



PORTFOLIO MANAGEMENT AND PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT: *This study was carried out to examine the effect of portfolio management on the performance of listed deposit money banks (DMBs) in Nigeria. The study anchored on the Modern Portfolio and Shiftability Theory adopted an ex-post facto approach. Hence, data were collected from the annual reports and accounts of banks with international authorization for the period 2016–2020. The study used the linear regression model in the data analysis. The empirical result of the research indicates a significant and positive relationship between credit risk management, liquidity risk management and performance (NAPS) of deposit money banks in Nigeria. Thus, the study concludes that portfolio management enhances and improves the financial performance of deposit money banks in Nigeria. In lieu of this, the study recommended the need for deposit money banks to monitor and take a closer look at their liquidity and also maintain optimum liquidity, which will go a long way in improving their financial performance. Also, DMBs should determine the optimum level for their loan-deposit mix up to when marginal cost (MC) is equal to marginal revenue (MR). This would help to bring the non-performing loans to a minimal level.*

KEYWORDS: Portfolio Management, Credit Risk Management, Liquidity Risk Management, Deposit Money Banks.



INTRODUCTION

The importance of portfolio management to banks cannot be overemphasized and it also forms an integral part of the loan process. Portfolio management maximizes bank risk and adjusts risk rate of return by maintaining credit risk exposure with a view to shielding the bank from the adverse effects of credit risk (Njoku & Ezeudu, 2017). Deposit money banks are major players in the financial sector of every economy. The failure or success of these banks will have either a positive or negative impact on the economy. According to Uwalomwa, Uwuigbe and Oyewo (2015), many deposit money banks underperform as a result of poor management of their credit risk and liquidity risk. High level of non-performing loans in the balance sheet reduces banks' profitability and thereby affects performance of banks.

According to Jenkinson (2008), banks are exposed to a large number of risks, which include liquidity risk, credit risk, foreign exchange risk, market risk, interest rate risk, among others. These risks have to be well managed in order to ensure their survival and profitability. Banks are expected to have a credit administration department that ensures proper maintenance and administration of credits.

Portfolio management is a serious threat to the performance of banks, as some of the a priori expectations showed a negative effect, which calls for its proper management. Portfolio management provides a leading indicator of the quality of banks' credit portfolio which is because it greatly influences or prevents the failure of a bank, as the failure of a bank is influenced to a large extent by the quality of credit decisions and thus the quality of the risk assets, which can be deterred as a result of poor corporate governance such as CEO duality etc (Charles & Kenneth, 2013). The importance of strong credit and liquidity risk management for building a quality loan portfolio is of paramount importance to the performance of deposit money banks as well as the overall economy. The growing stock of studies in accounting, finance and economics underscores the failure in credit risk management as one of the main sources of banking sector crises which possibly led to economic failure experienced in the past, including 2001 global financial crises (Fofack, 2005). Empirical evidence on the effect of portfolio management on banks' performance in Nigeria centered on traditional measures of performance such as return on equity, return on asset, earnings per share, etc. with none to the best of the researchers' knowledge on market (value-based) measures of performance, as the traditional measures of performance do not take into consideration the cost of capital and, moreover, they are influenced by accrual-based accounting conventions in addition to overemphasis to achieve and maintain short-term financial results, while market measures of performance are promoted and conceded as measures for corporate real profitability in terms of performance. Since value creation has become a primary concern to investors, the proponents of value-based measures claim that those measures are the only performance measures tied directly to stocks' intrinsic value (Stewart, 1991; 1999; Grant, 2003).

In addition, the study seeks to examine how portfolio management could affect banks' performance as extant literature reported that inappropriate management of credit and liquidity risk caused the liquidation and takeover of many banks in Nigeria.



However, in Nigeria, literature on this subject is very limited or the issues have not been localized or well-treated, like the inclusion of net assets per share (NAPS) as a market measure for banks' performance. Little or no attention is paid to this area by academics, financial economists or corporate directors and regulators as evidenced by little literature and contribution to this discourse. To achieve this purpose, the following hypotheses were formulated:

H₀₁: Credit Risk Management has no significant effect on banks' performance.

H₀₂: Liquidity Risk Management has no significant effect on banks' performance.

REVIEW OF RELATED LITERATURE

Portfolio Management

In recent years, the importance of portfolio management has been evidenced in the corporate sector. Portfolio management (PM) is important and its effectiveness improves companies' performance by contributing to reduced fraud, managing potential threats, and more efficient use of resources. Taking and managing risk is the very essence of business survival and growth (Axelos Global Best Practice, 2014).

According to Omaliko, Nwadiakor and Nweze (2020), a sound framework for managing risk and ensuring an effective internal control system is essential for achieving the strategic objectives of the company. The following are recommended by the Nigerian Code of Corporate Governance (2018) as regards PM

The Board should ensure the establishment of a risk management framework that:

- Defines the company's risk policy, risk appetite and risk limits, and
- Identifies, assesses, monitors and manages key business risks to safeguard shareholders' investments and the company's assets.
- Formally approve the risk management framework and ensure that it is communicated in a simple and clear language to all employees.
- Ensure that the risk management framework is integrated into the day-to-day operations of the business and provide guidelines and standards for management of key risks.
- Articulate, implement and review the company's internal control systems to strengthen the risk management framework.
- Conduct at least annually or more often in companies with complex operations a thorough risk assessment covering all aspects of the company's business and ensure that mitigating strategies have been put in place to manage identified risks.
- Obtain and review relevant reports periodically to ensure the ongoing effectiveness of the company's risk management framework.



- Ensure that the company's risk management framework is disclosed in the annual report, and
- Ensure that the risk management function is headed by a member of senior management who is a professional with relevant qualifications, competence, objectivity and experience.

Credit Risk Management

The goal of credit risk management is to maximize banks' 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 transactions. 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 (Ahmad, 2017).

Demirguc-Kunt and Huzinga (1999) opined that credit risk management is in twofolds, which includes the realization that after losses have occurred, the losses become unbearable and the developments in the field of financing commercial paper, securitization, and other non-bank competition which pushed banks to find viable loan borrowers. 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. Credit risk management arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet.

Credit risk according to Basel Committee of Banking Supervision (2001) is the possibility of losing the outstanding loan partially or totally, due to credit events (default risk), failure to pay a due obligation, repudiation/moratorium or credit rating change and restructure.

Liquidity Risk Management

According to Wuava, Yua and Yua (2020), liquidity is the ability of a bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses while effective liquidity risk management helps to ensure a bank's ability to meet cash flow obligations, which are uncertain as they are affected by external events and another agents' behavior. Liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system-wide repercussions in carrying out the role of financial intermediation especially as it relates to maturity transformation of short-term exposure to liquidity risk both at an idiosyncratic (institution-specific) level or system-wide. Liquidity risk is the possibility of negative effects on the interests of owners, customers and other stakeholders of the financial institution resulting from the inability to meet current cash obligations in a timely and cost-efficient manner. Liquidity risk usually arises from management's inability to adequately anticipate and plan for changes in funding sources and cash needs (Awojobi, 2011). According to Omaliko, Okeke and Obiora (2021), liquidity risk management is of paramount importance because a liquidity shortfall at a single institution can have system-wide repercussions. According to Owojori, Akintoye and Adidu (2011), liquidity risk management centers on liquidity facilities and portfolio structure. Recognizing liquidity risk leads the banks to recognize liquidity itself as an asset, and portfolio design in the face of illiquidity concerns as a challenge.



Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Omaliko & Okpala, 2020).

Cheng, Wang, Lee and Teng (2012) defined performance as the degree of measure organizations put in to achieve their goals and they advocated that performance goal should be synonymous. Firm Performance should include efficiency and effectiveness. Efficiency means doing the thing right, quantitatively determined by the ratio of output to input. Effectiveness is “doing the right thing,” a relatively vague, non-quantitative concept, mainly concerned with achieving objectives. The function of firm performance measurement is not just informing managers but providing a better way to examine the long-term competitive ability and enterprise value.

For the purpose of this study, performance was measured using net assets per share, as used by Omaliko, Nweze and Nwadior (2020), and Omaliko and Onyeogubalu (2021). This was captured as Net Assets divided by Paid Up Capital.

Theoretical Framework

Modern Portfolio Theory

Modern Portfolio Theory (MPT) Modern Portfolio theory was introduced by Harry Markowitz in 1952. It attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully choosing the proportions of various assets. The portfolio theory integrates the process of efficient portfolio formation to the pricing of individual assets. It emphasized that risk is an inherent part of higher reward. The theory also explained that some sources of risk associated with individual assets can be eliminated or diversified away, by holding a proper combination of assets (Bodie, Kane & Marcus, 1999).

Some of the issues not addressed by the theory include how banks can form a portfolio of loans that minimize risk and maximize return. It does not outline ways of determining a risk-free portfolio. Lastly, the theory does not address various risks that are faced by banks when managing a loan portfolio. Therefore, the theory cannot apply holistically in portfolio management in banks, hence shiftability theory.

Shiftability Theory

The theory was propounded by M.G. Mouton in the year 1918 and published in his article named commercial banking and capital formation. The theory states that a bank's liquidity is adequately maintained if it holds assets that could be shifted or sold to other lenders or investors for cash even during period of crisis or distress.. The theory further contends that highly marketable security held by a bank is an excellent source of liquidity. The proponents of this view argued that a bank's liquidity could be enhanced if it holds specified liquid assets



required to sell to the Central Bank and the discount Market (interbank window) provided they are ready to purchase the asset offered at discount.

Nwankwo (1991) argues that since banks can buy all the funds they need, there is no need to store liquidity on the asset side (liquidity asset) of the balance sheet. It is pertinent to note that liquidity management theories have been subjected to critical review by various scholars. The general consensus however is that during periods of distress or crisis, banks with grave financial conditions and downgraded status may be challenged in obtaining the desired liquidity because the investors'/deposits' confidence in them has been eroded. This is however not the case with healthy or financially sound banks, whose liabilities (deposits, market funds and other creditors) constitute a major component of their liquidity sources as their liquidity strain may be less severe.

Empirical Review

Olusanmi, Uwuigbe and Uwuigbe (2015) investigated the impact of effective risk management on banks' financial performance from 1998–2014. The ordinary least square regression was employed in testing the hypothesis formulated. Data was collected from the annual reports of banks listed on the floor of the Nigerian Stock Exchange. The study observed that there exists a negative non-significant relationship between risk management proxies and banks' performance as captured with return on equity.

The financial performance cannot be explained away by the compliance or non-compliance to Basel's regulation by financial institutions, but could be as a result of the accumulation of minor difficulties and inconsequential malfunction of the individual actors, resulting in a massive breakdown.

Kolapo, Ayeni and Oke (2012) carried out an investigation into the quantitative effects of credit risk on the performance of five deposit money banks in Nigeria over the period of 11 years (2000–2010). Panel model analysis was adopted to estimate the determinants of the profit function. The results showed that the effect of credit risk on bank performance is cross-sectional invariant. They recommended that banks in Nigeria should enhance their capacity in credit analysis and loan administration while the regulatory authority should pay more attention to banks compliance to relevant provisions of the bank and the guidelines.

Taiwo and Abayomi (2013) evaluated the impact of credit risk management on bank profitability of some selected deposit money banks in Nigeria using econometric analysis method on annual time series data of ten banks over the period of 2006 to 2012. The results from Panel Least Square (PLS) estimate found that credit risk management had a significant impact on the profitability of Nigeria banks. They therefore suggested that management need to be cautious in setting up a credit policy that might not negatively affect profitability, and also, they need to know how credit policy affects the operation of their banks to ensure judicious utilization of deposits. Also, that capitalization and total assets of the bank should be periodically evaluated.

Adeusi, Akeke, Adebisi and Oladunjoye (2014) carried out a study to examine the effect of association of the risk management practices on bank financial performance in Nigeria. The study employed a panel of ten commercial banks for a period of four years, covering 2006 to 2009. Using two variables of financial performance, return on assets and return on equity to



develop two models with liquidity, credit and capital risks, the regression result showed that there is a significant relationship between bank performance and risk management.

Wanjohi (2013) carried out a study on the financial risk management on financial performance of Kenyan commercial banks. The study employed five components of risk management including the risk management environment of the institution, risk measurement skills, risk mitigation procedures, risk monitoring and adequate internal controls of the organization as the independent variables. The dependent variable was the mean of ROA for a period of five years covering 2008 to 2012. The study found that financial risk management strongly affected the financial performance of Kenyan commercial banks.

Li Yuqi (2007) examined the determinants of banks' profitability and its implications on risk management practices in the United Kingdom. The study employed regression analysis on a time series data between 1999 and 2006. Six measures of determinants of banks' profitability were employed. They indicated liquidity, credit and capital as internal determinants of banks' performance. GDP growth rate, interest rate and inflation rate were used as external determinants of banks' profitability. The six variables were combined into one overall composite index of banks' profitability. Return on Assets (ROA) was used as an indicator of banks' performance. It was found that liquidity and credit risk have a negative impact on bank's profitability.

Al-Khouri(2011), studied the impact of bank's specific risk characteristics, and the overall banking environment on the performance of 43 deposit money banks operating in 6 of the Gulf Cooperation Council (GCC) countries from 1998–2008. Fixed effect regression analysis was used. The results showed that credit risk, liquidity risk and capital risk were the major factors that affect bank performance measured by return on assets while liquidity risk only affects return on equity. He recommended that banks should be more efficient in risk management.

Ara, Bakaeva and Sun (2009) observed that credit risk management has an effect on the performance of the financial institutions. Regression model was used on the data collected from the sample banks' annual report from 2000–2008. The study found that the impact of credit risk management on the financial performance is not the same on all four deposit money banks sampled. They recommended that banks should improve on credit risk management strategies to improve their profitability.

Soyemi, Ogunleye and Ashogbon (2014) investigated the effect of risk management practices on the financial performance of banks in Nigeria. A cross-sectional model of eight quoted commercial banks was collected in 2012 for the study. The variables of risk management employed are non-performing loan ratio, liquidity ratio, cost to income ratio, capital adequacy ratio while the two dependent variables used to form two models for the study were Return on Assets (ROA) and Return on Equity (ROE). The OLS regression result showed that financial performance is greatly determined by risk management practices.

Omaliko and Onyeogubalu (2021) in their study on voluntary risk disclosures and organizational sustainability reported that effective risk management practices ensure corporate sustainability.



Ofosu-Hene and Amoh (2016) investigated the relationship between risk management and bank performance among the listed banks on Ghana Stock Exchange between 2007 and 2014. The performance of banks was measured using ROA and ROE while the explanatory variables included risk index, size of bank, bank solvency, bank liquidity, non-performing loans, inflation, and exchange rate. The regression result showed that risk management is positively related to performance.

Olusanmi, Uwuigbe and Uwuigbe (2015) examined the impact of effective risk management on banks' financial performance in Nigeria. The data set covered a sample of 14 banks listed on the floor of the Nigerian Stock Exchange over a period of 6 years (2006–2012). The dependent variable was Return on Equity (ROE) while the explanatory variables included non-performing loan ratio, Capital Ratio, Loan to Total Deposit and Risk Disclosure. The results from ordinary least square regression showed that there is a negative and insignificant relationship between risk management proxies and banks' performance.

METHODOLOGY

Ex-post facto design was adopted for the study. This was based on the fact that our data is a secondary data that exists already which cannot be manipulated or controlled. The population of the study consists of the entire 8 listed deposit money banks in Nigeria with Commercial Banking License & International Authorization as at 2021 Business List. It ranges from Access Bank Plc, Fidelity Bank Plc, First Bank Plc, First City Monument Bank Plc, Guaranty Bank Plc, Union Bank Plc, United Bank for Africa Plc to Zenith Bank Plc. The study covers the period of 2016–2020.

The use of listed deposit money banks in Nigeria with commercial banking license and international authorization could be justified as these banks are keenly involved in the management of credit and liquidity risk than the listed deposit money banks with national license and authorization. The data collected were analyzed using the linear regression model with the aid of STATA V.

The study adopted this technique in order to ascertain the effect of portfolio management (CRDR & LIQR) on banks' performance, which was measured using net assets per share (NAPS). Various robustness tests such as the test for multicollinearity between the independent variables were carried out to improve the validity of the results obtained.

Operationalization and Measurement of Variables

Dependent Variable

The dependent variable in this study is Banks' Performance and it was proxy and measured using Net Assets Per Share (NAPS) as used by Omaliko, Nweze and Nwadiolor (2020). This was captured as Net Assets divided by Paid UpCapital.

Independent Variable

The independent variable of portfolio management was measured using Credit Risk Management and Liquidity Risk Management. The measurements for the variables are shown in Table 1.

**Table 1: Measurements for Independent Variables**

Variables	Measurements	A Priori Expectations
Credit Risk	Total Liabilities/Total Assets (TL/TA)	Sathyamoorthi, Mogotsinyana, Mphoeng and Mashoko (2019)
Liquidity Risk	Liquid Assets/Current Liabilities (LA/CL)	Ofeimum and Okeke (2019)

Source: Empirical Survey (2021)

Model Specification

In line with the previous research works, the researcher adapted and modified the model of Lawal and Ibrahim (2017) in determining the effect of portfolio management on banks' performance. This is shown below:

$$\text{ROA} = F(\text{CRD}, \text{LQD}) \text{ ----- I}$$

The modified functional model is shown below:

$$\text{ROE} = F(\text{CRDR} \ \& \ \text{LIQR}) \text{ ----- II}$$

The econometric form of the regression modified for the study is expressed thus:

MODEL:

$$\text{NAPS}_t = \beta_0 + \beta_1 \text{CRDR}_t + \beta_2 \text{LIQR}_t + \mu \text{ ----- III}$$

where:

ROA = Return on Assets

CRD = Credit Risk

LQD = Liquidity Risk

NAPS = Net Assets Per Share

CRDR = Credit Risk

LIDR = Liquidity Risk



Data Analysis

Table 2: Descriptive Statistics of Our Variables from Banks

	NAPS	LIQR	CRDR
Mean	19.4045	1.8052799	1.164576
Std. Dev.	9.03822	0.1400175	0.2172159
Maximum	85	0.976536	1.991820
Minimum	2.14	0.346578	0.787322
Observations	40	40	40

Source: *Researcher's Computation (2021)*

Table 2 helps to provide some insight into the nature of the selected listed deposit money banks (DMBs) in Nigeria that have commercial license and international authorization. Firstly, it can be observed that on the average, in a 5-year period (2016–2020), the selected banks in Nigeria were characterized by positive Net Assets Per Share (NAPS) value = 19.4045. This is an indication that the entire deposit money banks in Nigeria with international authorization have positive NAPS, with a standard deviation value of 9.03822. The average LIQR for the sampled banks was 1.8052799, with a standard deviation value of 0.1400175. This means that banks with LIQR values of 1.8052799 were extremely involved in liquidity risk management. There is also a high variation in maximum and minimum values of LIQR, which stood at 0.976536 and 0.346578 respectively. This wide variation in LIQR values among the sampled (DMBs) justifies the need for this study as the researcher assumes that banks with higher LIQR values are higher profit-making firms than those banks with low LIQR values.

Similarly, Credit Risk Management Disclosure (CRDR) was characterized by a mean value of 1.164576 with a standard deviation value of 0.2172159. This means that banks with CRDR values of 1.164576 were extremely involved in credit risk management. Also, there is also a high variation in maximum and minimum values of CRDR, which stood at 1.99182 and 0.787322 respectively. This wide variation in CRDR values among the sampled banks justifies the need for this study as the researcher assumes that banks with higher CRDR values are higher profit-making banks than those banks with low CRDR values.

DATA ANALYSIS AND RESULTS

Variance Inflation Factor (VIF), Tolerance Value (TV), Breusch Pagan and Cook-Weisberg Heteroskedasticity Test, and Ramsey Reset Test (RRT) were explored for test of multicollinearity existence and auto correlation of the regressors. Linear Regression Model



was used to test the linear relationship between the dependent and independent variables. It was operated using STATA version 15 as shown in the tables below:

Table 3: Collinearity Statistics

. estatvif

Variable	VIF	1/VIF
-----+-----		
CRDR	1.00	0.999524
LIQR	1.00	0.999524
-----+-----		
Mean VIF	1.00	

From the table above, the TV ranges from 0.999 to 0.999 which suggests a non-multicollinearity feature. The VIF, which is simply the reciprocal of TV, ranges from 1.00 to 1.00 which also indicates a non-multi-collinearity feature.

Table 4: Breusch Pagan/Cook Weisberg Heteroskedasticity for the Model. estathettest

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of NAPS

chi2(1) = 4.80
Prob> chi2 = 0.613

The above result was obtained from the test for heteroskedasticity. The probability value of 0.613 resulting from the test for heteroskedasticity implies that the model is free from the presence of unequal variance. This implies that our probability values for drawing inference on the level of significance are reliable and valid. The absence of heteroskedasticity validates the regression model results, which means there is no need for robust or weighted least square regression.

Table 5: Ramsey Reset Test for the Model

. estatovtest

Ramsey RESET test using powers of the fitted values of NAPS Ho: model has no omitted variables

F(3, 34) = 0.61
Prob> F = 0.6150

The above result was obtained from the test for miss-specification or omitted variables using Ramsey RESET Test. The probability value of 0.6150 resulting from the test implies that the model has no omitted variables.

**Table 6: Result on Effect of Portfolio Management on Performance of Listed Deposit Money Banks in Nigeria**

Source	SS	df	MS	Number of obs =	40
----- +-----				F (2, 37)	= 1.87

Model	1299.58018	2	649.790089	Prob> F	= 0.0023
Residual	12836.1132	37	346.921979	R-squared	= 0.6232
----- +-----				Adj R-squared	= 0.5291

Total	14135.6934	39	362.453677	Root MSE	= 0.1862

NAPS	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
----- +-----					

CRDR	.4024763	.4213061	1.56	0.002	2.922719 83.41797
LIQR	.5222151	.1373395	3.38	0.000	22.60637 33.04887
_cons	2.190866	.2338567	3.82	0.000	66.47052 28.29723

Source: Result Output from STATA 15

DISCUSSION OF FINDINGS

Credit Risk Management (CRDR) Does Not Have a Significant Influence on Banks' Performance

Credit Risk Management, based on the p-value of 0.002 in Table 6 above, was found to have a positive influence on our sampled listed deposit money banks' net assets per share. Although this influence is statistically significant since its p-value is less than 5% significance level. This result therefore suggests that we reject the null hypothesis two (H_0) which states that credit risk management does not significantly influence banks performance. We therefore accept the alternative hypothesis. This means that, in Nigeria, credit risk management determines whether the deposit money banks will record higher returns (NAPS) or not as the influence is statistically significant.

This result agrees with a priori expectation of Kolapo, Ayeni and Oke (2012) and Taiwa and Abayomi (2013) who found a significant and positive association between credit risk management and returns of deposit money banks.

Liquidity Risk Management Has No Significant Effect on Banks' Performance

Liquidity Risk Management (LIQR), based on the p-value of 0.000 in Table 6 above, was found to have a positive influence on the sampled listed deposit money banks' (DMBs) net



assets per share in Nigeria, and this influence is statistically significant since its P-value is within 5% significance level. This result therefore suggests that the researcher rejects hypothesis three (H_{03}) which states that liquidity risk management does not significantly influence banks' performance, to accept the alternative hypothesis. This implies that, in Nigeria, liquidity risk management drives net assets per share of deposit money banks positively. In other words, management that wants to record higher net assets per share should have a closer observation of their liquidity risks management process.

CONCLUSION AND RECOMMENDATIONS

The study from the statistical analysis concludes that portfolio management has a significant influence on banks' performance in Nigeria. This is to say that corporate risk management practices drive performance.

Recommendations

1. The study found that credit risk management has a significant influence on deposit money banks' net assets per share; thus, the study recommends that DMBs should determine the optimum level for their loan-deposit mix up to when marginal cost (MC) is equal to marginal revenue (MR). This would help to bring the non-performing loans to a minimal level.
2. The study also established a positive association between liquidity risk management and banks' performance. Based on this, the study suggests the need for deposit money banks to monitor and take a closer look at liquidity management which will go a long way in improving the financial performance of the banks. Adequate liquidity is a *sine qua non* for banking financial health.

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