequency

fe = Expected frequency

$\sum$ = Summation

Expected frequency = $\frac{\text{Row total x Column total}}{\text{Total value}}$

a. $\frac{56 \times 21}{88} = 12.26$

b. $\frac{56 \times 15}{88} = 09.12$

c. $\frac{56 \times 19}{88} = 22.3$

d. $\frac{56 \times 26}{88} = 13.34$

e. $\frac{26 \times 27}{88} = 12.07$

f. $\frac{26 \times 25}{} = 12.18$

88

g. 26 x 12 = 13.28

88

h. 26 x 16 = 11.2

88

i. 27 x 12 = 13.11

88

j. 27 x 11 = 11.02

88

k. 22 x 15 = 9.07

88

l. 18 x 13 = **25.14**

88 **88**

Fo	**Fe**	**Fo-fe**	**$(fo-fe)^2$**	**$(fo-fe)^2/fe$**
66	76.26	-10.26	1.3804	2.241
27	14.50	12.5	10.7759	17.496
50	51.90	-1.9	0.0696	0.113
13	13.34	-0.34	8.6657	14.062
32	43.02	-11.02	2.8229	4.584
7	8.18	-1.17	0.1673	0.271
30	29.28	0.72	0.0177	0.029
19	7.52	11.48	17.5253	28.464
66	65.72	21.28	3.1508	5.113
16	27.32	-11.32	4.6904	7.617
66	65.82	1.18	0.0142	0.023

14	25.14	-11.14	4.9363	8.011
88	**44.0**	**TOTAL**		**88.00**

Source: Field Survey; 2025

DECISION: The calculated Chi-square value (X2c) is far greater than the critical value of the Chi-square distribution table (X^2_t

t) (ie 44.00 > 6.29). Therefore, we reject the null hypothesis (Ho) but accept the alternate hypothesis (Hi). This implies that there are significant risks encountered by the Commercial banks in Kwara State.

4.3.4 TEST OF HYPOTHESIS TWO

Ho: There are no effective risk management practices among Commercial banks in Kwara State.

Hi: There are effective risk management practices among Commercial banks in Kwara State.

The condensed response of the research question; "how adequate is the risk management practices among Commercial banks" was used in testing the hypothesis.

Table 4.20: **Response on the adequacy of risk management practices among Commercial Banks.**

Organization	**SA**	**A**	**NA**	**IND**	**Total**
UBA	9	17	-	-	26
Diamond Bank	3	10	-	-	13
First Bank	2	47	-	-	49
Grand Total	88	88	-	-	100

Source: Field Survey; 2025

Using chi-square formula: $X^2 \sum = \frac{(fo-fe)^2}{fe}$

expected frequency = $\frac{\text{Row total X column total}}{}$

Total value

a. $\frac{56 \times 21}{88}$ = 12.26

b. $\frac{56 \times 15}{88}$ = 09.12

c. $\frac{56 \times 19}{88}$ = 22.3

d. $\frac{56 \times 26}{88}$ = 13.34

e. $\frac{26 \times 27}{88}$ = 12.07

f. $\frac{26 \times 25}{88}$ = 12.18

g. $\frac{26 \times 12}{88}$ = 13.28

h. $\frac{26 \times 16}{88}$ = 11.2

i. $\frac{27 \times 12}{88}$ = 13.11

j. $\frac{27 \times 11}{88}$ = 11.02

k. $\frac{22 \times 15}{88}$ = 9.07

l. $\frac{18 \times 13}{88}$ = **25.14**
88

Fo	**Fe**	**Fo-fe**	**$(fo-fe)^2$**	**$(fo-fe)^2/fe$**
66	76.26	-10.26	1.3804	2.241
27	14.50	12.5	10.7759	17.496
50	51.90	-1.9	0.0696	0.113
13	13.34	-0.34	8.6657	14.062
32	43.02	-11.02	2.8229	4.584
7	8.18	-1.17	0.1673	0.271
30	29.28	0.72	0.0177	0.029
19	7.52	11.48	17.5253	28.464
66	65.72	21.28	3.1508	5.113
16	27.32	-11.32	4.6904	7.617
66	65.82	1.18	0.0142	0.023
14	25.14	-11.14	4.9363	8.011
88	**44.0**	**TOTAL**		**88.00**

Source: Field Survey; 2025

DECISION: The calculated Chi-square value (X2c) is far greater than the critical value of the Chi-square distribution table (X^2_t) (44.070 > 12.592). Therefore, we reject the null hypothesis (Ho) and accept the alternate hypothesis (Hi). This means that there are effective risk management practices among Commercial banks in Kwara State.

4.3.5 TEST OF HYPOTHESIS THREE

Ho: The existing legal and regulatory provisions do not support sound risk management practice among Nigerian banks.

Hi: The existing legal and regulatory provisions support sound risk management practice among Nigerian banks.

This hypothesis was tested using the condensed response of the research question: To what extent does the existing legal and regulatory provisions support sound risk management practices among Nigerian banks?

Table 4.21 **Response of legal and regulatory provisions support of sound risk management among Nigerian banks.**

Organization	**SA**	**A**	**NA**	**IND**	**Total**
UBA	9	17	-	-	26
Diamond Bank	3	10	-	-	13
First Bank	2	47	-	-	49
Grand Total	88	88	-	-	100

Source: Field Survey; 2025

Using chi-square formula: $X^2 \sum = \frac{(fo-fe)^2}{fe}$

expected frequency = $\frac{\text{Row total X column total}}{\text{Total value}}$

a. $\frac{56 \times 21}{88}$ = 12.26

b. $\frac{56 \times 15}{88}$ = 09.12

c. $\frac{56 \times 19}{88}$ = 22.3

d. $\frac{56 \times 26}{88}$ = 13.34

e. $\frac{26 \times 27}{88}$ = 12.07

f. $\frac{26 \times 25}{}$ = 12.18

88

g. $\frac{26 \times 12}{88}$ = 13.28

h. $\frac{26 \times 16}{88}$ = 11.2

i. $\frac{27 \times 12}{88}$ = 13.11

j. $\frac{27 \times 11}{88}$ = 11.02

k. $\frac{22 \times 15}{88}$ = 9.07

l. $\frac{18 \times 13}{88}$ = **25.14**
88

Fo	**Fe**	**Fo-fe**	**$(fo-fe)^2$**	**$(fo-fe)^2/fe$**
66	76.26	-10.26	1.3804	2.241
27	14.50	12.5	10.7759	17.496
50	51.90	-1.9	0.0696	0.113
13	13.34	-0.34	8.6657	14.062
32	43.02	-11.02	2.8229	4.584
7	8.18	-1.17	0.1673	0.271
30	29.28	0.72	0.0177	0.029
19	7.52	11.48	17.5253	28.464
66	65.72	21.28	3.1508	5.113
16	27.32	-11.32	4.6904	7.617
66	65.82	1.18	0.0142	0.023
14	25.14	-11.14	4.9363	8.011

88	**44.0**	**TOTAL**	**88.00**

Source: Field Survey; 2025

DECISION: The calculated Chi-square value (X^2c) is less than the critical value of the Chi-square distribution table (X^2_t) (ie 5.660 < 12.592). Therefore, we reject the alternate hypothesis (Hi) and accept the null hypothesis (Ho). It means that the existing legal and regulatory provisions do not effectively support sound risks management in Nigerian banks.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 PREAMBLE

This chapter summarizes the findings of this research work. It also provides conclusions drawn from the findings and makes recommendations that may be helpful to the banks, economic policy makers and the regulatory authority responsible for regulating the activities of banks in the Nigerian economy.

5.2 SUMMARY

- The study has established that there are significant risks encountered by Commercial banks in Kwara State.
- The banks have adequate measures and processes of monitoring and controlling risks that ensure proper risk management practices.
- The existing legal and regulatory provisions do not effectively support sound risk management.
- As a result of effective risk management, banks performance has tremendously increased. It enable banks to achieve sustainable market price stability, protect and grow return on investment, also increases their efficiency and profitability.

5.3 CONCLUSIONS

The results obtained from the research clearly support the assertion that effective risk management contributed to a greater extent to the performance of banks in Kwara State. Therefore, effective risk management is important in banks and allows them to improve their performance and prevent bank failure, to achieve that, banks should have positive risk management culture, legal and regulatory provisions or policies strengthen.

5.4 RECOMMENDATIONS

The reason for risk management is for better performance and to prevent bank distress.

Consequent upon the findings and conclusions drawn from this work, the following recommendations were made:

- Banks in Kwara State should enhance their capacity in risk management, there should be effective, efficient and comprehensive risk management process to identify measure, monitor and control risks.
- There is also the need for banks in Kwara State to adopt sound corporate governance practices, manage their risks in an integrated approach and focus mainly on core banking activities.
- The existing legal and regulatory provisions should be looked into and amended where necessary and there should also be periodical review of the operations and performances of banks by the regulatory authority to ensure that banks operate in accordance with the relevant provisions of the Bank and other financial institutions Act (BOFIA 1999) and Prudential Guidelines.

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APPENDIX 1

Department of Accountancy,
Institute of Finance and
Management Studies,
Kwara State Polytechnic,
Ilorin.

Dear Respondents,

This questionnaire is sent to your company for academic research purpose by a student of Kwara State Polytechnic.

This questionnaire is purposely designed to Effect OF Risk Management On The Performance Of Selected Commercial Banks In Kwara State.

The research is in partial fulfilment for the Award of Higher National Diploma (HND) in Accounting hence, the questionnaire is strictly meant for the research purpose and you are implore to be factual if possible in your response. Please any information given shall be treated as confidential.

Yours faithfully,

Jenfa Ayobami Deborah