Risk Management and Performance of Deposit Money Banks in Nigeria

ABSTRACT

This study examined the relationship between risk management and performance of deposit money banks in Nigeria as moderated by environmental turbulence. The study adopted the cross-sectional research survey design. Primary data was generated through structured questionnaire while the population of study was the 24 deposit money banks in Nigeria. The entire population of 24 deposit money banks were adopted as a census. However, the number of respondents/ participants in the study was one hundred and twenty senior level managers of the 24 Deposit Money Banks in Nigeria. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested using the Spearman's Rank Order Correlation Coefficient. The tests were carried out at a 0.05 significance level. Findings revealed that there is a significant relationship between risk management and performance of deposit money banks in Nigeria. Therefore, the study concludes that the adoption of risk management practice positively enhances the performance of deposit money banks in Nigeria. This implies that by adopting a proactive approach to risk management, deposit money banks can identify, assess, and mitigate potential risks that could adversely impact their operations. Hence, the study recommends that deposit money banks should conduct regular and thorough risk assessments to identify potential risks that could impact the bank's operations and performance. This includes assessing credit, market, liquidity, operational, and other relevant risks. Understanding the risk landscape is crucial for developing effective risk management strategies.

Keyword: Risk Management, Performance, Profitability, Service Quality, Market Share

INTRODUCTION

Over the years, performance of a firm is where the focus of management and shareholders are more often than not placed upon. Essentially, the investors are fundamentally looking forward to returns on their investments. In striving to achieve better organizational performance, certain activities and efforts are put in place for success to be attained in product quality and operational efficiency. Organizational performance is usually the topmost priority of the managers of organizations because they have to stand up to the confidence that the owners have reposed on them.

According to Mahapatro (2013), organisational performance is the ability of a firm to accomplish its objectives and goals with the help of good governance and talented administration. Organisational performance is usually an indication of how well a firm accomplishes its goals. In an attempt to measure firm's performance, several scholars have proffered different measures such as customer satisfaction, product quality, employee satisfaction, organizational reputation, customer loyalty, competitive advantage, perceived image, capacity utilization, employee morale, operational efficiency, product innovations, inventory turnover and timeliness (Richard, Devinney, & Yip, 2009).

Risk management plays a crucial role in optimizing performance across various domains. By identifying and analyzing potential risks, organizations can proactively manage and mitigate these risks, leading to improved decision-making and overall performance. As highlighted by Oliveira et al. (2019), risk assessment provides a systematic approach to evaluate and quantify uncertainties and potential hazards that may impact performance outcomes. Through the utilization of various methodologies and tools, such as fault tree analysis and Monte Carlo simulation, organizations can assess the likelihood and consequences of risks, enabling them to prioritize resources and strategies accordingly. This proactive approach allows organizations to anticipate and prevent potential problems, leading to enhanced operational efficiency and effectiveness. Furthermore, risk assessment also enables organizations to identify opportunities for innovation and growth by evaluating the potential benefits and rewards associated with taking calculated risks. In this way, risk assessment not only helps organizations avoid potential pitfalls but also facilitates informed decision-making and strategic planning, ultimately leading to optimized performance.

In today's rapidly changing business landscape, organizations face numerous risks that have the potential to hinder their overall performance (Ireland, & Webb, 2007). However, adopting effective risk mitigation strategies can help organizations enhance their performance and ensure long-term success. According to Rasid, Golshan, Ismail and Ahmad (2012), one key strategy for mitigating risks is to implement a comprehensive risk management framework (Rasid *et al.*, 2012). This involves identifying and assessing risks across various areas of the organization, such as finance, operations, and human resources. By having a clear understanding of the risks, they face, organizations can develop targeted strategies to mitigate these risks and minimize their potential impact on performance. Another important strategy is to establish a culture of risk awareness and accountability within the organization. This involves fostering an environment where all employees are encouraged to identify and report risks, and where decision-makers are held accountable for managing these risks effectively. Additionally, organizations can enhance their performance by diversifying their risk exposure. This can be achieved by expanding into new markets, diversifying their product or service offerings, or entering into strategic partnerships (Rasid et al., 2012). By spreading their risks across multiple areas, organizations can reduce the likelihood of being severely impacted by a single risk event. Furthermore, organizations can mitigate risks by implementing robust internal controls and systems. These include, regularly reviewing and updating policies and procedures, conducting thorough audits, and ensuring compliance with relevant regulations and standards. By having strong internal controls in place, organizations can detect and address risks in a timely manner, thereby minimizing their potential impact on performance. Therefore, the purpose of the study was to examine the relationship between risk management and performance of deposit money banks in Nigeria**.**

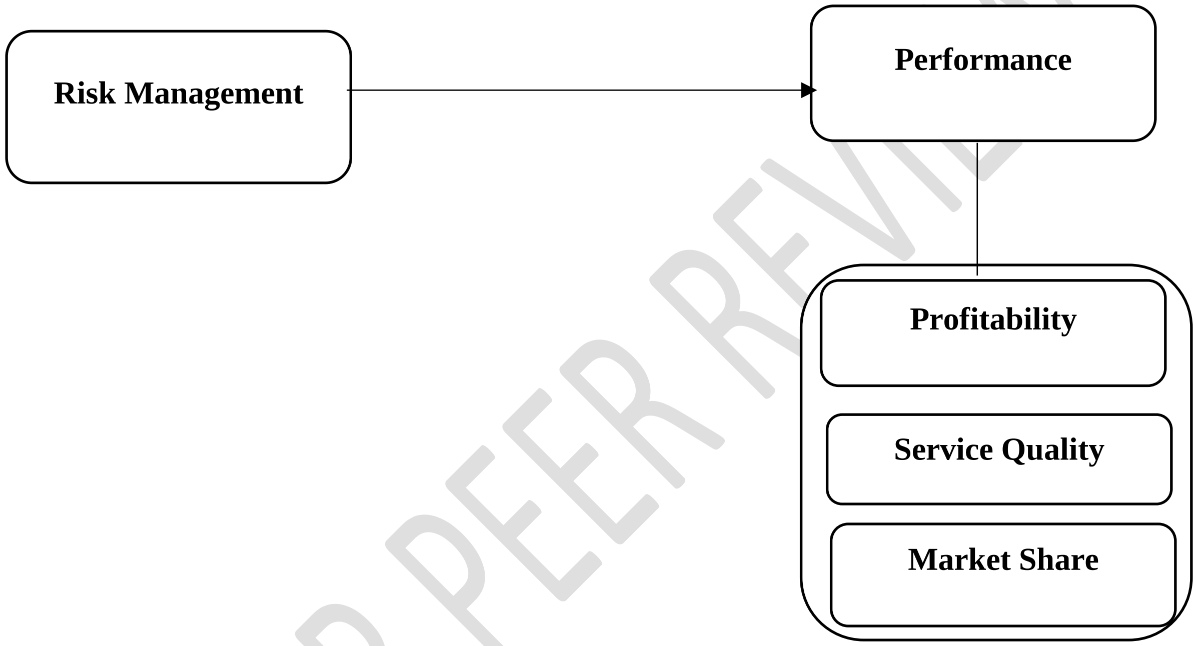

Figure 1: conceptual model for the relationship between risk management and performance
Source: Desk Research (2023)

Theoretical Foundation

Resource-Based View theory

The Resource Based View was developed as a complement to the Industrial Organization view with Bain (1968) and Porter (1979, 1980, & 1985) as some of its main proponents. The proponents of the resource-based view (RBV) argue that it is not the environment but the resources of the organization, which form the foundation of the firm's strategy (Feurer & Chaharbaghi, 1995; 1997). According to Lerner & Almor, (2002) a firm may be perceived as an aggregation of resources, which are translated by management into strengths, and weaknesses of the firm. RBV holds the view that companies gain sustainable competitive advantages by deploying valuable resources and capabilities that are inelastic in supply (Grunert & Hildebrandt, 2004). This perspective contends that a firm's competitive advantage is due to their endowment of strategic resources that are valuable, rare, costly to imitate and costly to substitute. Company resources are either tangible or intangible (Jones & Hill, 2009). Physical resources may originate returns above average levels, but the intangible resources, developed through a unique historical sequence and having a socially complex dimension, that are able to create and sustain competitive advantage of the firm (Makhija, 2003).

The level of resources may limit the range of a firm's strategy for risk management in turbulent settings. This leads us to the firm strategy view, which is an extension of the resources-based view. It suggests that innovation are a complex bundle of skills and accumulated knowledge, exercised through organizational processes that enable firms to utilize assets and functions as key success factors, cost effectively delivering customer value and deploying resources advantageously (Gillies, 2011). The theory investigates whether an organization has enough internal resources to manage and mitigate the adverse effects of a crisis. Unique human capital (employee skills, experience and expertise), reputation and brand may assist in the quick recovery of a business organization during a crisis (Carter & Carter, 2009). Additionally, the theory argues that internal structural capital (formal written guidelines for employees to follow) and relational capital (the relationship maintained by the organization with its public are likely to provide competitive advantage in dealing with a crisis (Benevene & Cortini, 2010).

Risk Management

Risk management is an essential practice for any business, organization, or individual to minimize the potential damage caused by unpredictable events. It involves identifying, assessing, and mitigating risks to ensure the smooth functioning of operations. Risk is defined as the uncertainty associated with a future outcome or event (Banks, 2004). Furthermore, risk is a concept that denotes a potential negative impact to an asset or some characteristic of value that may arise from some present process or future event (Douglas and Wildavsky, 1982). Rejda (2008) defines risk management as the process through which an organization identifies loss exposures facing it and selects the most appropriate techniques for treating such exposures. The first step in risk management is to understand the risks and their potential impact. This requires a thorough analysis of the potential sources of risk and the likelihood of their occurrence. The second step involves methods for identifying and assessing risks, such as risk mapping, risk assessment, or risk analysis. Finally, developing and implementing effective risk management strategies is crucial to minimizing the potential impact of risks. This includes such measures as risk avoidance, risk transfer, risk reduction, and risk acceptance.

Risk management is an essential component of strategic management of an organization. It is an ongoing process of risk assessment using different tools and methods which identify all possible risks, determine which risks are critical to solve as soon as possible and then execute strategies to deal with these risks (Tariqullah and Habib, 2001). An efficient and effective risk management is necessary for each and every organization and is one of the key responsibilities of firms in the service industry. However effective risk management boosts the performance of an organization. A review of banks' performances uncovered shortcomings in the performance of risk management practices with many banks taking on excessive risk with too little regard for long run performance (Sitanta, 2011).

Risk Management in Nigerian Deposit Money Banks

Risk management is a crucial aspect of the operations of deposit money banks in Nigeria. The importance of risk management cannot be overstated as it ensures the safety and soundness of financial institutions and protects them from potential losses. Nigerian Deposit Money Banks face various risks that have the potential to affect their profitability and sustainability. These risks include credit risk, operational risk, liquidity risk, among others. To effectively manage these risks, strategies such as risk assessment, risk mitigation, and risk monitoring must be implemented.

Risk management is a crucial aspect of deposit money banks as it helps them to identify, evaluate, and mitigate potential risks that can affect their operations and ultimately their financial stability. According to Kafidipe, Uwalomwa, Dahunsi and Okeme (2021), effective risk management practices in deposit money banks can help to reduce the likelihood of financial crises and protect the interests of depositors and other stakeholders. The authors also note that risk management involves a range of activities, including risk identification, risk assessment, risk monitoring, and risk mitigation. By identifying potential risks, deposit money banks can take proactive measures to mitigate these risks, such as implementing appropriate risk management policies and procedures, investing in technology to improve risk monitoring, and ensuring that staff are adequately trained to manage risks. Furthermore, effective risk management practices can enhance the reputation of deposit money banks and increase the confidence of stakeholders in the institution, which can ultimately lead to increased profitability. Therefore, deposit money banks must prioritize risk management as an essential aspect of their operations to ensure long-term financial stability and success.

Nigerian Deposit Money Banks (DMBs) face several risks that threaten their stability and profitability. According to Aruwa and Musa (2014), these risks include credit, market, liquidity, operational, and regulatory risks. Credit risk is the potential for loss due to the failure of a borrower to repay a loan or meet its obligations. Market risk is the exposure to loss due to adverse changes in market prices or rates. Liquidity risk is the inability to meet funding obligations or to liquidate assets without incurring significant losses. Operational risk is the potential for loss due to inadequate or failed internal processes, systems, and human errors. Finally, regulatory risk is the risk of loss resulting from the failure to comply with laws and regulations. These risks are interrelated and can have a significant impact on the banking system as a whole. The Nigerian banking industry has experienced several crises in the past due to inadequate risk management practices. Therefore, it is crucial for DMBs to implement effective risk management strategies to mitigate these risks and ensure their long-term sustainability.

Effective risk management is critical to the survival and growth of Nigerian Deposit Money Banks (DMBs). According to Soyemi, Ogunleye and Ashogbon (2014), there are several strategies that Nigerian DMBs can implement to ensure effective risk management. Firstly, DMBs should develop and implement robust risk management frameworks that cover all aspects of their operations. This includes risk identification, measurement, monitoring, and control. Secondly, DMBs should establish a risk management culture that promotes risk awareness and encourages risk mitigation measures. This includes regular staff training on risk management and the provision of incentives for risk management compliance. Thirdly, DMBs should diversify their loan portfolios to reduce concentration risk. This involves spreading loans across various sectors and industries to minimize the impact of any adverse economic developments in a particular sector. Finally, DMBs should conduct regular stress tests to assess their vulnerability to adverse events and identify potential weaknesses in their risk management frameworks. By implementing these strategies, Nigerian DMBs can effectively manage risks and safeguard their operations against potential losses.

Concept of Performance

Organizational performance is defined as the ability of an organization to fulfil its mission through sound management, strong governance and a persistent rededication to achieving results. Ibarra (2005) proposed that firms delivering services must broaden their examination of productivity from the conventional company-oriented perspective to a dual company-customer perspective. This broadened approach can help reconcile conflicts or leverage synergies between improving service quality and boosting service productivity (Huang & Tung, 2001). Organizational performance measurement is considered a multifaceted concept that occurs at different sectoral levels for industry, corporate and business sectional unit. However, there is a necessity to target specific factors which contribute to the performance in a manner that matches context of the organizations with sector factors that can sustain performance over the long term (Mc Gahan, 2004)

Firm performance is one of the most relevant constructs in the field of strategic management; a construct commonly used as the final dependent variable in various fields (Cho & Pucik, 2005; Richard, Derinney, Yip, & Johnson 2009). It is believed that the essence of performance is the creation of value, therefore, value creation, as defined by the resource provider, is the essential overall performance criteria for any organization (Monday, et al,, 2015). Continuous performance is the focus of any organization because only through performance are organizations able to grow and survive (Gavrea, et al., 2011). A business organization could measure its performance using the financial and non-financial measures.

Measures of Performance

Profitability

Profitability is the ability of a company to use its resources to generate revenues in excess of its expenses. In other words, this is a company's ability to generate profits from its operations (Trivedi, 2010). Profitability is the ability of a business to earn a profit. A profit is what is left of the revenue a business generates after it pays all expenses directly related to the generation of the revenue, such as producing a product and other expenses related to the conduct of the business activities (Tulsian, 2014). Profitability means ability to profit from all the business activities of an organisation, company, or enterprise. It shows how efficiently the management of an organization can profit by using all the available resources (Etale, 2016).

Profitability is a crucial aspect of any business, and understanding it is essential for business managers and owners. Scott (2017) defines profitability as the ability of a business to generate profits or earnings over a specific period. There are several factors that contribute to a company's profitability, including revenue, costs, and the efficiency of operations. Revenue is the amount of money a business generates from its sales, and it is essential to ensure that the revenue exceeds the costs in order to generate a profit.

Service Quality

According to Zeithaml (1988), "quality can be defined broadly as superiority or excellence". Here, Kotler and Armstrong (2012) opine that "product is anything that can be offered to a market for attention, acquisition, use, or consumption that MIGHT satisfy a want or need ", while Aaker (1994), quoting Ehsani (2015), explains that "quality of product is the customer's perception of the overall quality or superiority of the product or service, with respect to its intended purpose, relative to alternatives. Kotler and Amstrong (2012) assumed that product quality is the characteristic of a product or service that bear on its ability to satisfy stated or implied customer needs.

In the business world, the concept of service quality has become increasingly important, especially in the context of business continuity management (BCM). Service quality can be defined as the degree to which a service meets or exceeds customer expectations, and it is a critical factor in customer satisfaction and loyalty. In the context of BCM, service quality is particularly important because it can impact the ability of an organization to continue to operate in the face of disruptions or crises. Martínez and Martínez (2010) note that service quality can be seen as a critical component of BCM because it can help organizations build resilience by ensuring that they are able to continue to provide essential services to customers, even in the face of disruptions.

Market Share

Market share refers to the percentage of sales a company has in a specific market within a specific time period. Higher market share translates into higher profits. Gaining or building market share is an offensive or attack strategy to improve the company's standing in the market

(Sarkissian, 2010). Market share is a measure of the consumers' preference for a product over other similar products. A higher market share usually means greater sales, lesser effort to sell more and a strong barrier to entry for other competitors. A higher market share also means that if the market expands, the leader gains more than the others. By the same token, a market leader - as defined by its market share also has to expand the market, for its own growth (Schnaars, 1998).

Market share is a key indicator of market competitiveness; how well a firm is doing against its competitors. This metric, supplemented by changes in sales revenue, helps managers evaluate both primary and selective demand in their market. It enables them to judge not only total market growth or decline but also trends in customers' selections among competitors. Generally, sales growth resulting from primary demand (total market growth) is less costly and more profitable than that achieved by capturing share from competitors. Conversely, losses in market share can signal serious long-term problems that require strategic adjustments. Firms with market shares below a certain level may not be viable. Similarly, within a firm's product line, market share trends for individual products are considered early indicators of future opportunities or problems (Armstrong and Greene, 2007).

Risk Management and Performance

Matthews (2013) examined risk management and managerial efficiency in Chinese banks: A network DEA framework. Risk management in Chinese banks has traditionally been the Cinderella of its internal functions. Political structure and developmental imperative have often overridden standard practice of risk management resulting in large non-performing loan (NPL) ratios. The training and practice of risk managers remain second class compared with foreign banks operating in China. A statistical test is carried out to assess the importance of the risk metrics in evaluating bank income efficiency. Risk management practice and risk organisational practice was confined to the classic retail banking functions.

Awojobi (2011) analysed risk management in banks: Evidence of bank efficiency and macroeconomic impact. The Global Economic meltdown triggered by the subprime mortgage crisis of United States in 2007 and its adverse effect on financial markets and participants in the financial industry worldwide have resulted in a capital management crisis in most financial institutions especially banks. This study is a case for the Nigerian banking industry, focusing on factors affecting risk management efficiency in banks. For empirical investigation, the author employed Panel regression analysis taking a stratum of time series data and cross-sectional variants of macroeconomic and bank specific factors for period covering 2003 to 2009. Result for panel regression indicates that risk management efficiency in Nigerian banks is not just affected by bank-specific factors but also by macroeconomic variables. This describes the pro-cyclicality of bank performance in the Nigerian banking sector. As it stands, the sufficiency of Basel principles for risk management is doubtful because asset quality varies with business cycles.

Yakob, Yusop, Radam & Ismail (2010) examined risk management efficiency of conventional life insurers and Takaful operators. The risk management is the core activity in most of the businesses; however, it is critically paramount in the insurance businesses. The risk management efficiency of the life insurers and takaful operators is the main concern of shareholders, policyholders and regulators. This is because the prudent risk management can warrant the favourable return to the shareholders, guarantee the ability to compensate the policy holders as the covered losses should have occurred and finally assured the solvency requirement by the regulators. Changes in interest rate risk, investment risk, solvency risk as well as consumer preferences have exposed some challenges in risk management nowadays. Against this backdrop, it is essential to have an overview of the efficiency of risk management of life insurers and takaful operators in this competitive environment of the insurance industry in Malaysia. The time period of the study is from 2003 to 2007. The data is obtained from the Annual Financial Report of fifteen conventional life insurers and two takaful operators which have consistently existed in the industry for this study period.

Based on the foregoing, the study thus hypothesized that:

Ho_1: There is no significant relationship between risk management and profitability of deposit money banks in Nigeria.

Ho_2: There is no significant relationship between risk management and service quality of deposit money banks in Nigeria.

Ho_3: There is no significant relationship between risk management and market share of deposit money banks in Nigeria.

METHODOLOGY

The study adopted the cross-sectional research survey design. Primary data was generated through structured questionnaire. the population of this study was the 24 deposit money banks in Nigeria. The entire population of 24 deposit money banks were adopted as a census. However, the number of respondents/ participants in the study was one hundred and twenty senior level managers of the 24 deposit Mooney banks in Nigeria. The reliability of the instrument was achieved by the use of the Cronbach Alpha coefficient with all the items scoring above 0.70. The hypotheses were tested using the Spearman's Rank Order Correlation Coefficient and tests were carried out at a 0.05 significance level.

DATA ANALYSIS AND RESULTS

Table 1: Correlations matrix for Risk Management and measures of Performance

			Risk Management	Profitability	Service Quality	Market Share
Spearman's rho	Risk Management	Correlation Coefficient	1.000	.564**	.320**	.792**
		Sig. (2-tailed)	.	.000	.001	.000
		N	104	104	104	104
	Profitability	Correlation Coefficient	.564**	1.000	.795**	.320**
		Sig. (2-tailed)	.000	.	.000	.001
		N	104	104	104	104
	Service Quality	Correlation Coefficient	.320**	.795**	1.000	.431**
		Sig. (2-tailed)	.001	.000	.	.000
		N	104	104	104	104
	Market Share	Correlation Coefficient	.792**	.320**	.431**	1.000
		Sig. (2-tailed)	.000	.001	.000	.
		N	104	104	104	104

**. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS Output

Ho1: There is no significant relationship between risk management and profitability of deposit money banks in Nigeria.

Table 1 shows a Spearman Rank Order Correlation Coefficient (rho) of 0.564 on the relationship between risk management and profitability. This value implies that a moderate relationship exists between the variables. The direction of the relationship indicates that the correlation is positive; implying that an increase in profitability was as a result of the adoption of risk management. Therefore, there is a moderate positive correlation between risk management and profitability of deposit money banks in Nigeria. Similarly displayed in the Table1 is the statistical test of significance (p-value) which makes possible the generalization of our findings to the study population. From the result obtained, the significance value calculated is less than significant level ($p = 0.000 < 0.05$). Therefore, based on this finding the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between risk management and profitability of deposit money banks in Nigeria.

Ho2: There is no significant relationship between risk management and service quality of deposit money banks in Nigeria.

Secondly, Table 1 shows a Spearman Rank Order Correlation Coefficient (rho) of 0.320 on the relationship between risk management and service quality. This value implies that a weak relationship exists between the variables. The direction of the relationship indicates that the correlation is positive; implying that an increase in service quality was as a result of the adoption of risk management. Therefore, there is a weak positive correlation between risk management and service quality of deposit money banks in Nigeria. Also displayed in the Table 1 is the statistical test of significance (p-value) which makes possible the generalization of our findings to the study population. From the result obtained, the sig- calculated is less than significant level ($p = 0.000 < 0.05$). Therefore, based on this finding the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between risk management and market share of deposit money banks in Nigeria.

Ho3: There is no significant relationship between risk management and market share of deposit money banks in Nigeria.

Table 1 shows a Spearman Rank Order Correlation Coefficient (rho) of 0.792 on the relationship between risk management and market share. This value implies that a strong relationship exists between the variables. The direction of the relationship indicates that the correlation is positive; implying that an increase in market share was as a result of the adoption of risk management. Therefore, there is a strong positive correlation between risk management and market share of deposit money banks in Nigeria. Also displayed in the Table 1 is the statistical test of significance (p-value) which makes possible the generalization of our findings to the study population. From the result obtained, the sig- calculated is less than significant level ($p = 0.000 < 0.05$). Therefore, based on this finding the null hypothesis earlier stated is hereby rejected and the alternate upheld. Thus, there is a significant relationship between risk management and market share of deposit money banks in Nigeria.

DISCUSSION OF FINDINGS

The finding revealed that there is a significant positive relationship between risk management and performance of deposit money banks in Nigeria. This finding supports the earlier finding of Awojobi (2011) who analysed risk management in banks: Evidence of bank efficiency and macroeconomic impact found that risk management efficiency in Nigerian banks is not just affected by bank-specific factors but also by macroeconomic variables. This describes the pro-cyclicality of bank performance in the Nigerian banking sector. As it stands, the sufficiency of Basel principles for risk management is doubtful because asset quality varies with business cycles. Also, the current finding agrees with the earlier finding of Yakob, Yusop, Radam and Ismail (2010) who examined risk management efficiency of conventional life insurers and Takaful operators and the finding offers some opportunities to the insurance companies in their effort to improve and enhance their risk management in order to satisfy their stakeholders.

Risk management practices in deposit money banks (DMBs) in Nigeria have become increasingly important in recent years. The study by Soyemi, Ogunleye, and Ashogbon (2014) found that the banking sector in Nigeria has experienced significant challenges due to various risk factors such as credit risk, market risk, operational risk, and liquidity risk. The authors argue that DMBs have recognized the need to implement robust risk management practices to ensure the stability and sustainability of their operations. The study found that Nigerian DMBs have adopted a range of risk management practices, including the establishment of risk management committees, the implementation of risk assessment frameworks, the use of risk-based capital adequacy ratios, and the adoption of risk management software. These practices enable DMBs to identify, measure, monitor, and control risks effectively, thereby minimizing the potential negative impact on their financial performance and overall stability. Moreover, the study suggests that the Central Bank of Nigeria (CBN) has played a crucial role in promoting risk management practices in DMBs through the issuance of guidelines and regulations.

The performance of deposit money banks (DMBs) in Nigeria is influenced by various factors. One of the key factors is the level of capital adequacy. The study by Edem (2017) found that banks with higher levels of capital are better positioned to absorb losses and maintain stability during periods of economic downturn. This is particularly important in Nigeria, where the banking sector has experienced significant challenges in the past, including bank failures and distress. Another factor that influences DMBs' performance is the quality of loan portfolios. Non-performing loans (NPLs) pose a significant risk to the profitability and stability of banks.

Edem (2017) highlights that banks with higher non-performing loan ratios are more likely to face difficulties in generating income and maintaining liquidity.

Also, the current finding agrees with Ogboi and Unuafe (2013) who explored the positive relationship between risk management and performance in Nigerian banks and found that effective risk management practices are crucial for improving the financial performance of banks. They pointed out that Nigerian banks operate in a highly volatile and uncertain environment, making it imperative for them to effectively manage various risks such as credit risk, liquidity risk, and market risk.

CONCLUSION AND RECOMMENDATION

The study concludes that risk management positively enhance the performance of deposit money banks in Nigeria. This implies that by adopting a proactive approach to risk management, deposit money banks can identify, assess, and mitigate potential risks that could adversely impact their operations. This enables them to make informed decisions and implement strategies to safeguard their assets, maintain financial stability, and protect the interests of their stakeholders.

Based on the foregoing, the study recommends that deposit money banks should conduct regular and thorough risk assessments to identify potential risks that could impact the bank's operations and performance. This includes assessing credit, market, liquidity, operational, and other relevant risks. Understanding the risk landscape is crucial for developing effective risk management strategies.

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