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I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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RISK MANAGEMENT AND FINANCIAL PERFORMANCE OF LISTED FINANCIAL SERVICE FIRMS IN NIGERIA

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ABSTRACT

This study assesses the impact of risk management on the financial performance of listed financial service firms in Nigeria. The study aimed to measure the relationship between credit risk, market risk, financial leverage risk management and financial performance of listed financial service firms in Nigeria, as measured by ROA and ROE. The study employed Secondary data, which collected from audited annual reports of 15 listed financial service firms in Nigeria, for the period 2013-2022. Descriptive statistics were used to analyze the data. The study revealed that credit risk management has a significant effect on both ROA and ROE, while market risk management has a significant effect on both ROA and ROE. Financial leverage risk management has a significant effect on ROA but a more significant effect on ROE. Effective Risk management has significant effect on ROA and ROE, and financial service firms should implement effective risk management strategies to maximize ROA and ROE. The study recommended that risk management practices should be taken into account when evaluating the financial performance of listed financial service firms. Financial service firms should also consider implementing comprehensive risk management strategies that address credit, market, and financial leverage risk. Investors should evaluate the risk management practices of financial service firms in addition to traditional financial performance measures such as ROA and ROE.

Keywords: Risk management, Financial Performance, Listed Financial Service Firms

Nigeria

1.1 Introduction

In recent years, there have been significant changes in the risk management practices of financial service firms in Nigeria, as well as fluctuations in the financial performance of these firms. Financial performance is a measure of how well a company is doing financially, and it can be assessed using a variety of metrics such as profit, return on investment, and revenue growth. Financial efficiency, on the other hand, is a measure of how well a company is using its resources to generate financial results. It can be assessed using metrics such as cost efficiency, asset utilization, and operating efficiency. Both financial performance and financial efficiency are important indicators of a company's success.

The importance of financial performance stems from its ability to provide a comprehensive assessment of a firm's strengths and weaknesses. This allows managers to make informed decisions and develop strategies to improve performance. Financial performance evaluation also provides valuable insights into the condition of the financial sector as a whole, allowing for monitoring, evaluation, and decision-making to ensure sound financial practices. Risk management is a crucial aspect of this industry.

Financial performance is also important for the external climate, as a bank with high financial performance is more able to adapt to new environmental challenges and opportunities and can also take advantage of different investment

opportunities (Tahir & Wael, 2007). The value of financial performance is not limited exclusively to the financial service firms, but also to the investor. Where, the investor can follow up and learn about the operations of the financial service firms, track the economic and financial circumstances surrounding it, and determine the extent of the effect of financial performance instruments in terms of profitability, liquidity, operation, and other aspects. Moreover, the course of reviewing, evaluating and interpreting the financial statements enables investors to take the appropriate decision according to the firm' conditions (Mahmoud, 2010).

The financial services sector in Nigeria is exposed to various types of risk, including credit risk, market risk, operational risk, liquidity risk and financial leverage risk. Effective risk management is crucial for the success of financial service firms, as it helps to protect against potential losses and ensure the stability of the sector. In recent years, there have been several studies on the risk management practices of financial service firms in Nigeria, with a focus on credit risk management. However, there is still room for improvement in the area of risk management, as evidenced by the high incidence of non-performing loans and bank failures in Nigeria. In light of this, it is important to assess the effectiveness of the current risk management practices of financial service firms in Nigeria, and to identify areas for improvement. One area of focus could be on improving the credit assessment process, to ensure that loans are only given to borrowers with a strong credit history and a low risk of default. Another area of focus could be on strengthening the internal controls and risk management systems of financial service firms, to ensure that risks are identified and managed effectively. By improving the risk management practices of financial service firms, we can help to create a more stable and resilient Financial sector in Nigeria. These improvements could have a positive impact on the overall economy, by reducing the risk of financial instability and promoting economic growth. In addition, by improving risk management practices, financial service firms can also enhance their reputation and build trust with their customers and stakeholders. More so, Poor credit risk management spells doom for financial service firm's performance and returns to equity investors and could lead to the collapse of the financial service sector when there is a preponderance of credit defaulters (Accornero et al. 2018; Kwashie et al. 2022; Malik et al. 2014). This propelled the Federal Government of Nigeria to create the Asset Management Corporation of Nigeria (AMCON) in July 2010 to solve the recurring problems of non-performing loans that confront Nigerian banks, especially loan recovery from delinquent customers. The recapitalization policy of Nigerian banks by the Central Bank of Nigeria (CBN) in July 2004 and the regulatory releases of Prudential Guidelines by the CBN are part of the remedies to curtail the incidences of poor credit risk management. The effective management of risk is crucial in the distribution of financial resources and the overall profitability of financial institutions. High-performing financial service firms often generate substantial shareholder returns, attracting the interest of potential investors and stimulating economic growth through new investments, including local and Foreign Direct Investment (FDI). Conversely, the underperformance of financial institutions can have negative consequences for the financial services sector and the broader economy, leading to economic distress.

Credit risk, leverage risk, and market risk are significant challenges that can adversely affect the financial performance and solvency of financial service firms if not properly managed. Credit risk management, in particular, plays a vital role in the processing of credit facilities within the financial services sector. Financial service firms invest significant resources in risk management with the objective of maximizing profits. However, previous research investigating the effect of risk management on financial services firms' performance have yielded mixed results.

This research aims to assess the risk management practices of listed financial service firms in Nigeria, and to determine whether there is a relationship between these practices and the firms' financial performance.

2.0 Literature Review

2.1 The Concept of Concept of Risk

Risk can be seen as the threat or possibility that an action or event will beneficially affect an organization's ability to achieve its objectives. Risk is the probability of failure or loss associated with a particular cause of action (French, 2010). Risk is defined as a hazard change of loss or change of bad consequences. It simply means that one important feature of risk is its close association with uncertainty (Irukwu, 2019).

Nzotta (2012) defined risk as the exposure of loss arising from variation between the expected and actual outcome of investment activities. According Hanssson, (2015) risk can be seen as an unwanted event which may or may not occur; The cause of unwanted event which may or may not occur; The probability of an unwanted event which may or may not occur; The statistical expectation value of unwanted events which may or may not occur; The fact that a decision is made under conditions of known probabilities "decision risk".

2.1.1 Types of Risk

The complexity of business operation in the developed and developing countries is not as simple

because financial institutions are faced with various types of risk that threatened their existence, and the miss-management or the poor management of those risk has a greater influence on the financial performance of any financial institution. Banking risks are classified into credit risk, market risk, and operational risk (Basel Committee on Bank supervision). However, Santomero, (2017) identify six types of risks - systematic or market risk, operational risk, and legal risk. Crouhy, Galai and Mark (2016) also made another classification of bank risk to include market risk, credit risk, liquidity risk, operational risk, legal risk, business risk, strategic risk, and reputation risk.

2.1.2 Market Risk

This is the risk that the value of an investment will decrease due to the movement in market prices. It is also the possibility for an investor to experience losses due to factors that affect the overall performance of financial market (Chen, 2019). It can be the fluctuation of returns caused by macroeconomic factors that affects all risky assets. That change in financial market price rates will reduce the dollar. There are four major types of market risk which can also be referred to as systematic risk namely interest rate risk (is the chance that an unexpected change in the interest rate will negatively affect the value of an investment), equity price risk (is the risk associated with volatility in stock price or the risk that the fair value or the market value of equities decrease as a result of changes in price of equity), foreign exchange risk (price risk is the risk that a banking institution may experience loss due to unfavorable movements in market prices) (Badawi, 2017).

2.1.3 Credit Risk

Credit risks: Also known as default risk, is one of the oldest. It is the most vital forms of risk faced by banks as financial intermediaries (Broll, et. al., 2016). It is the potential loss arising from the failure of a borrower to meet its obligations in accordance with agreed terms. This occurs due to customers' failure to service bank borrowed fund as well as interest charged on the loan. When customers are unable to settle their debts, these defaults result in losses that can ultimately eat into the bank's capital. Whenever a bank provides credit facility it is susceptible to credit risk (Sanusi, 2010).

2.1.4 Financial Leverage Risk

Financial leverage risk refers to the risk associated with using debt or leverage to finance investments or operations. While leverage can amplify returns when investments perform well, it also magnifies losses when investments decline in value. This risk arises from the increased financial obligations and interest payments associated with borrowing money, which can lead to financial distress or even bankruptcy if not managed properly. Financial service firms, especially those heavily reliant on borrowing for funding, are particularly exposed to leverage risk. Hence, making it another crucial risk factor that financial service firms must consider and manage effectively. Financial leverage risk is the risk that the return on equity for a firm will be higher or lower than expected due to changes in the level of debt in the firm's capital structure Jensen, M. C. (1986).

2.2 Risk Management

Ozturk (2017) defines risk management as the process by which managers satisfy their risk taking needs by identifying key risks, obtaining consistent, understandable, operational risk measures, choosing which risks to reduce, which to increase, by what means and establishing procedures to monitor the risk position. According to Raghavan, (2013), Risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce the risk. Risk simply implies a possibility of unexpected outcome. It creates the notion that future events may have some degree of uncertainty, thereby exposing an institution to adversity.

Risk Management is the identification, assessment and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor, and control the probability and/or impact of unfortunate events (Njogo, 2011). Rejda (2011) defined risk management (RM) as process by which the identification as well as assessment of loss exposures faced by an entity and the adoption of best possible techniques and strategies to deal with these risk exposures.

2.3 Financial Performance

Financial performance refers to the evaluation of a company's ability to generate profits and wealth for its stakeholders over a specific period, typically assessed through various quantitative measures such as profitability, liquidity, efficiency, and solvency ratios. It reflects the effectiveness of management in utilizing resources to achieve the organization's objectives and serves as a crucial indicator of its overall health and viability in the market. Scholars like Brigham and Houston (2019) emphasize that financial performance analysis involves interpreting these metrics in the context of industry benchmarks, historical trends, and strategic objectives to assess the company's competitive position and future prospects. It involves the analysis of various financial indicators, including profitability, liquidity, solvency, and efficiency ratios, to assess the organization's ability to achieve its financial objectives (Gitman & Zutter, 2019). Moreover, financial performance serves as a critical measure of managerial effectiveness and provides insights into the company's competitive position and

future prospects in the market (Ross, Westerfield, & Jordan, 2018).

2.4 Empirical and Theoretical Review

Hussain and Waseem (2017) aimed to examine the impact of risk management practices on the financial performance of Islamic banks in Pakistan. The study used panel data analysis, which allowed for the analysis of data over time. The study analyzed data from 2011 to 2015, a period of significant growth for the Islamic banking industry in Pakistan. The findings of the study showed that risk assessment and control had a positive and significant impact on financial performance, while risk culture had a negative and significant impact.

Dar, Gajurel, and Shaikh (2019) Risk management and performance of microfinance institutions: A case of Pakistan. The study used a sample of 35 microfinance institutions in Pakistan, and the data was collected from the annual reports of the institutions. The study used a linear regression model to analyze the relationship between risk management and performance. The findings of the study showed that risk management has a significant impact on the performance of microfinance institutions in Pakistan. Specifically, the study found that credit risk management and liquidity risk management had a significant impact on financial performance. Petcovici, Mamuchchi, and Zlotea (2020) Risk management and performance of insurance companies in Romania. The study used a quantitative research approach, and the data was collected from the annual reports of insurance companies listed on the Bucharest Stock Exchange. The data was analyzed using linear regression and correlation analysis. The study used a sample of 27 insurance companies, and the time frame was from 2014 to 2018. The study found that risk management has a positive and significant impact on the financial performance of insurance companies in Romania. Additionally, the study found that risk management practices such as asset and liability management, capital management, and underwriting management had significant impact on financial performance.

Baido (2019) An examination of the impact of risk management on financial performance of life insurance companies in Ghana. The study used semi-structured interviews and annual reports as research instruments, which were validated through content validity and reliability analysis. The findings of the study showed that risk management practices such as risk identification, risk assessment, and risk control had a significant impact on the financial performance of life insurance companies in Ghana. The study also recommended that life insurance companies should continue to improve their risk management practices to ensure optimal financial performance.

Saeed and Ali (2017) The impact of risk management on performance of non-bank financial institutions in Pakistan. The study used a sample of 16 non-bank financial institutions in Pakistan, and the data was collected from annual reports and audited financial statements. The study used multiple linear regression analysis to examine the relationship between risk management and financial performance. The study found that risk management has a positive and significant impact on the financial performance of non-bank financial institutions in Pakistan. Specifically, the study found that risk management practices related to credit risk, liquidity risk, and operational risk had significant impact on financial performance. Muhammad and Sadaf (2017) examined the impact of risk management practices on financial performance of selected listed commercial banks of Pakistan. Return on equity (ROE) was defined as the proxy of dependent variable i.e. financial Performance whereas risk management practices were taken as an independent variable; five proxies have been operationalized to investigate risk management. This study was however limited to Pakistan's commercial banking sector, so it's possible that the findings may not be generalizable to other countries or other financial sectors.

Isiaka, and Irom (2018) examined the effect of financial risk management on profitability of commercial banks in Nigeria. Profitability was measured using Return on Asset while financial risk management as the independent variables was proxy with liquidity risk, credit risk and capital adequacy risk. The population of the study was fifteen (15) commercial banks listed on the Nigerian Stock Exchange as at 2017 out of which a sample of fourteen (14) banks were used for the analysis due to the accessibility and availability of data. The findings revealed that liquidity risk has a positive effect on profitability but insignificant. Also, the credit risk revealed a significant negative effect on the bank profitability, while the capital adequacy risk was also found to have a positive and significant effect on profitability of the commercial banks in Nigeria.

This study provides useful insight into the impact of financial risk management on the profitability of commercial banks in Nigeria. However, there are limitations to the generalizability of these results, due to the study's focus on one country and one sector.

Henry, Bello, and Oubal (2020) examined risk management and financial performance of banks in Nigeria with focus on commercial banks. 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 and leverage risk. Furthermore, profitability measured by ROA was found to be positively related to liquidity risk but negatively related credit risk.

Gideon and Comfort (2021) investigated risk management and financial performance of manufacturing firms. Specifically, the study analyzed liquidity risk and market risk effect on after tax profit of manufacturing establishment in Nigeria. The study employed panel data over the period spanning from 2010-2019 across 10 firms. Secondary data were gathered through the annual reports of the selected firms. Correlation analysis and panel-based estimation techniques were used. The outcome showed that liquidity risk positively and significantly affect profit after tax while market risk (measured by interest rate risk) negatively and insignificantly affect profit after tax of sampled firms quoted in Nigeria. This study concluded that efficient and effective risk management will positively affect performance of quoted firms in Nigeria, most specially management of internal risk such as the liquidity risk. Bismark et al., (2023) examined the effect of risk management on the performance of commercial banks in Ghana. The study used a quantitative research approach, relying on secondary data from the yearly financial statements of the selected banks. Seven commercial banks were purposively sampled. The results of the study showed that of the four types of risks examined vis-à-vis credit risk, operational risk, liquidity risk, and market risk, only operational risk was found to exert a significant influence on bank performance. Oritsegbubemi and Esther (2023) examined credit risk management and return on equity of Nigerian deposit money banks (DMBs) twelve (12) years (2010–2021) post-adoption of the common accounting yearend as mandated by the Central Bank of Nigeria (CBN) in 2019. The study found that CAR, RAR, NPLR, and SZ are the significant determinants of ROE.

2.4.1 Theoretical Review

The study was based on three theories: loanable funds theory, theory of financial intermediation and transaction cost theory.

2.4.1.1 Loanable Funds Theory

The Loanable Funds Theory was first proposed by economist John Maynard Keynes in his 1936 book, "The General Theory of Employment, Interest, and Money". The Loanable Funds Theory posits that the interest rate in an economy is determined by the supply and demand for loanable funds. Loanable funds are the financial resources that are available for borrowing and lending in the economy. In relation to this study, the Loanable Funds Theory suggests that the financial performance of listed financial service firms in Nigeria is affected by the supply and demand for loanable funds in the economy. Specifically, the interest rate that these firms pay on their loans is determined by the Loanable Funds Theory.

2.4.1.2 Financial Intermediation Theory

The theory was first proposed by economist Franco Modigliani in the 1960s. It suggests that financial intermediaries such as banks, mutual funds, and insurance companies play a crucial role in the economy by facilitating the flow of funds from savers to borrowers. This helps to increase the efficiency of the financial system by making it easier for individuals and businesses to obtain financing. The theory also suggests that financial intermediaries can reduce information asymmetry between savers and borrowers, which leads to more efficient allocation of resources.

The Financial Intermediation Theory has several implications to this study. The implication is that the efficiency of the financial system, as measured by the level of information asymmetry, can influence the performance of financial service firms. Finally, the theory suggests that government policies and regulations can affect the performance of financial service firms by influencing the behavior of financial intermediaries.

2.4.1.3 Transaction Cost Theory

This theory was proposed by economist Oliver Williamson in the 1970s. It suggests that individuals and businesses choose to transact through intermediaries, rather than directly with each other, in order to reduce the costs of transactions. These costs include the costs of finding and negotiating with potential transaction partners, as well as the costs of monitoring and enforcing agreements. Financial intermediaries, such as banks, help to reduce these costs by acting as a trusted third party in transactions. The theory suggests that government policies and regulations that affect the costs of transactions, such as laws governing contract enforcement, can also have an impact on the performance of financial service firms. According to Coase (1960) transaction costs include information acquisition costs and negotiation costs. Richter (2017) indicates that transaction costs include the costs of drawing contracts, signing contracts and the cost of monitoring and enforcing contracts. In conclusion, the integration of the Loanable Funds Theory, Financial Intermediation Theory, Transaction Cost Theory, provides a comprehensive analytical framework for assessing

risk management practices and financial performance in listed financial service firms in Nigeria, covering aspects such as funding dynamics, intermediary functions, transaction costs, and asset pricing.

3.1 Material and Method

This study employs an ex-post facto methodology to examine the relationship between credit risk, market risk, financial leverage risk, return on asset, and return on equity. The study will use data from annual reports and accounts of listed financial service firms. This is important, as it ensures that the findings are based on actual events, rather than hypothetical scenarios. Ex-post facto design is a useful design for investigating real-world issues."Ayayee and Chileshe (2017).

The study's population encompasses 40 of the financial service firms listed on the Nigeria Exchange group as of the year 2022. Detailed information regarding these entities is presented in table 3.1 (appendix i). A sample size of 15 financial service firms was selected using a non-probability sampling technique from a population of 40 financial service firms. the study considered criteria such as exposure to specific types of risks (as credit risk, market risk, or financial leverage risk), availability of updated annual report for 2022, financial service firms with significant market presence or market share in Nigeria and financial service firms that have not been involved in merger from 2012 to date, as shown in table 3.2 (Appendix ii). These criteria were chosen because they are indicative of a company's ability to manage risk effectively, which ultimately affects its financial performance.

The researcher employed secondary data sources extracted from financial statements spanning a ten-year period (2013 to 2022), sourced from the annual reports and accounts of the financial service firms

3.2 Variables of the study: The variables of this study

are; independent variable, dependent variable.

Table 3.3: Variables of the study and their measurements

Variable Acronym	Variable Name	Variable Measurement	Sources
ROA (Dependent Variable)	*Return on Assets*	Net Income/Total Assets	Olalekan and Adeyinka (2013), Badswi (2017, Gibson (2012)
ROE (Dependent Variable)	*Return on Equity*	Net Income/Total Equity	Dang (2011), Gibson, (2012). Hill et al., (2017)
CR (Independent Variable)	*Credit Risk*	Interest rate	Vegh et al., (2017), Isiaka and Irom (2018), Moir et al., (2019)
FLR (Independent Variable)	Financial Leverage Risk	Debt to Asset ratio	Lamba, A and Chaplinsky, N. (2007), Frank, A., and Goyal, V. (2009).
MAR (Independent Variable)	Market Risk	Exchange Rate	Augustine et al., (2020), Sanusi (2010), Stephen et al., (2019), Tahir and Wael (2007).
SIZ (Independent Variable)	Firm Size	Log of total asset of each firm	Ojeka, Iyoaha and Asaolu (2015), Wadesango ey al., 2018)
AGE (Independent Variable)	Firm Age	Age of firm since year of listing	Weshah and Mustafa (2017), Bachtiar and Yunita (2016)

Source: Generated by the researcher (2024)

3.3 Model specification

$ROA = f(CR, FLR, MAR, SIZ, AGE)$ ----------Model I

$ROE = f(CR, FLR, MAR, SIZ, AGE)$ ----------Model II

$ROA = \beta_0 + \beta_1 CAR_{it} + \beta_2 FLR_{it} + \beta_3 MAR_{it} + \beta_4 SIZ_{it} + \beta_5 AGE_{it} + e$

$ROE = \beta_0 + \beta_1 CAR_{it} + \beta_2 FLR_{it} + \beta_3 MAR_{it} + \beta_4 SIZ_{it} + \beta_5 AGE_{it} + e$

Where:

ROA = Return on asset of firm *i* in term *t*

ROE = Return on equity of firm *i* in term *t*

CR = Credit risk of firm *i* in term *t*

FLR = Financial leverage ratio of firm *i* in term *t*

MAR = Market Risk

AGE = Age of the firm *i* in term *t*

SIZE = Size of the firm *i* in term *t*
β_0 = Is the constant (i.e. the intercept)
$\beta_0 - \beta_4$ = Is the regression model coefficient of the independent variables
i = individual Firms
t = Time period
e = Error term

4.0 Results and Discussions

This section presents the results and discussion of descriptive statistic, correlation matrix regression result that were obtain from the data collected from their annual report and account of the financial service firms.

Table 4.1 shows the summary of the descriptive statistics of the study variables. The descriptive statistics include measures of central tendency such as the mean, standard deviation, minimum and maximum observations are the statistics presented in the table.

Table 4.1: Descriptive Statistics

Variables	Obs	Min	Max	Mean	Std. Dev
ROA	150	-.2205	302.7895	2.0671	24.7189
ROE	150	-13.1856	1.2204	-.0134	1.4958
CR	150	23.7875	30.6003	27.4310	2.1641
FLR	150	.00090	28956.2473	193.7306	2364.2113
MAR	150	155.2537	401.9847	258.9675	85.9692
SIZ	150	4.8773	9.9850	7.3298	1.2397
AGE	150	12	54	24.73	11.378

Computed by the researcher using SPSS 25

The descriptive statistics presented in Table 4.1 indicates that the minimum ROA was -0.2205, meaning that one of the firms experienced a significant loss relative to its total assets. The maximum ROA was 302.7895, indicating that one of the firms had a very high return on its assets. The mean ROA was 2.0671, suggesting that the firms on average had a positive return on assets. However, the standard deviation of 24.7189 indicates that there was a wide range of ROA values among the firms.

The minimum ROE was -13.1856, indicating that at least one of the firms experienced a significant loss during the period. The maximum ROE was 1.2204, suggesting that at least one of the firms had a high return on equity. The mean ROE was -0.0134, indicating that the firms on average had a negative return on equity. The standard deviation of 1.4958 indicates that the firms varied quite a bit in their ROE, with some experiencing much higher or lower returns than others. The results show that the firms had an average CR of 27.4310, with a minimum of 23.7875 and a maximum of 30.6003. There was some variation in the firms' capital positions, as indicated by the standard deviation of 2.1641. These results suggest that, overall, the firms had a strong capital position, but there was still some variation between them.

It is also results shows that the minimum FLR was 0.00090, the maximum was 28956.2473, and the mean was 193.7306. There was significant variation in the firms' financial leverage risk, as indicated by the standard deviation of 2364.2113. This suggests that the firms' financial leverage risk varied widely, with some firms having much higher or lower financial leverage risk than others. The minimum MAR was 155.2537, the maximum was 401.9847, and the mean was 258.9675. There was a fair amount of variation in the firms' market risk, as indicated by the standard deviation of 85.9692. This suggests that the firms' exposure to market risk varied, with some being more exposed to market risk than others.

The minimum SIZ was 4.8773, the maximum was 9.9850, and the mean was 7.3298. The standard deviation of 1.2397 suggests that the firms varied somewhat in size, but not by a large amount. This means that, on average, the firms were of similar size. The minimum AGE was 12 years, the maximum was 54 years, and the mean was 24.73 years. The standard deviation of 11.378 indicates that the firms varied quite a bit in age. However, most of the firms were relatively young, as the minimum and maximum were both quite low.

Table 4.2: Correlation Matrix **ROA**

	ROA	**CR**	**FLR**	**MAR**	**SIZ**	**AGE**
ROA	1.000					
CR	.026	1				
FLR	1.000**	.026	1.000			
MAR	.138	.775**	.137	1		
SIZ	-.120	.069	-.119	.028	1	
AGE	.009	.000	.009	.000	.164*	1

Computed by the researcher using SPSS 25

Table 4.3: Correlation Matrix **ROE**

	ROE	CR	FLR	MAR	SIZ	AGE
ROE	1.000					
CR	.047	1				
FLR	.007	.026	1.000			
MAR	.076	.775**	.137	1		
SIZ	-.030	.069	-.119	.028	1	
AGE	.078	.000	.009	.000	.164*	1

Computed by the researcher using SPSS 25

Table 4.2 and 4.3 presents a correlation matrix that elucidates the interrelationships between the dependent variables, Return on Assets (ROA) and Return on Equity (ROE), and several independent variables such as Credit Risk (CR), Financial Leverage Risk (FLR), Market Risk (MAR), Size (SIZ), and Age (AGE). Analyzing these correlations offers valuable insights into the dynamics among different financial metrics within the surveyed financial service firms, shedding light on their interactions and potential implications. The correlation coefficient between ROA and ROE, notably low at 1.000, draws attention due to its nearly negligible positive correlation. This implies a weak correspondence between returns on assets and equity profitability. Such findings highlight potential intricacies in the financial frameworks of the studied firms, indicating a notably feeble relationship between asset profitability and equity profitability.

Examining the correlations between the dependent variables and independent variables unveils several significant patterns. Notably, ROA exhibits a particularly robust positive correlation with FLR (1.000**), indicating a perfect correlation between ROA and Financial Leverage Ratio. This suggests that as financial leverage ratio increase, so do the returns on assets, emphasizing the pivotal role of financial leverage management in bolstering asset profitability within these firms.

Additionally, ROA demonstrates a positive yet weak correlation with MAR (0.138), indicating a slight positive relationship between asset returns and market asset ratios. This suggests that firms with higher market asset ratios tend to have slightly higher returns on their assets, underscoring the potential impact of market valuation on asset profitability. These insights illuminate the nuanced interplay of financial metrics within the surveyed financial service firms.

However, divergent trends surface when examining

other variables. For instance, there is a weak negative correlation between ROA and SIZ (-0.120), indicating a slight inverse relationship between asset returns and firm size. This implies that larger firms may encounter slightly lower returns on their assets, potentially due to heightened operational complexities or the influence of economies of scale.

Similarly, ROE exhibits a weak positive correlation with MAR (0.076), suggesting a slight positive association between return on equity and market asset ratios. This indicates that firms with higher market asset ratios might experience slightly elevated returns on their equity, reflecting the potential impact of market valuation on equity profitability.

Table 4.4: Multiple Regression Results ROA

		MODEL I	
		ROA	
Var.	**B**	**t-cal**	**Sig.**
Const.	.276	1.538	.126
CR	-.009	-4.208	.009
FLR	.010	4.698	.0001
MAR	.600	2.282	.024
SIZ	-.011	-1.303	.195
AGE	-.001	-.675	.500
F	72.684		
P > F	0.0004		
R^2	.680		
Adj. R^2	0.592		

Computed by the researcher using SPSS 25

Table 4.5: Multiple Regression Results ROE

		MODEL II	
		ROE	
Var.	**B**	**t-cal**	**Sig.**
Const.	.170	16.078	.001
CR	-.018	-4.198	.003
FLR	-0.124	-4.147	.003
MAR	.002	3.747	.006
SIZ	-.056	-.548	.584
AGE	.011	1.016	.311
F	7.416		
P > F	.001		
R^2	.219		
Adj. R^2	.020		

Computed by the researcher using SPSS 25

The table above (Table 4.4 and 4,5) illustrates the regression outcomes of the model, encompassing dependent variables ROA and ROE, along with explanatory variables (CR, FLR, MAR, SIZ, and AGE).

Model I, indicates multiple coefficients of determination (R^2) for the relationship between ROA and CR, FLR, MAR, SIZ, and AGE is 0.680. This suggests that 68% of the variation in ROA (Return on Asset) can be elucidated by CR, FLR, MAR, SIZ, and AGE, while the remaining 31.2% is ascribed to other unaccounted factors.

Furthermore, the F-statistic is 72.684, indicating that the model sufficiently explains the variation in the dependent variable and is statistically significant. The p-value of 0.01 reinforces this, being lower than the conventional significance level of 0.05. Hence, the model yields valuable insights into the relationship between the dependent and explanatory variables, providing statistically significant outcomes.

In Model II, the multiple coefficients of determination (R^2) for the relationship between ROE and CR, FLR, MAR, SIZ, and AGE stands at 0.219. This suggests that 22% of the variation in ROE (Return on Equity) can be elucidated by CR, FLR, MAR, SIZ, and AGE, while the remaining 78% is attributed to other unaccounted factors. The F-statistic is 7.416, indicating that the model is statistically significant in explaining the variation in the dependent variable. The p-value of 0.01 confirms this significance, being lower than the conventional threshold of 0.05. Thus, Model II furnishes valuable insights into the relationship between ROE and the explanatory variables, demonstrating statistical significance and explanatory power.

The impact of the independent variable CR on the dependent variable ROA is negative, with a coefficient value of -0.009. This implies that a one-unit increase in CR, while holding other variables constant, will result in a decrease in ROA by 0.9 percent. The t-calculated value is -4.208. Similarly, the impact of CR on ROE is negative, with a coefficient value of -0.018. This indicates that a one-unit increase in CR, with other variables held constant, will lead to a decrease in ROE by 1.8 percent. The t-calculated value is -4.198
Conversely, the impact of the independent variable FLR on the dependent variable ROA is positive, with a coefficient value of 0.010. This suggests that a one-unit increase in FLR, while keeping other variables constant, will lead to an increase in ROA by 1.0 percent. The t-calculated value is 4.698. However, the impact of FLR on ROE is negative, with a coefficient value of -0.124. This means that a one-unit increase in FLR, while other variables remain constant, will result in a decrease in ROE by 12.4 percent. The t-calculated value is -4.147. The impact of the independent variable MAR on the dependent variable ROA is positive, with a coefficient value of 0.600. This indicates that a one-unit increase in MAR, while holding other variables constant, will lead to an increase in ROA by 60 percent. The t-calculated value is 2.282. Similarly, the impact of MAR on ROE is positive, with a coefficient value of 0.002. This implies that a one-unit increase in MAR, with other variables held constant, will result in an increase in ROE by 0.2 percent. The t-calculated value for MAR is 3.747

The impact of the independent variable SIZE on the dependent variable ROA is negative, with a coefficient value of -0.011. This implies that a one-unit increase in SIZE, while holding other variables constant, will result in a decrease in ROA by 1.1 percent. Similarly, the impact of SIZE on ROE is negative, with a coefficient value of -0.056. This means that a one-unit increase in SIZE, with other variables held constant, will lead to a decrease in ROE by 5.6 percent.

4.2 Major Findings

The summary encapsulates the significant effects uncovered in relation to credit risk management, liquidity risk management, and market risk management on financial performance through return on asset (ROA) and return on equity (ROE) metrics. Based on the data analysis, the following are the major findings:

i. Credit risk management has significant effect on return on asset of listed financial service firms in Nigeria.
ii. Financial leverage risk management has significant effect on return on asset of listed financial service firms in Nigeria.
iii. Market risk management has significant effect on return on asset of listed financial service firms in Nigeria.
iv. Credit risk management has significant effect on return on equity of listed financial service firms in Nigeria.
v. Financial leverage risk management has significant effect on return on equity of listed financial service firms in Nigeria.
vi. Market risk management has significant effect on return on equity of listed financial service firms in Nigeria.

5.1 Conclusions and Recommendations

The study concludes that there the significant impact of credit risk management on the financial performance of listed financial service firms in Nigeria. These findings are consistent with existing research, highlighting the importance of effective credit risk management practices. Expanding on the insights gleaned from previous research, the study emphasizes the importance of managing financial leverage risk in listed financial service firms in Nigeria.

These conclusions highlight the critical role of risk management in driving financial performance within listed financial service firms in Nigeria, providing actionable insights and recommendations for enhancing risk management practices and sustaining financial stability and growth within the sector.

The recommendations derived from the study emphasize the development of robust frameworks for monitoring and managing interest rate risk exposures, implementation of hedging strategies to mitigate adverse movements in interest rates, and ensuring regulatory compliance. By effectively managing market risk, listed financial service firms can navigate market uncertainties and optimize financial performance in the dynamic Nigerian financial landscape. It is recommended that these firms prioritize and enhance their credit risk management strategies. This includes focusing on credit assessment, adopting risk-based lending practices, diversifying loan portfolios, and improving credit

monitoring processes. By implementing these recommendations, listed financial service firms can effectively mitigate credit risk, safeguard financial stability, and optimize performance in Nigeria's dynamic financial landscape.

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