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2	Credit Risk Management and its Influence on the Financial Performance of
3	Banks: A Study of Selected Banks in Nigeria
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10	Abstract
11	This study examines the influence of credit risk management on the performance of Nigerian
12	banks with particular reference to selected banks. Purposive sampling technique was used to
13	select five Nigerian banks. Secondary data was used for this study. It was adopted from the
14	audited financial statements of the listed banks in the Nigerian Stock Exchange (NSE), for the
15	period of year 2006 – 2017. This study also made use of Nigerian Stock Exchange Fact Book
16	201/ for the Nigerian banks and CBN bulletin 201/. The method of analysis used descriptive
1/	statistics and Linear Regressions. Result reveals that NLPR ($\beta = 0.809$), CARR ($\beta = 11.240$) and LTDP($\beta = 6.300$) have significant influence on financial performance measured by POA
10 10	LTDR(p = 0.500) have significant influence on financial performance measured by ROA. Furthermore, result also shows that $CARR(\beta = 17.982)$ and $LTDR(\beta = 3.227)$ have significant
20	influence on financial performance measured v ROE but NLPR ($\beta = -1.57$ has negative
21	influence on ROE. The study concludes that credit risk management apparatus employed by the
22	selected banks for the periods of study have significant influence on their financial performance.
23	The study therefore recommends that regulatory authorizes should implement a new code of
24	corporate governance that bank directors with non-performing loans (NPLs) are to either quit or
25	be sacked and also banks' boards to remove any director with insider non-performing loans.
26	
27	Keywords: Credit Risk Management, Non-Performing Loan Ratio, Capital Adequacy Ratio,
28	Loan-Deposit Ratio
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33	Introduction
24	
34	Financial institutions and their impact on economic growth and sustainable development have
35	acknowledged by governments and academics in both developed and developing economies. The

role of the financial sector in any economy is that of intermediation by mobilizing savings from 36 the areas of surpluses to those of deficits has well documented in the literature [1]. The 37 emergence of 2007-08 global financial crises has made countries all over the world to recognize 38 39 the role of financial sector development in sustaining economic growth and development especially in Africa, Nigeria in particular. For the banking sector to perform optimally and 40 contribute significantly to economic growth and sustainable development, the sector embarked 41 on series of financial reforms since 2004 to date. The reform was geared towards making the 42 banks strong and reliable financial institution, and to ensure the safety of depositors fund [2]. 43 In spite of these laudable efforts, the sector still witnessed several cases of collapses. This 44 is evidenced by recent revocation of Skye bank operation licence by Central Bank of Nigeria 45 (CBN), saying the decision was premised on the inability of the owners of the bank to shore up 46 its capital after it received a N350 billion intervention in July 2016. The incessant distressed 47 syndrome facing banking sector has eroded the confidence of both indigenous and foreign 48 investors in the sector. This menace has been attributed to unsuccessful credit risk management 49 50 [3]. In line with this revelation, [4] admit that poor credits (asset quality) are the primary cause of banking crises across the world. In Nigeria, Director of a new Code of Corporate Governance 51 approved by the Central Bank of Nigeria (CBN) lamented that Banks' assets have depreciated in 52 the last three years due to increase in provisions of Non-Performing Loans which has hit N856.9 53 billion. According to [5], poor credit administration reduces bank profitability and leads to bank 54 distress and/or failure. 55

56 Credit risk management has been identified by financial experts as a prerequisite to 57 maximize bank risk, adjust risk rate of return by maintaining credit risk exposure with view to 58 shielding the bank from the adverse effects of credit risk. According to [6], effective risk

59	management system minimizes the complexities involved in planning, executing and controlling
60	overall running of a business which is critical to success and this maximizes profitability in a
61	business. Credit risk Management can be viewed as written guidelines that set the terms and
62	conditions for supplying goods on credit, customer qualification criteria, procedure for making
63	collections, and steps to be taken in case of customer delinquency [7].
64	Pertinent question agitating the mind of researchers is; to what extent does credit risk
65	management influence financial performance of banks in Nigeria?
66	Objective of the Study
67	The main objective of this study is to examine the effect of credit risk management on
68	the performance of Nigerian banks with particular reference to selected Banks.
69	Research Hypothesis
70	The following hypothesis is formulated for this study;
71	Ho: Credit risk management has no significant influence the performance of banks in Nigeria.
72	H1: Credit risk management has significant influence the performance of banks in Nigeria.
73	Literature Review
74	Concept of Credit Risk Management
75	Credit risk management is germane to financial institutions as it is an integral part of the loan
76	process. According to [6], Credit risk management maximizes bank risk, adjusted risk rate of
77	return by maintaining credit risk exposure with view to shielding the bank from the adverse
78	effects of credit risk. Banks are investing a lot of funds in credit risk. [8]sees credit risk
79	management as a practice of systematically selecting cost effective approaches for minimizing
80	the effect of threat realization to the organization. All risks can be never fully avoided or
81	mitigated simply because of financial and practical limitations [8]. According to [9], credit risk

82	management refers to the systematic application of management policies, procedures and
83	practices to the tasks of identifying, analyzing, assessing, treating and monitoring risk. In
84	another study, [10] defines credit risk management as the identification, assessment, and
85	prioritization of risks followed by coordinated and economical application of resources to
86	minimize, monitor, and control the probability and/or impact of unfortunate events or to
87	maximize the realization of opportunities.
88	[11] elaborate risk management as the process of adjusting both the risk of large losses and the
89	firm's vulnerability to them. This vulnerability depends on the portfolio of positions and on the
90	amount of capital that is backing the firm's investment activities. [12] points out that the risk
91	management function has been regarded as an advisory function for senior management rather
92	than a control function within the business. This has rendered the risk managers impotent when
93	they see things going wrong but are ignored by senior management.
94	
95	Theoretical Review
96	The study anchors on shiftability theory and anticipated income theory because the two theories
97	are relevant to this study.
98	Shiftability Theory:
99	This theory postulates that by making short-term commercial transactions that will mature in a
100	timely manner will keep banks in a ready state to meet the demands of their depositors.
101	According to [13], Shiftability theory allows the banking system run more efficiently with fewer
102	reserves or investing in long-term assets and also under this theory, the banking system tries to
103	avoid liquidity crises by enabling banks to always sell or repo at good prices. [14] accords that
104	the theory assumes that assets need not be tied on only self-liquidating bills, but also held in

105	other shiftable open-market assets, such as government securities. However, one shortcoming of
106	the Shiftability Theory, similar to one that led the banking system away from the orthodox
107	theory, was that in times of stress or crisis, the effectiveness of these assets for liquidity purposes
108	goes away as there is no market for them [15]. If all banks are looking to liquidate assets, they
109	are doing so at a cost because it would be difficult to find buyers, meaning lower prices for the
110	assets and ultimately by doing so would not leave the banking system as a whole in a more liquid
111	condition [16].
112	Anticipated Income Theory
113	Anticipated income theory developed in 1945 by H. V Prochnow and presented on his book
114	named "Term loan and Theories of Bank Liquidity". The theory considered the following
115	factors; bond and securities can be used as collateral to give term loan so bank can collect fund
116	in times of emergencies by selling them in the secondary market or by keeping it as collateral to
117	central bank. [17] argue that under the anticipated income theory banks' management can plan
118	its liquidity based on the expected income of the borrower and this enables the bank to grant a
119	medium and long-term loans, in addition to short-term loans as long as the repayment of these
120	loans are linked by the borrowers expected income to be paid in the periodic and regular
121	premiums, and that will enable the bank to provide high liquidity, when the cash inflows are
122	regular and can be expected. The theory recognises that certain types of loans have more
123	liquidity than others. On the basis of this theory, bank management adopted ladder effect in the
124	investment portfolio. Banks ensured a certain amount of securities maturing annually and at
125	times when funds might be demanded for lending or withdrawal. However there was no clue
126	about the future income of the borrower.
127	Empirical Review

Prior studies on the effect of credit risk management on the performance of banks in Nigeria and 128 abroad have conflicting and inconclusive results. For example, studies in Nigeria such as [1] who 129 examine the influence of credit management on financial performance of Nigerian banks with 130 131 specific reference to First bank Plc. Their findings reveal that credit management practices have a significant positive influence on the financial performance of First bank. In similar study, [17] 132 examine the nexus between credit management and profitability (ROA) of Deposit Money Banks 133 (DMBs) in Nigeria context for the period of 2006 to 2015. Findings of their study reveal that 134 loans and advances and loan loss provision have positive and insignificant effect on profitability, 135 while non-performing loan has a negative and insignificant effect on profitability. In the same 136 vein, [18] assess the effects of credit risk management on banks' performance in Nigeria. Their 137 findings indicate that ratio of non-performing loans and bad debt do have a significant negative 138 effect on the performance of banks in Nigeria, on the other hand, the relationship between 139 secured and unsecured loan ratio and bank's performance was not significant. 140 [19] examines the effect of efficiency of credit risk management on the Performance of 141 142 Banks in Nigeria with particular reference to Union Bank PLC (2006-2010). Result indicates that credit risk management has strong effect on the performance of Union Bank PLC. In a 143 similar study, [20] investigate the impact of credit risk management on the Commercial Banks 144 Performance in Nigeria between 2005 and 2011. In the model, Return on Equity (ROE) and 145 Return on Asset (ROA) were used as the performance indicators while Non-Performing Loans 146 (NPL) and Capital Adequacy Ratio (CAR) as credit risk management indicators. The findings 147

reveal that credit risk management has a significant impact on the profitability of commercial
banks' in Nigeria. In another study, [21] also evaluate the impact of credit risk management on
bank profitability of some selected commercial banks in Nigeria for the period of 2006 to 2012.

151	The results show that credit risk management has a significant impact on the profitability of
152	Nigeria banks.

153	[22] examines the impact of credit risk management and capital adequacy on banks
154	financial performance in Nigeria. The study used variables of loan loss provisions (LLP), loans
155	and advances (LA), non-performing loans (NPL), capital adequacy (CA) and return on asset
156	(ROA). Panel data model was used to estimate the relationship that exists among variables.
157	Results showed that sound credit risk management and capital adequacy impacted positively on
158	bank's financial performance with the exception of loans and advances which was found to have
159	a negative impact on banks' profitability in the period under study. In another study, [23]
160	examines the impact of credit risk on the profitability of Nigerian banks. Findings from the study
161	revealed that credit risk management has a significant impact on the profitability of Nigerian
162	banks.
163	However, [24] examine the impact of managing credit risk and profitability of banks in
164	Lagos state. Correlation coefficient was used to decide whether or not credit risk management

has an impact on profitability. The results reveal that credit risk management has negative impact
on profitability. In a similar study, [25] investigates the quantitative effect of credit risk on the
performance of commercial banks in Nigeria for the period 2000-2010. Findings from their study
showed that the effect of credit risk on bank performance measured by the return on assets of
banks is cross sectional invariant. Their findings did not support the claim that credit risk
management has positive and significant effect on the performance banks in Nigeria.

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EMPIRICAL REVIEW ON OTHER COUNTRIES

In Rwanda, [26] determine the effect of credit management on the financial performance
of commercial banks. Results reveal that client appraisal; credit risk control and collection policy

had effect on financial performance of Equity bank in Rwanda. Another study in Ghana, [27] 174 assess the credit risk management practices in the Banking Industry of Ghana. The result 175 indicated that the bank has documented policy guidelines on credit risk management with a 176 177 senior managers having oversight responsibility for implementation. Result also revealed that that there was some implementation challenges of the credit risk policies which have resulted to 178 low quality of loan portfolio of the bank. Another Similar study in Bangladesh, [28] examines 179 180 the impact of credit risk management on financial performance of commercial banks of Bangladesh. Results show that the relationship between credit risk management and banks 181 profitability is positive. Similar study in Nepal, [29] examine the impact of the credit risk 182 management in bank's financial performance in Nepal for the period of 2001 to 2011. The result 183 of the study indicates that credit risk management is an important predictor of banks' 184 profitability and financial performance. Another similar study in China, [30] also examine the 185 credit management of commercial banks of Lianyungang City for the small scale and medium 186 enterprises (SMEs). Result shows that the risk management plan and operation method that 187 188 really suit for credit demand for the SMEs is still not mature and it caused that the bad debts and dead loan were overstocked in Lianyungang commercial bank. Result also reveals that credit 189 management has negative impact on the performance of the commercial banks. 190 However, [31] evaluates the impact of credit risk management on the financial 191 performance of Banks in Kenya for The Period 2000-2006. Result reveals that credit risk 192 management parameters have an inverse impact on banks' financial performance in Kenya for 193 the study period. In addition, [32] investigate the factors affecting commercial bank performance 194 in Nepal for the period of 2001 to 2012. The study reveals a significant inverse relationship 195 between commercial bank performance measured by ROA and credit risk measured by default 196

rate and capital adequacy ratio. [33] also examines the effect of credit risk management on

banks performance of four Swedish banks covering a period of 2000 to 2008. The result shows

that rate of non-performing loan and capital adequacy ratios were inversely related to ROE

200 though the degrees vary from one bank to the other. Their studies also contract the claim of

201 previous studies that credit risk management has positive effect on banks profitability.

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Methodology

	Table 1: Definition of Variables	
Variable	Definition	Formula
Non- Performing	Non- performing loan ratio is a ratio between the	NPL <u>R= NPLs</u>
Loan Ratio	banks total loans and total deposits [6].	Total Loan
	If the ratio goes above 25%, is an indication that the	
	bank is getting into the zone of weak credit risk	
	control system [6].	
Capital	Capital adequacy ratio is the proportion of the bank's	CAR = Total Equity
Adequacy Ratio	tier 1& tier 2 equity (Qualifying Capital or Equity) as	Total Asset
	a proportion of its risk weighted assets (loans). It is the	
	proportion of a bank's own equity in relation to its risk	
	exposure [6].	
Loan-Deposit	Loan-deposit ratio, also known as the LTD ratio, is a	LTDR=
Ratio	ratio between the banks total loans and total deposits.	Total Loan and
	If the ratio is lower than 1, the bank relied on its own	Advance
	deposits to make loans to its customers, without any	Total Deposit
	outside borrowing. If, on the other hand, the ratio is	
	greater than 1, the bank borrowed money which it	
	relined at higher rates, rather than relying entirely on	
	its own deposits [6].	
ROA	This is the earnings of the firm based on its total	ROA =
	before taxes and other interest charges are deducted	Earnings before
	divided by the total asset.	interest and tax
		Total assets
ROE	Total earnings before interest and taxes divided	ROE =
	by shareholders equity of the firm.	Earnings before
		interest and tax
		Total Equity

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207	Research Design: Ex-post facto research design was adopted for this study. Ex-post facto
208	research is a methodological verifiable investigation which the researcher cannot manipulate the
209	independent variables because they apparently had occurred or because they are intrinsic not
210	manipulated. Ex-post facto research attempts to explain the possible relationship between a set of
211	independent variables and dependent variables or to determine the influence of a variable on
212	another [34].
213	Sampling Technique and Sample size: Purposive sampling technique was used to select Zenith
214	bank, Guaranty bank, First bank, Access bank and United bank for Africa out of 20 Deposit
215	Money Banks operating in Nigeria. The choice of these banks is base on the fact that there are
216	five banks being ranked among 1000 global banks by The Banker Magazine in 2018 and it is
217	expected to have the same credit risk management apparatus.
218	Method of Data Collection: Secondary data was used for this study. It was adopted from the
219	audited financial statements of the listed banks in the Nigerian Stock Exchange (NSE), for the
220	period of year 2006 – 2017. This study also made use of Nigerian Stock Exchange Fact Book
221	2017 for the Nigerian banks and CBN bulletin 2017. Most of the yearly reports that were
222	inaccessible in the NSE fact book were obtained from the corporate offices of concerned banks
223	and were also downloaded from their corporate websites.
224	Validity of Instrument: Validity is to check whether the measuring instrument measures what it
225	intends to measure. The instruments used for the study are among the instruments adjudged by
226	experts in the field as suitable.
227	Reliability of Instrument: Reliability of instrument has to do with the consistency or
228	reproducibility, the degree to which the instrument consistently measures what it intends. The
229	study made use of secondary data; published audited annual financial statements of the firms.
230	The process of preparing the audited financial statement had followed the stringent accounting
231	standard both national and international.
232	Method of Data Analysis: Panel data was used since it incorporates time series and cross
233	sectional data. The method of analysis used descriptive statistics and Linear Regressions.

234	Mathematical model
235	Few available studies in Nigeria used different indicators to measure credit risk management and
236	financial performance. For example, [18] in their study, they used bad debt, non-performing
237	loans, secured and unsecured loans to measure credit risk management, while bank performance
238	was measured as profit after tax. [22] and [25] also used variables of loan loss provisions (LLP),
239	loans and advances (LA), non-performing loans (NPL) and capital adequacy (CA) to measure
240	credit risk management while return on asset (ROA) was used to measure financial performance.
241	[23] in his study, measured profitability with Return on Asset (ROA) as a function of the ratio of
242	Non-performing loan to loan & Advances (NPL/LA) and ratio of Total loan & Advances to Total
243	deposit (LA/TD) used as indicators of credit risk. Also, [17] in their study, they made use of
244	loans and advances, non-performing loan and loan loss provisions to measure credit risk
245	management, while return on assets and return on equity was employed to measure financial
246	performance.
247	This current study therefore adopts Non- Performing Loan Ratio, Capital Adequacy Ratio
248	and Loan-Deposit Ratio as credit risk management apparatus, while financial performance is
249	measured by Return on Assets (ROA) and Return on Equity (ROE).
250 251 252	Model IReturn on Asset = f (Non- Performing Loan Ratio, Capital Adequacy Ratio, Loan-Deposit Ratio) $ROA = \beta_0 + \beta_1 NPLR + \beta_2 CAAR + \beta_3 LODR + +U_i$
253 254	Model II Return on Equity = f (Non- Performing Loan Ratio, Capital Adequacy Ratio, Loan-Deposit
255	Ratio)
256	$ROE = \beta_0 + \beta_1 NPLR + \beta_2 CAAR + \beta_3 LODR + + U_i$
257	Where;
258	NPLR = Non- Performing Loan Ratio
259	CAAR = Capital Adequacy Ratio
260	LODR = Loan-Deposit Ratio
261	$\beta_0 = \text{intercept}$
262	$\beta_1 - \beta_3 =$ Regression coefficient of the independent variables
263	

Data Analysis, Results and Discussion

Variable	N	Minimu	Maximu	Mean	Std.
		m	m		Deviation
ROA	12	.02	.07	.0460	.01616
ROE	12	.08	.51	.2858	.13561
NLPR	12	.04	.12	.0868	.02278
CARR	12	.07	.31	.1404	.06919
LTDR	12	.35	2.03	.8192	.45827

Table 2: Descriptive Statistics of Dependent and Independent Variables

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From table 2 above, Return on Assets (ROA) measured by total earnings of the firm based on its 267 total before taxes and other interest charges are deducted divided by the total asset ranges from 268 2-7%. It has a mean value of 4.6% and standard deviation value of 1.6%. This implies that on 269 average the study banks in Nigeria earned a 4.6% return on assets per year with a 1.6% standard 270 deviation. Also, Return on Equity (ROE) measured by total earnings before interest and taxes 271 divided by shareholders equity of the firm ranges from 8-51%. It has mean and standard 272 deviation values of 28.6% and 13.56% respectively. This indicates that on average the study 273 banks in Nigeria earned a 28.6% return on equity per year with a 13.56% standard deviation. 274 Prior studies affirm that Return on equity between 15% and 20% is considered desirable [6]. This 275 276 indicates that the selected banks in Nigeria have been performing above desirable rage during the periods under study. However, [35] argues that getting this much return on equity may not 277 always send a good signal, but it may also result from having a small, inefficient and less 278 279 competitive market. Non- performing loan ratio is a ratio between the banks total loans and total deposits. 280 Table 2 reveals that average NPLR in selected banks for the periods under study was 8.7% with 281

standard deviation of 2.2%. The difference between minimum value (4%) and maximum value

283 (12%) as well as standard deviation indicates that there is no that much variation among banks

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284	cr	edit risk expo	osures. A	lso, CAR ra	atio measured	by the pro	portion	of owners'	equity to	o total
285	assets having a minimum of 7% and maximum of 31% with a mean value and standard deviation									
286	of 14% and 6.9% respectively. The average amount of CAR is higher than the international									
287	minimum of 8% set by BASEL for commercial banks globally. This implies that the selected									
288	banks have capital adequacy ratio to protect the depositors' funds from credit risk and other									
289					failure					
290		In Table	2, LTDF	R which wa	s measured by	the property	ortion of	f also total	loan and	advance
291	to t	otal deposit.	The aver	age LTDR i	in the selected	banks for	the per	iods under	study wa	s 81.9%
292	W	ith standard d	leviation	of 45%. Th	e minimum va	llue and m	aximun	n value are	35% and	200%
293	res	pectively. Th	nis is sug	gesting that	the selected ba	anks conc	entratin	g on lendin	g ventur	e rather
294				th	ose other viab	le options				
295					Diagnostic	e Test				
296	D	iagnostic test	s such as	heterosced	asticity and mu	ulticolinea	rity test	t were cond	lucted to	decide
297	wh	ether the mo	del used	in the study	is appropriate	and fulfil	l the as	sumption o	f classica	ıl linear
298					regression n	nodel.				
299			Tab	le 3: Hetero	scedasticity an	nd Multico	ollineari	ty Test		
		Model	Unstar Coef	ndardized ficients	Standardize d Coefficients	t	Sig.	Colline Statis	earity stics	
			В	Std. Error	Beta			Toleranc e	VIF	
		(Constant)	2.843	.851		0.341	.779			1
	1	NLPR	.313	.136	.607	0.300	.347	.340	2.938	1
	1	CARR	120	.123	258	980	.353	.383	2.612	1
		LTDR						.187	5.353	
		·		a. Depe	ndent Variable	e: AbUt		·		
300					Source: SPSS	S output				
301						-				

302	Based on output from the Table 3, coefficients obtained value of Sig. NLPR variable of							
303	0.779, the Sig. CARR variable of 0.383 and ,the sig. LTDR variable of 0.353, meaning that the							
304	value of the variable sig NLPR, CARR and LTDR > 0.05 , it can be concluded that there is no							
305	heteroscedasticity problem. Also, from Table 3, the values of VIF of NLPR, CARR and LTDR							
306	are 2.938, 2.612 and 5.353 respectively are greater than 1 but less than 10 which was the bench							
307	mark for multicollinearity. This means there is no multicollinearity among the independent							
308			variables in th	ne model.				
309 310		Va	riables Regre	ession Model				
311	Table 4	: Influence of	credit risk m	anagement on r	eturn on assets	•		
	Variable	Coefficient	Std. Error	t-statistics	Probability			
	(Constant)	5.583	.809	3.721	.000			
	NLPR	.809	14.639	2.455	.047			
	CARR	11.246	3.326	7.206	.022			
	LTDR	6.300	1.200	4.503	.031			
	R Square		0	.373				
	Adjusted R Square		0	.138				
	Durbin-Watson		2	.739				
	F- statistics		1	04.09				
312		Ι	Dependent Var	iable: ROA				
313 314	The result obtained u	using the Ordin	ary Least Squa	are (OLS) estima	tion technique. 1	ROA = 5.583		
315	+ 0.809NLPR + 1	1.246CARR+6	.300LTDR. Th	ne result in Table	e 4 shows that th	e predictor		
316	variables (i.e NLPR,	CARR and LT	DR) were sign	ificantly joint pr	edictors of ROA	(F = 104.09;		
317	$R^2 = 0.373; P < .0$	05). The predict	tor variables jo	ointly explained 3	37.3% of ROA, v	while the		
318	remaining 62.7% could be due to the effect of extraneous variables. Furthermore, it can be							
319	deduced from the result obtained that the constant parameter in the long – run is positive.							
320	This implies that if all the explanatory variables are held constant, ROA will increase by 5.583							
321	units. And also NLPR (β = 0.809; t = 2.455; P <.05), CARR (β = 11.246; t = 7.206; P <.05) and							
322	$LTDR(\beta = 6.300;$	t = 4.503; P < 0.000)5) were signif	icant independer	nt predictors of	ROA. This		

323	implies that a unit increase in NLPR, CARR and LTDR will lead to an increase in ROA by							
324	0.81 units, 11.25 units and 7.206 units respectively.							
325	Table 5: Influence of credit risk management on return on equity							
	Variable	Coefficient	Std. Error	t-statistics	Probability			
	(Constant)	2.975	.410	2.381	.045			
	NLPR	-1.571	7.415	212	.038			
	CARR	17.982	4.724	3.807	.005			
	LTDR	3.227	.101	2.242	.045			
	R Square	0. 734						
	Adjusted R Square 0. 634							
	Durbin-Watson	Durbin-Watson 1.902						
	F- Statistics 98.107							
326		Ι	Dependent Var	iable: ROE				
327								
328	The result obtained using the Ordinary Least Square (OLS) estimation technique. ROE = 2.975-					E = 2.975-		
329	1.571NLPR +17.982CARR+ 3.227LTDR. Table 5 reveals that the predictor variables (i.e NLPR,							
330	CARR and LTDR) were significantly joint predictors of ROE (F = 98.107; $R^2 = 0.734$; P<.05).							
331	The predictor variables jointly explained 73.4% of ROE, while the remaining 26.6.7% could be							
332	due to the effect of extraneous variables. Furthermore, it can be deduced from the result obtained							
333	that the constant parameter in the long – run is positive. This implies that if all the explanatory							
334	variables are held constant, ROE will increase by 3units. And also CARR ($\beta = 17.982$; t = 3.807;							
335	$P < .05$) and LTDR($\beta = 3.227$; t = 2.242; P < .05) were significant independent predictors of							
336	ROE. However, NLPR (β = - 1.57; t = -0.212; P <.05) has negative influence on ROE. This							
337	implies that a unit increase in CARR and LTDR will lead to an increase in ROE by 18units and			18units and				
338	3units respectively, while a unit increase in NLPR will lead to a decrease ROE by 1.6units. This			6units. This				
339		st	udy is consiste	ent with [6].				
340	The implication of this finding is that credit risk management apparatus are major			re major				
341	predictors of financial performance in the selected banks.							
3/17								
342			Conclus	sion				
545			Concius	91011				

344	This study examines the influence of credit risk management on the performance of Nigerian				
345	banks with particular reference to selected banks. Purposive sampling technique was used to				
346	select five Nigerian banks being ranked among 1000 global banks by The Banker Magazine in				
347	2018. Study establishes that credit risk management measured by Non- Performing Loan Ratio,				
348	Capital Adequacy Ratio and Loan-Deposit Ratio has positive and significant influence on				
349	financial performance measured by return on assets. More also, the study confirms that credit				
350	0 risk management measured by Non- Performing Loan Ratio, Capital Adequacy Ratio and Loan-				
351	Deposit Ratio has positive and significant influence on financial performance measured by return				
352	on equity except Non- Performing Loan Ratio which has inverse influence. Conclusion to be				
353	drawn from this study is that credit risk management apparatus employed by the selected banks				
354	for the periods of study have significant influence on their financial performance.				
355	Recommendations				
356	Based on the findings and conclusion the following recommendations are made:				
357	1. Regulatory authorizes should implement a new code of corporate governance that bank				
358	directors with non-performing loans (NPLs) are to either quit or be sacked. And also				
359	banks' boards to remove any director with insider non-performing loans.				
360	2. Banks should have formidable credit policies and standards that conform to regulatory				
361	requirements and also banks' credit and loan officers should be well trained by attending				
362	seminars and conferences on credit risk management in Nigeria and abroad so as to				
363	further reduce the level of their credit risk exposure.				
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