J-MACC
Journal of Management and Accounting
Vol. 8, No. 1, April 2025

RISK MANAGEMENT AND PERFORMANCE OF FINANCIAL INSTITUTIONS IN NIGERIA: EVIDENCE FROM FINANCIAL FIRMS IN ILORIN

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Keywords

Risk Management
Financial Performance
Risk Transfer
Banking Sector

Article history:

Received February 2025
Revised April 2025
Accepted April 2025

ABSTRACT

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

Introduction

Although financial institutions in this sector confront numerous dangers, the financial sector is an essential component of the economy and plays a crucial role in a country's overall economic development ((Von Tamakloe et al., 2023; Wood, 2019). Because of this, it is now essential to comprehend how risk management affects bank performance. The current state of the world economy has made risk management even more crucial for financial organizations. The need to assess banks' risk profiles and the resulting effects on their performance has increased due to the steady growth of the global financial sector and the ongoing establishment of new banking organizations (Dei Ofosu-Hene, 2016; Settembre-Blundo, 2021).

A company's total financial health over a specific time is gauged by its financial performance. It can be evaluated from several angles, such as liquidity, profitability, and solvency. The ratio of owner equity capital invested in the firm to the amount of borrowed capital utilized by the company is a measure of solvency. However, since 1999, the Nigerian banking industry has been experiencing a continual reform process aimed at enhancing the strength and well-being of

Nigerian banks. Eight CEOs were fired and N600 billion was injected into the banks to encourage them to lend again because of the first significant exercise, which evaluated the risk asset quality of the banks (Adeusi, 2015; Saeed, 2016). Even though this economic rescue gives the banks money and capital, they must fortify themselves to succeed in the future, and a solution is to firmly establish a good risk management system

Risks are therefore rising because of globalization and fierce competition, and risk management is becoming essential to the success of practically every company, particularly the financial sector due to its high-risk operations, where risks are linked to each client's risk. The processes in the risk management process involve contextualization, risk identification, analysis, assessment, treatment, monitoring, and communication allow for ongoing decision-making improvement. Financial organizations can avoid unpleasant and expensive surprises and improve the efficiency of resource allocation by putting risk management into practice. It enhances communication and gives top management a succinct overview of the risks the company may encounter, which eventually aids in improved decision-making.

Due to numerous banks' inability to set up robust risk management frameworks, especially credit risk management, to avert adverse events, Nigeria's financial system is still in its infancy and undergoing a number of reforms. A financial institution's organizational structure, managerial caliber, and the systems and controls in place are only a few of the numerous variables that affect its financial success, some of which are hard to measure. Risk is characterized as an event that could affect the attainment of goals; it encompasses both opportunities and threats (Audit Office, 2000). There is a high level of risk inherent in the banking industry. Because it is the only company where the percentage of borrowed cash is significantly more than the owners' equity, it is extremely dangerous.

According to (Kiprop, 2017; Puspitasari, 2021), risk management is regarded as one of the most crucial internal processes that financial institutions use to make choices. An effective risk management strategy enables the organization to capitalize on any potential possibilities while safeguarding against adverse outcomes, or "downside risks" (Power, 2004; Sun, n.d.2018). Furthermore, financial institutions serve as shock absorbers because their primary function is to accept and manage credit risk. Furthermore, risks might arise from natural disasters, project failures, legal obligations, credit risk, financial market uncertainties, accidents, and intentional enemy strikes. An organization's ability to recognize and comprehend the dangers to which it is exposed is guaranteed by risk management. Effective risk management tries to maximize the advantages of a risk while limiting the risk itself.

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

Risk management (RM) frequently results in improved organizational performance, according to several authors. The existence of most businesses depends on financial firms' effective and proper risk management, which also typically affects their financial success. Therefore, achieving superior organizational results requires a systematic RM approach. Therefore, this study investigates how risk management affects Nigerian financial institutions' performance. It is generally accepted that a company's risk management process is essential to its performance because it serves as a strong check on any departures from the established goals and guidelines that take place in the financial institution and other financial system sectors. This implies that a financial company with inadequate risk management practices is vulnerable to fraud, bankruptcy, stagnation, growth retardation, or even mortality due to subpar performance.

Furthermore, the four primary categories of risks that jeopardize a bank's survival are credit risk, market risk, operational risk, and liquidity risk (Okotha, 2003; Pagano, 2001). The performance of Nigerian financial enterprises has fluctuated throughout time, with some reporting losses and others being forced out of business. Underpricing, poor liquidity management, management problems, and a high-risk tolerance for investments may all be related to this. There is little research on how risk management affects financial organizations' corporate performance in Nigeria, even though numerous empirical studies have offered a variety of explanations for the underwhelming financial performance of financial enterprises. Therefore, poor risk management may be having a detrimental effect on Nigerian financial institutions' financial performance. Even though earlier research suggests a connection between risk management and organizational performance (Adeusi, 2015; Pagach, 2010), most of these studies have focused on banks and other financial institutions, and the studies that are currently available have only addressed large financial institutions in developed nations. The effects of risk management on the business performance of Nigerian financial institutions are currently poorly understood. This study aims to evaluate the impact of risk management on the performance of financial institutions in Nigeria to close this gap.

This study's main goal is to investigate how risk management affects financial institutions' performance through a case study of a few chosen financial institutions in Ilorin, Kwara State. Additional particular goals are to: (i) assess how risk management affects the performance of a few chosen banks in Ilorin, Kwara State. (ii) to ascertain the connection between the financial performance of a few chosen banks in Ilorin, Kwara State, and risk selection. Considering this, the study assesses two theories. The goal of this study is to determine whether risk management and bank company performance are positively correlated. (1) Ho: The performance of a few chosen banks in Ilorin, Kwara State, and risk transfer do not

significantly correlate. (2) Ho: The financial performance of a few chosen banks in Ilorin, Kwara State, is not significantly impacted by risk selection.

Research Method

Data

The goal of the study is to investigate how risk management affects financial institutions' performance. But the study will concentrate on a few chosen banks in Ilorin, Kwara State. The reasons of financial risk will also be thoroughly examined in this study, along with the importance of risk management procedures in Nigerian financial institutions. To understand the problems with risk management and how they impact the performance of commercial banks in Ilorin Metropolis, as well as to make it easier to collect enough information and data from the respondents, we chose this geographic area for our research. Access Bank, Stanbic IBTC Bank, and GTCO Bank are among the chosen commercial banks in Ilorin Metropolis where this study would be conducted.

Advanced software was utilized to break down the examination field results utilizing a recurrence circulation table to show the level of segment information and the level of understanding or conflict with the exploration explanations in the shut finished survey. The Taro Yamane Recipe was the examining technique utilized in this examination. The recipe was utilized to decide the example size. The study approach was picked on the grounds that it permits information assortment using polls, which are a critical wellspring of essential information, and it focuses on a little part of the populace (Kiprop, 2017; Oluwagbade, 2023) instead of an exhaustive examination of a given peculiarity.

With the aid of the Statistical Package for Social Sciences (SPSS) version 20, the results obtained from the research field work were analyzed using a frequency distribution table to show the percentage of the demographic data and the degree of agreement and disagreement to the research statements in the closed-ended questionnaire. Additionally, the impacts of the independent variables (risk management) on the dependent variables (financial institution performance) as posed by the hypotheses in the preceding section were tested using the regression analysis approach.

The formula used to determine the sample size was n = N/1+N(e)2, where n stands for sample size, N for the total population that was chosen, and e for margin error. Since n = 560/1+560 (0.05)2 is the outcome, 273 questionnaires in all were distributed. As a result, 273 (two hundred and seventy-three) copies of the questionnaire were given to a chosen number of employees at the Access Bank, Stanbic IBTC Bank, and GTCO Bank branches in Ilorin Metropolis. Of these, 242

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

(two hundred and forty-two) were correctly completed and returned, accounting for 89.0% of the total; 14 (5.1%) were not returned, and 17 (6.2%) were returned but incorrectly completed. The questionnaire's response rate is displayed in Table 1.

Table 1: Questionnaire Response Rate

Questionnaire	Frequency	Percentage
Returned	242	88.6%
Not Returned	14	5.0%
Returned but wrongly filled	17	6.0%
Total	**273**	**100%**

Source: Researcher's Field Survey, 2024

After compiling and analyzing the data from the data from the case study banks for this study, table 4.2.1 revealed that the responses from the distributed copies of the questionnaire were very positive. Specifically, out of 273 copies of the questionnaire, the staff members of the Access Bank, Stanbic IBTC Bank, and GTCO Bank branches in Ilorin Metropolis were given the questionnaire. Nonetheless, 242 copies of the questionnaire were correctly completed and returned to the researcher, representing a success rate of roughly 89.0%. The remaining 31 copies, or 11.3%, were either not returned to the researcher or were not properly completed, making them unfit for analysis. To evaluate the hypotheses, the copies of the questionnaire that were gathered were deductively examined and shown in tables, percentages, and simple linear regression.

Hypothesis Development

The goal of the enterprise risk management (ERM) framework is to manage all the risks that a business faces in a methodical and consistent manner (Hallunovi, 2018; Olusanmi, 2015). On the other hand, (Chelsea, 2020; Olalere, 2016) define ERM as the comprehensive process of controlling an organization's exposure to uncertainty, with a focus on recognizing and controlling the events that can potentially keep the company from accomplishing its goal. Every level of the organization can benefit from the organizational idea of ERM. People, intellectual property, brand values, business expertise and skills, the main source of profit stream, and the regulatory environment are some of the areas or aspects of the organization that a risk manager should consider when conducting ERM (Hallunovi, 2018; Olajide, 2017). This aids the organization in striking a balance between the two most important business demands: the obligation to satisfy stakeholders and the risks posed by the company in a way that is both profitable and feasible. By doing this, risk management is always aware of the dangers it;

confronts, keeps a close eye on its exposure, and is able to adjust its approach or course of action to make sure the amount of risk it takes is manageable.

A key component of risk management is business continuity planning, which is based on the Contingency Planning (CP) Theory (Devi, n.d.; Li, 2014). The core tenet of contingency planning (CP) is that residual risks always exist because no risk can be completely removed. Occurrences will in any case happen even with the association's most prominent endeavors to forestall, limit, or keep away from them. Indeed, even the best data security techniques planned to ensure the classification, honesty, and accessibility of data resources might be avoided or overpowered by conditions, horrible occasion mixes, or unanticipated dangers and weaknesses (Maulidar, 2020; Shijaku, 2017). CP is characterized in this concentrate as the whole of the plans, techniques, controls, and exercises related to critical occasions and debacles. It is the process of planning for significant events and calamities, creating adaptable plans, and gathering the necessary resources that will be needed in the event, no matter what happens. The word "contingency" itself suggests that the resources and actions needed in the wake of significant events or disasters will vary depending on the specifics of the events and disasters. CP entails planning for the unknown and being ready for the unexpected. CP's primary goal is to reduce the negative effects or repercussions of catastrophes and disasters.

Hypothesis One

The Agency theory (Abel, 2016; Alqisie, 2018) expands on the firm analysis to account for management incentive and the division of ownership and control. It has been exhibited that organization concerns influence chiefs' perspectives about facing challenges and supporting with regards to corporate gambling the board. The hypothesis likewise depicts how deviations in profit conveyance might cause a misalignment of interests among investors, directors, and obligation holders, which might prompt over the top gamble taking or an inability to seek after projects that increment net worth (Alqisie, 2018; Jafari, 2011).Initially made as an administrative instrument:

Null Hypothesis (H_0): There is no significant relationship between risk transfer and the financial performance of selected banks in Ilorin, Kwara State.

Alternative Hypothesis (H_1): There is a significant relationship between risk transfer and the financial performance of selected banks in Ilorin, Kwara State.

Hypothesis Two

Following the agency theory, Partner Hypothesis (Diallo, 2021) has hence formed into a firm hypothesis with huge informative power. The essential component affecting business strategy, as indicated by partner hypothesis, is the

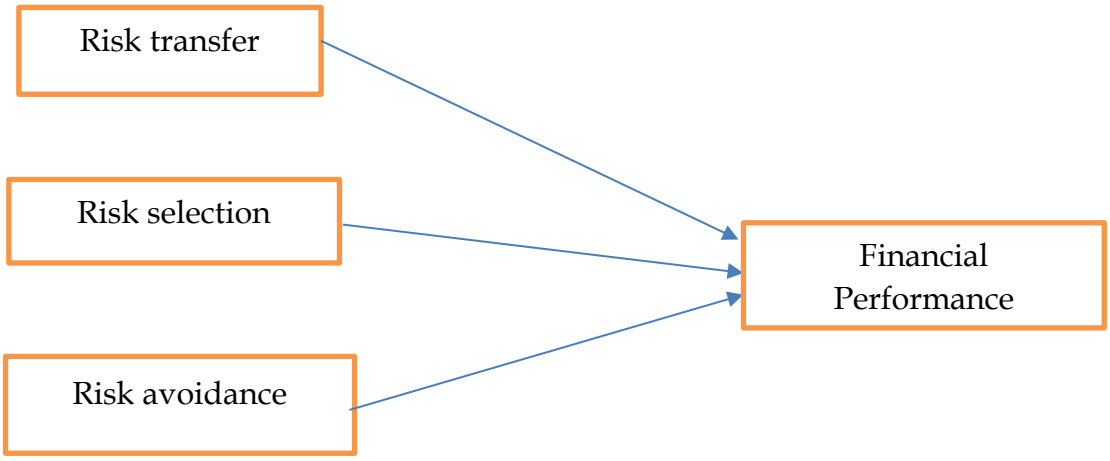
ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

equilibrium of partner interests. The expansion of the thought of understood agreements past work to different agreements, like deals and supporting, is the most encouraging expansion to the organization of danger. Client trust in an organization's capacity to keep offering its types of assistance in the future can essentially build its worth in a few cutting-edge businesses. The anticipated outcomes of monetary difficulty and insolvency, notwithstanding, altogether affect the worth of these understood cases.

H_{o2}: Risk selection has no significant impact on the financial performance of some selected banks in some selected banks in Ilorin, Kwara State.

H_{12}: Risk selection has a significant impact on the financial performance of some selected banks in some selected banks in Ilorin, Kwara State

Figure 1. Research Framework



Result

The respondents' demographic questions are shown in Table 2 above. As a result, the first portion examined the respondents' genders and found that 147 of them, or 60.7%, were men and 95, or 39.3%, were women who responded. This implies that the number of male respondents is statistically greater than that of female respondents. Additionally, the distribution above reveals that 87 of the respondents, or 35.9%, are between the ages of 30 and 39, while 91 of the respondents, or 37.6%, are between the ages of 20 and 29. Furthermore, 20 respondents, or 7.8% of the total, are between the ages of 50 and 59, while 45 respondents, or 18.5%, are between the ages of 40 and 49. This implies that 37.6% of the workforce is made up of employees who are between the ages of 20 and 29. According to the table, 110 of the respondents, or 54.4%, are married, while 104 of the respondents, or 43.0%, are single. However, 28 people, or 11.6%, are widowed or separated. This suggests that, at 54.4%, most questionnaire respondents are married.

According to Table 4's distribution, 190 respondents, or 78.5%, strongly agreed with the statement that transferring responsibility for mitigating losses to another party through risk transfer is an effective way to reduce potential losses. Of those, 35 respondents, or 14.5%, agreed with the statement, while 17 respondents, or 7.0%, strongly disagreed. Most respondents firmly believed that transferring liability for losses to another party via risk transfer is a good way to minimize potential losses. According to the table, 99 respondents, or 40.9%, strongly agreed that buying insurance is a good way to manage risk, 132 respondents, or 54.5%, agreed with this statement, and 11 respondents, or 4.5%, disagreed. Most people concurred that buying insurance is a good way to control risk.

According to the table, 89 respondents, or 36.8% of the sample, agreed with the statement that shifting the impact of one's risk to a third party can help financial institutions manage business risk, while 153 respondents, or 63.2% of the sample, strongly agreed with the statement. As a result, most people firmly believed that financial institutions could manage business risk by shifting the impact of their risk to a third party. In conclusion, 109 respondents, or 45.0% of the sample, strongly agreed with the statement that hedging can be used as an effective tool for trading position liquidation in financial performance, 122 respondents, or 50.4% of the sample, agreed with the statement, and 11 respondents, or 4.5% of the sample, strongly disagreed.

Table 2: Distribution table for Demographic of the Respondents

S/N	Factor	Factor	Frequency	Percentage %
1.	Gender	Male	147	60.7
		Female	95	39.3
		Total	242	100.00
2	Age	20-29	91	37.6
		30-39	87	35.9
		40-49	45	18.5
		50-59	19	7.8
		Total	242	100.00
3	Marital Status	Single	104	43.0
		Married	110	45.4
		Widow/Separated	28	11.6
		Total	242	100.00

Source: Researcher's Field Survey, 2024

According to the distribution, 97 respondents, or 41.7%, indicated that they strongly agreed with the assertion that firms' admission of loss duties is an economical method of limiting possible losses from a particular risk. 69 respondents, or 28.5%, said that they agreed with the statement, 38 respondents, or 15.7%, indicated that they were neutral about it, and 38 respondents, or 15.7%,

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

indicated that they strongly disagreed with it. As a result, most respondents firmly believed that enterprises' admission of loss duties is an economical method of reducing possible losses from a particular risk.

Table 3: Distribution for Risk Transfer

S/N	Factor	Factor	Frequency	Percentage
4	Taking responsibility for mitigating loses payment by one party to another in risk transfer is effective for reducing possible losses.	SA A SD Total	190 35 17 242	78.5 14.5 7.0 100.00
5	Purchasing of insurance is effective for managing risk	SA A D Total	99 132 11 242	40.9 54.5 4.5 100.00
6	Shifts the impact of their risk to third party can assist financial institutions to manage business risk	SA A Total	153 89 242	63.2 36.8 100.00
7	Hedging can be utilized as an effective tool for liquidating trading position in financial performance	SA A SD Total	109 122 11 242	45.0 50.4 4.5 100.00

Source: Researcher's Field Survey, 2024

Table 4: Distribution on Risk Selection

S/N	Factor	Factor	Frequency	Percentage %
	Firms' assumption of loss responsibilities is cost effective way to limit potential losses from a given risk.	SA A N SD Total	97 69 38 38 242	40.1 28.5 15.7 15.7 100.00
	Reduction of risk effect can be achieved through retention of risk in financial management	SA A SD D Total	101 90 48 3 242	41.7 37.2 19.8 1.2 100.00
	My organization manage its risk performance effectively	SA A N Total	101 129 12 242	41.7 53.3 5.0 100.00
	Risk retention is effective for managing firms' overall risk exposure.	SA A N Total	105 114 23 242	43.4 47.1 9.5 100.00

Source: Researcher's Field Survey, 2024

Additionally, as can be seen from the distribution table above, 101 respondents, or 41.7%, indicated that they strongly agreed with the statement that "retaining risk in financial management can reduce the risk effect." Ninety

respondents, or 37.2%, agreed with the statement, 48 respondents, or 19.8%, strongly disagreed with it, and three respondents, or 1.2%, disagreed. Thus, the majority of respondents strongly agree that risk effect can be reduced by retaining risk in financial management. Additionally, according to the table, 101 respondents, or 51.7%, strongly agreed with the third statement, which reads, "My organization manages its risk performance effectively," 129 respondents, or 53.3%, agreed with the statement, and 18 respondents, or 7.4%, said they were undecided. These results indicate that most respondents strongly agree that their organization manages its risk performance effectively.

Just 105 respondents, or 43.4% of the total, indicated in the distribution table that they strongly agreed with the statement that risk retention is effective for managing firms' overall risk exposure. Of these, 114 respondents, or 47.1%, agreed with the statement, while 23 respondents, or 9.5%, said they were unsure. As a result, many respondents, or 23 respondents, agreed that risk retention is effective for managing firms' overall risk exposure. According to distribution Table 3 above, 199 respondents, or 82.2% of the sample, strongly agreed with the statement that risk, return, and diversification are how my workplace achieves financial performance, while 43 respondents, or 17.8% of the sample, strongly agreed. As a result, many respondents firmly agreed that risk, return, and diversification are the ways in which their companies achieve financial performance.

Table 5: Distribution table for Financial Performance

S/N	Factor	Factor	Frequency	Percentage %
	My workplace achieves financial performance through risk, return, and diversification	SA A Total	199 43 242	82.2 17.8 100.00
2	A well-managed risk generate expected return	SA A Total	88 154 242	36.4 63.6 100.00
3	Effective financial management render informed decision and provide effective financial insights for businesses	SA A Total	107 135 242	44.2 55.8 100.0
4	Analyzing of financial statement uncover credit risk and it leads to operational efficiency and managerial effectiveness	SA A N Total	144 79 19 242	59.5 32.6 7.9 100.00

Source: Researcher's Field Survey, 2024

According to the distribution table, 154 respondents, or 63.6% of the sample, agreed that a well-managed risk generates an expected return, while 88 respondents, or 36.4%, selected highly agreed. As a result, many people accepted

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

the assertion. According to the distribution table, 107 respondents, or 44.2% of the sample, strongly agreed with the statement that good financial management helps businesses make well-informed decisions and gain useful financial insights. Of these, 135 respondents, or 55.8% of the sample, agreed, making this the statement that many respondents held. Finally, the distribution table reveals that 144 respondents, or 59.5%, strongly agreed with the statement that analyzing financial statements reveals credit risk and improves operational and managerial effectiveness, while 79 respondents, or 32.6%, agreed and 19 respondents, or 7.9%, were neutral. As a result, most people strongly agreed with the fourth statement.

The two-working hypotheses are then assessed. Data for the assessment of the first hypothesis is displayed in Table 6. According to the model summary, R Square is 0.93, meaning that the independent variable (risk transfer) accounted for 93% of the variation in the dependent variable (financial performance), with other variables not included in the model accounting for the remaining 7%. Given that the R2 score is near to 1, this indicates that the regression (model) is helpful for forecasting. In contrast to the residual sum of squares, which had a value of 331.994, the table presented the findings of an analysis of variation in the dependent variable, which showed that the model was able to explain a significant amount of the variation in the dependent variables. The regression sums of squares had a large value of 155.475. With a significance value of 0.000, the estimated F-value (59.007) in the above table is less than the p-value of 0.05 ($p<0.05$), indicating that the independent variable can jointly impact the increase in the dependent variable (financial performance).

The impact between the two variables (i.e., risk transfer and financial performance) is examined using the dependent variable, financial performance, as a benchmark. Risk transfer is one of the determinants, and risk transfer and financial performance are directly correlated. The financial performance t-test coefficient is 7.682 and the P-value is 0.000, both of which are less than 0.05 (i.e., $P<0.05$), based on the results in the table above. This indicates that, at the 5% significance level, these variables are statistically significant. Because the p-value is less than 0.05, the null hypothesis (HO1) is rejected. Therefore, the alternative hypothesis that risk transfer significantly affects financial performance accepted. According to the table, financial success was the dependent variable. This served as a benchmark for analyzing how the two concepts which are risk transfer and financial performance relate to one another. The quality modification t-test coefficient is 35.764 and the P-value is 0.000, both of which are less than 0.05 (i.e., $P<0.05$), based on the results in the table above. This indicates that, at the 5% significance level, these variables are statistically significant. The p-value is less than 0.05, which leads to the rejection of the Null Hypothesis (HO1). As a result, the alternative hypothesis that risk transfer significantly affects financial

performance in the chosen financial performance is accepted. As a result, it clarifies the importance of hypothesis one in relation to financial performance.

Table 5: Evaluation of Hypothesis one

Model Summary						
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate		
1	.967[a]	.934	.934	.22555		
Analysis of Variance (ANOVA[a])						
Model	Sum of Squares	Df	Mean Square	F	Sig.	
1	Regression	65.073	1	65.073	1279.091	.000[b]
	Residual	4.579	90	.051		
	Total	69.652	91			
Predictors: (Constant), Risk transfer						
ANOVA[a]						
Model	Model	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	155.475	1	155.475	59.007	.000[b]
	Residual	331.994	127	2.635		
	Total	487.469	128			
a. Dependent Variable: Financial performance b. Predictors: (Constant), Risk transfer						
Coefficients[a]						
		Standardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
Model	(Constant)	3.603	.636		5.668	.000
	Risk transfer	.568	.074	.565	7.682	.000
a. Dependent Variable: Financial performance						

Source: Researcher's Field Survey, 2024

According to the model summary in table 4.2.4, the R Square is 0.465, meaning that the independent variables (risk selection) accounted for 46.5% of the variation in the dependent variable (financial performance), with the remaining 53.5% coming from variables not included in the model. Given that the R2 score is near to 1, this indicates that the regression (model) is helpful for forecasting. The results of an analysis of variation in the dependent variable were summarized in the above table. The regression sums of squares had a large value of 410.890, whereas the residual sum of squares had a value of 470.524. This value showed that the model was able to explain a significant amount of the variation in the dependent variables. But according to the above table, the estimated F-value

ISSN (Online) 2620-9756 ISSN (Print) 2620-6951

(302.148) has a significance value of 0.000, which is less than the p-value of 0.05 (p<0.05). This indicates that the explanatory variable parts can work together to affect changes in the dependent variable (financial performance). According to table 4.2.6, financial success was the dependent variable. The impact of risk selection on financial performance was investigated using this as a determinant. Risk selection is one of the predictors, and table 4.2.6 makes it clear that risk selection and financial success are directly related. The risk selection t-test coefficient, as indicated by the results in the above table, is 17.382 since the P-value is 0.000, or less than 0.05 (i.e., P<0.05). This indicates that, at the 5% significant level, these variables are statistically significant. Because the p-value is less than 0.05, the Null Hypothesis (HO2) is rejected. As a result, the alternative hypothesis—that there is a connection between risk selection and financial performance—is accepted. There are certain links and linkages between risk selection and financial performance when considering the topic from a comprehensive perspective.

Table 7: Model Summary

Model	R	R Square	Adjusted R square	Std. Error of the Estimate		
1	.683[a]	.466	.465	1.166		
ANOVA						
Model	Group	Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	410.890	1	410.890	302.148	.000[b]
	Residual	470.524	346	1.360		
	Total	881.414	347			
Dependent Variable : financial performance, and Predicators : Risk selection						
Coefficient						
		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	.660	.153		4.314	.000
	Risk selection	.750	.043	.683	17.382	.000
Dependent Variable: financial performance						

Source: Researcher's Field Survey, 2024

Conclusion

The findings are summarized as follows: According to the first hypothesis, the financial performance of a few chosen banks in Ilorin, Kwara State, and risk transfer do not significantly correlate. The null hypothesis and alternative,

according to which there is a substantial correlation between risk transfer and the financial performance of a few chosen banks in Ilorin, Kwara State, were rejected by the study. According to the second hypothesis, the financial performance of a few chosen banks in Ilorin, Kwara State, is not significantly impacted by risk selection. As a result, the study concluded that the alternative hypothesis - that risk selection significantly affects the financial performance of a subset of banks in Ilorin, Kwara State - was accepted whereas the null hypothesis failed to meet its objectives.

The following conclusions were drawn after taking into account the results of this investigation as well as other empirical works that were reviewed: Taking responsibility for minimizing losses paid by one party to another in risk transfer is an effective way to reduce potential losses in financial institutions, and as a result, risk transfer has a substantial association with financial performance in some selected banks in Ilorin, Kwara State. Furthermore, this study concludes that hedging can be used as a useful strategy for trading position liquidation in financial performance. According to the study's findings, risk selection significantly affects the financial performance of a subset of banks in Ilorin, Kwara State. Additionally, the study concludes that risk retention in financial management can help to lessen the impact of risk.

To secure a higher return on investment and lower potential risk, the study suggests that financial institutions such as Access Bank, Stanbic IBTC Bank, and GTCO Bank manage their risk effectively. This will allow for transparency and a reduction in loss. Second, since this will provide expected returns and financial productivity, financial businesses should think about assuming loss obligations in order to minimize bigger losses from a given risk. Third, to ensure long-term financial stability and company health, we recommend that Access Bank, Stanbic IBTC Bank, GTCO Bank, and other financial institutions have sufficient reserves to handle possible credit losses.

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