

A Banker's Perception of the Relationship between Treasury Risk Management and Financial Performance in Nigeria

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Abstract: This study examined the opinions of bank staff on the relationship between treasury risk management and financial performance. The sample size for the study consisted of one hundred & fifty (150) staff of the selected deposit money banks. Primary data on treasury risk management and financial performance were collected from respondents using questionnaire instruments found to be reliable with Cronbach Alpha and was above 0.7 coefficients. While secondary data were collected from the bank's annual reports and accounts through the Nigerian Stock Exchange. Data were analyzed using descriptive and Pearson Correlation Coefficient Statistical tools with the aid of Statistical Package for Social Sciences version 23.0. The findings indicates that operational risk management has a positive and strong relationship with return on asset ($r = 0.626^{**}$) and strong relationship with earnings per share ($r = 0.727^{**}$) and also credit risk management was found to have strong relationship with return on asset ($r = 0.724^{**}$) and strong relationship with earnings per share ($r = 0.740^{**}$). Based on the findings, the study concluded that treasury risk management significantly impact on financial performance. Therefore, the study recommends that there is need to have operational risk management strategies in place to ameliorate fraud and other financial irregularities. Adequate internal control system should be put in place to mitigate against operational risk. The deposit money banks should enforce proper credit risk management policy to a greater extent as it improves the financial performance of the banks. Finally, the banks should put credit appraisal checks in place to avoid booking loans that will be classified as nonperforming.

Keywords: Treasury Risk Management, Operational Risk Management, Credit Risk Management, Financial Performance

Introduction

Risk management is a concept that dates back to the post-World War II era. Eichhorn (2004) identified risk management difficulties that many institutions were unconcerned about, as well as a lack of training in the event of a specific occurrence. When engineers developed operational and technological risk management models,

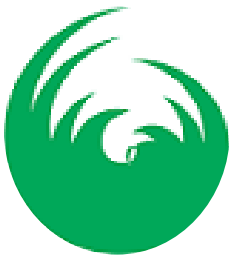
which were later accepted by commercial banks and financial institutions regulators in the market, the feature of pure risk management became significant. Risk management is an ever-evolving and highly appreciated activity (Eichhorn 2004). The need of a well-formulated risk management strategy and procedure has increased in financial institutions in recent years, as the world has

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been hit by financial crises. According to Saunders (2006), risk is defined as the uncertainty about the result of actions and occurrences, whether positive opportunity or negative danger. The risk has been evaluated in terms of the possibility of anything happening as well as the consequences if it does. Risk is defined as something that can obstruct or obstruct the fulfillment of specific objectives, but which, if successfully managed, can improve an organization's performance (Afshien 2010). Risk, according to Emmett's (1997) definition, is a real-world state that arises from an unfavorable event. In this context, an undesirable event is defined as a deviation from a desired outcome that is expected and hoped for. Risk management is a set of managerial functions aimed at reducing possible losses and increasing the value of a company.

Risk management has evolved from a simple, insurance-based perspective to a comprehensive, all-risks-considered perspective known as Enterprise Risk Management (Nocco and Stultz, 2006). Due to unanticipated waves in the financial market and a credit crunch experience in the financial industry in market-based countries where capital markets are dominated by economic activity, banks have experienced a significant shock in their capital and liquidity status (Kargi, 2011). Treasury duties, according to experience, play a vital role in an organization's operations. Despite this, due to its nature and intricacy, it is sometimes an area that receives insufficient attention. It is against this background that this study is conceived to examine the banker's perception of the relationship between treasury risk management and financial performance in Nigeria. Postulating the operational proxy of treasury risk management as operational and credit risk management and the measures of financial performance as return on

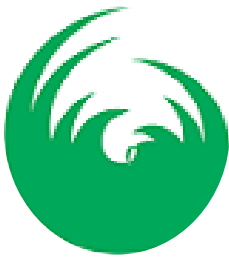
assets and earnings per share gave rise to the following research hypothesis:

Ho₁ There is no significant relationship between operational risk management and return on asset in deposit money banks in Nigeria.

Ho₂ There is no significant relationship between operational risk management and earnings per share in deposit money banks in Nigeria.

Ho₃ There is no significant relationship between credit risk management and return on asset in deposit money banks in Nigeria.

Ho₄ There is no significant relationship between credit risk management and earnings per share in deposit money banks in Nigeria.



Operational Framework

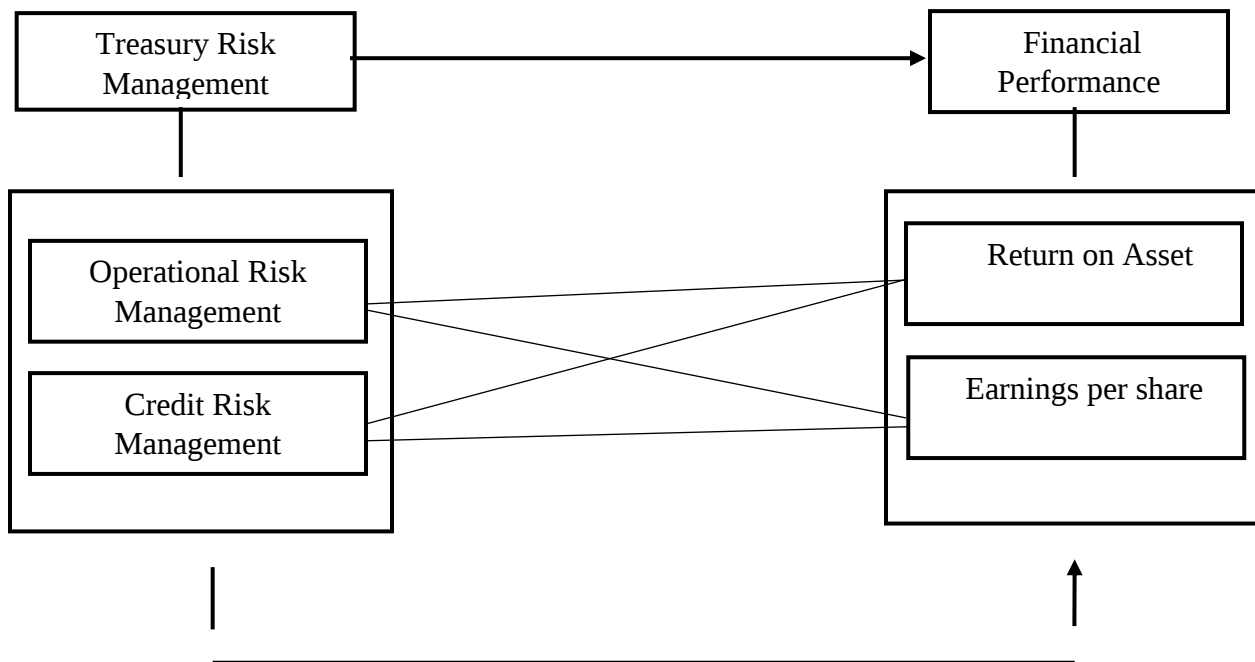


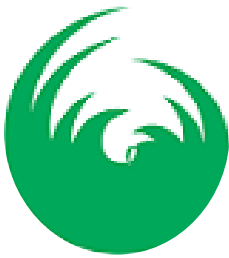
Figure 1.1: Conceptual framework of the banker's perception of the relationship between treasury risk management and financial performance.

Theoretical Foundation

This study considers financial economic theory to underpin the objective of the study. It assumes both knowledge and acceptance of the theory that this study depend upon.

Financial Economic Theory

This theory states that corporate risk management is appropriate to raise firm value in the presence of capital market flaws such as bankruptcy costs, a convex tax schedule, or investment issues. Risk management, according to Carter, Rogers, and Simkins (2006), can boost shareholder value by aligning finance and investment policies. By lowering the volatility of business value, credible risk management can reduce underinvestment costs. Because the underinvestment problem, which includes financial risk management, is more likely to be severe for firms with significant growth and investment opportunities, various indicators of



financial performance, such as the market-to-book ratio, research and development to sales ratio, capital expenditure to sales, and net assets from acquisitions to sales, are used to test the underinvestment hypothesis..

Conceptual Review

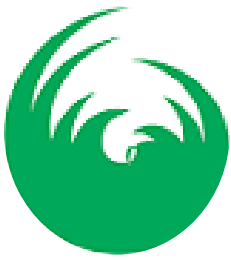
Treasury Risk Management

Treasury risk is defined as the risk associated with an organization's holdings, ranging from money market instruments to stocks trading (Van Greuning, & Brajovic-Bratanovic, 2007). (2009). When it comes to financial arbitrage, treasury risks can result in profit if the arbitrage is successful, but they can also result in a loss if the arbitrage is erroneous. Risk management should be focused at benefiting the organization at all levels where it contributes value; otherwise, it is not maximizing its worth. Risk management has evolved from a simple, insurance-based perspective to a comprehensive, all-risks-considered perspective known as Enterprise Risk Management (Once & Stultz, 2006). Due to unanticipated waves in the financial market and a credit crunch experience in the financial industry in market-based countries where capital markets are dominated by economic activity, banks have experienced a significant shock in their capital and liquidity status (Kargi, 2011). Treasury duties, according to experience, play a vital role in an organization's operations. Despite this, due to its nature and intricacy, it is sometimes an area that receives insufficient attention. According to Bessis and O'Kelly (2015), policies meant to achieve a major risk include transferring the risk on to another party, avoiding the risk, decreasing the risk's negative impacts, and absorbing some or all of the risk's repercussions. Financial risks are a big aspect of every financial business, big or small, public or private (Bessis, & O'Kelly, 2015).

Operational Risk

The risk of losses coming from insufficient or failing internal controls, people, and systems, including IT systems, as well as the risks associated with outsourcing company activities, are referred to as operational and outsourcing risks. Risks associated with record keeping (such as inaccuracies in investment holdings, benefits not paid, or late payments, for example) would be considered as well. IT risk, which is a subset of operational risk, is the risk posed by insufficient information technology and processing in terms of manageability, exclusivity, integrity, infrastructure, controllability, and consistency. Chapelle, Crama, Hübner, and Peters (2004) used a measure of RAROC adapted to operational risk to quantify the effects of operational risk management initiatives on bank profitability. The findings indicated that active management strategies can result in significant cost reductions, albeit the projected benefit of reducing the quantity, frequency, or severity of operational losses is highly dependent on the calibration of the aggregate loss distributions. Jobst (2007) wrote a working paper titled 'Operational Risk—The Sting is still in the Tail but the Poison Depends on the Dose'. In accordance with the regulatory capital rules for operational risk in the New Basel Capital Accord ("Basel II"), this research studied generalized parametric measurement methods of aggregate operational risk. The risk of loss due from insufficient or failed internal procedures and information systems, human malfeasance, or unplanned external occurrences is frequently referred to as operational risk.

Based on Jobst's (2007) analysis, an integrated assessment of the quantification of operational risk exposure and the compatibility of current capital laws on operational risk was conducted. Jobst (2007), on the other hand, differed from this study in that it focused solely on



operational risk rather than treasury risk management. Bostander (2007) investigated operational risk occurrences in banks and internal loss data collection processes. This research project has two main goals. The initial goal was to figure out where the most severe operational risk losses are most likely to occur in South African banks (based on the Basel II seven loss event types and eight business lines). Single operational risk occurrences with potentially substantial monetary values were used to determine severity. The likelihood of single operational risk occurrences occurring was also evaluated.

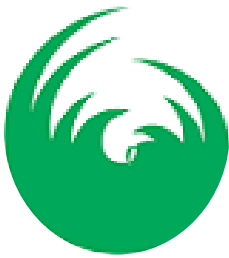
Hansen (2009) investigated how Danish medium-sized non-financial, non-listed enterprises that engage in overseas activities handle their strategic foreign exchange risk. The study found that in the control of operating exposure, there is interaction between financial and operational hedges, and that operational and financial methods are perceived as complementary. The size of the organization played a role in explaining the significance and use of financial hedging strategies. The study varies from the present one in that it did not look at other financial risks than foreign exchange risk, which is a component of market risk.

Credit Risk Management

Dam (2010) looked into the credit risk management framework and the efficacy of credit risk management techniques at the bank and transaction office levels. Both qualitative and quantitative research methodologies were used in this study. Dam (2010) stated that the bank attempted to implement a credit risk management structure that was close to industry standards, with various public documents guiding day-to-day credit activity. The study has a research gap because it didn't

look into the impact of treasury risk management on commercial bank financial performance. Kithinji (2010) used the non-performing loan portfolio (the independent variable) as a measure of the success of credit management methods in a study on credit risk management and profitability of commercial banks in Kenya. The quantity of credit as measured by loans and advances, normalized by total assets, was the intervening variable. The profitability, as assessed by the return on total assets, was the dependent variable. The author came to the conclusion that there was no link between credit risk management (nonperforming loan portfolio), credit amount, and profitability. The study by Kithinji (2010) differs from this one in that it focuses solely on credit risk, ignoring the importance of other treasury risks like as operational risk.

A study undertaken by Kombo, Wesonga, Murumba, and Makworo (2011) looked at the impact of risk management measures on the financial sustainability of microfinance institutions in Kisii Municipality, Kenya. The study was conducted using a survey design. Only MFIs in Kisii Municipality were studied, and they were chosen using selective sampling. Data was analyzed using descriptive statistics like percentages. The most favoured sources of funding for the studied MFIs are donor funding, revolving funds, and government subsidies, according to the data. The most common risks are strategic risk, credit risk, and liquidity risk, whereas reputation and subsidy dependence are uncommon. Kamau (2010) did research on the use of risk management by Kenyan commercial banks. The goal of this study was to identify the risks that commercial banks face and the risk management strategies that they use to mitigate those risks.



A study undertaken by Kombo, Wesonga, Murumba, and Makworo (2011) looked at the impact of risk management measures on the financial sustainability of microfinance institutions in Kisii Municipality, Kenya. The study was conducted using a survey design. Only MFIs in Kisii Municipality were studied, and they were chosen using selective sampling. Data was analyzed using descriptive statistics like percentages. The most favoured sources of funding for the studied MFIs are donor funding, revolving funds, and government subsidies, according to the data. The most common risks are strategic risk, credit risk, and liquidity risk, whereas reputation and subsidy dependence are uncommon. Kamau (2010) did research on the use of risk management by Kenyan commercial banks. The goal of this study was to identify the risks that commercial banks face and the risk management strategies that they use to mitigate those risks.

Financial Performance

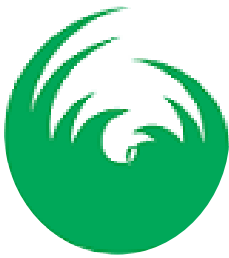
The act of conducting financial activity is referred to as financial performance. Financial performance, in a broader sense, refers to the degree to which financial goals are being met or have been met. It is the process of calculating the monetary results of a financial institution's policies and operations. It is used to assess a bank's overall financial health over time and may also be used to compare similar enterprises within the same industry or to aggregate industries or sectors. Traditional accounting Key Performance Indicators such as Return on Assets, Operating Profit Margin, Earnings Before Interest and Tax, Economic Value Added, or Sales Growth are frequently used to assess financial performance (Ittner & Larcker, (1997); Fraquelli & Vannoni, (2000); Crabtree & DeBusk, (2000)). (2008). Because every profit-oriented firm publishes these numbers for yearly financial

reporting, these measurements have the advantage of being widely available (Chenhall & Langfield-Smith, 2007). However, accounting system choices and statement of financial position manipulations result in results that allow only limited comparison of a company's financial strength. When comparing or benchmarking ratios against another reference, such as an industry standard or "best in class" within the industry, they are most effective. This form of comparison aids in the establishment of financial objectives and the identification of problem areas. Changes in financial balances can also be easily identified using vertical and horizontal analysis.

Return on Assets

Return on assets (ROA) is a metric that assesses how well a bank utilises its assets to create operating profits. The overall return to all capital suppliers is likewise measured by ROA (debt and equity). A financial institution's ROE and ROA would be the same if it had no debt. A high return-on-assets ratio, in general, indicates that a bank's assets are productive and well-managed. This does not always apply to banks in capital-intensive businesses, as they tend to have greater fixed-asset levels, which can result in lower ROAs. Similarly, certain banks may have "understated" asset levels, such as those with high intangible asset levels. Intangible assets, including as trademarks, brand names, and patents, are non-monetary assets that cannot be seen, touched, or physically quantified.

Return on Assets (ROA) is a metric introduced by Prastowo (2002) to assess a company's ability to generate profits by utilizing its assets. This percentage can indicate whether or not a neighbor is doing a good job of expense control or property management. The term "return on



assets" (ROA) is frequently used to describe the rate of return on total assets after interest and taxes (Brigham, 2001). Investors prefer a company with a high Return on Assets (ROA), as organizations with a high Return on Assets (ROA) are more likely to produce high levels of corporate profits than companies with a low Return on Assets (ROA) (Ang, 2001). The return on assets (ROA) is a financial measurement that determines how well assets have been utilized to generate profits. Because of the higher rate of return on investment, a higher Return on Assets (ROA) indicates that a company's performance is better (Riyanto, 2001). In the specialized literature, the importance of return on assets as a measure of company success is acknowledged. "Return on Assets (ROA) is the general purpose financial ratio used to quantify the link between profit earned and the investment in assets necessary to earn that profit (David, (2012).

Earnings per Share

Earnings per Share (EPS) is a percentage of a company's earnings that is given to each shareholder's share of the stock. It's also known as the market prospect ratio, which is used to calculate net income per share of outstanding stock and shows how lucrative a firm has grown, particularly from the perspective of its shareholders. It is used as a key variable to determine the price of a stock, which is then used to generate the price-to-earnings valuation ratio. For investors and traders, earnings per share (EPS) is a crucial financial metric. Even today, EPS is usually regarded as the most popular and commonly utilized financial performance metric (Wet, 2013).

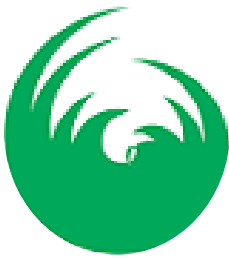
Graham, Harvey, and Rajgopal (2004) conducted a poll of 400 financial executives in the United States and found that earnings were by far the most important success

metric they reported to outsiders. EPS also serves as the foundation for strategic decisions including as share valuations, management performance incentive plans, and merger and acquisition negotiations (Wet, 2013).

Earnings per share is easy to compute and understand, and when there is positive EPS growth, management is rewarded. It's no surprise that managers care about EPS because their salary is tied to the company's EPS success (Wet, 2013). The P/E ratio, which utilizes EPS as the denominator, is a valuation multiple that most investors are familiar with. Authors like Chen, Jorgensen, and Yoo (2004), Ohlson and Juettner-Nauroth (2005), and Taboga (2011) all agree that EPS and EPS growth are still relevant in today's share valuation technique. The fixation with EPS, according to Adkins, Matchett, and Toy (2010), stems from the fact that EPS concisely summarizes the earnings made for shareholders, and the shareholder's perspective appeals to both investors and management.

Empirical Review

Njeri (2010) conducted a survey on strategic risk management practices by large commercial banks in Kenya. The research was a census survey on 13 large commercial banks in Kenya. The objectives of the study were to determine the strategic risk management practices adopted by large commercial banks and the challenges faced by these banks in their strategic risk management practices. The study found out that banks have adopted strategic risk management practices and though there was a slight variance in approach between the banks, the most commonly adopted practice centered on strategic risk assessment, evaluation, monitoring, and control and reporting. This study differs from the current study because the present study is on the banker's perception of



the relationship between treasury risk management and financial performance.

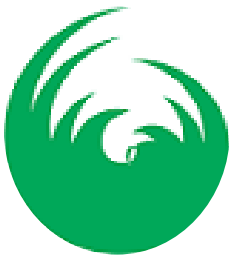
Kargi (2011) conducted a study on credit risk and the performance of Nigerian banks. Kargi used non-performing loan portfolios and these significantly contributed to financial distress in the banking sector. Financial ratios as measures of bank performance and credit risk were the data collected from secondary sources mainly the annual reports and accounts of sampled banks from 2004 -2008. The author concluded that credit risk management has a significant impact on the profitability of Nigeria banks. The study differs from this study since this study recognizes the role of other financial risk such as operational risk management and return on asset and earnings per share as measures of financial performance.

Ahmed, Akhtar & Usman (2011), also conducted a study on risk management practices and Islamic Banks. The authors' aim was to determine the firm's level factors which have significantly influenced the risk management practices of Islamic banks in Pakistan. The study concluded that size of Islamic banks have a positive and statistically significant relationship with financial risks (credit and liquidity risk), whereas its relation with operational risk is found to be negative and insignificant. The asset management establishes a positive and significant relationship with liquidity and operational risk. The debt equity ratio and non-performing loans (NPLs) ratio have a negative and significant relationship with liquidity and operational risk. In addition, capital adequacy has negative and significant relationship with credit and operational risk, whereas it is found to be positive with liquidity risk. The study differs from this study since this study focuses on all the deposit money banks and not Islamic banks.

Ojiako (2012) conducted a study that examined thematic elements in strategic business risk. The author sought to put forward propositions on how firms may best conceive business risks in an environment characterized by constant change and uncertainty. The paper brought out a propositional foundation for the empirical development of an appropriate framework for strategic risk management. The major contribution of the study was that it focused readers on not only strategic risk and competition, but on how lessons can be drawn from the military's experience of dealing with irregular forms of competition (Aumann and Dreze, 2004). However, the study differs from this study as it did not address the banker's perception of the relationship between treasury risk management and financial performance.

Siba (2012) carried out a study on the relationship between financial risk management practices and financial performance of commercial banks in Kenya. The study involved the 40 commercial banks in Kenya. The study employed questionnaire method for primary data collection, whereas secondary data was obtained from CBK annual supervision reports. The conclusion was that banks had highly effective risk management practices and there was a strong relationship between the bank's performance and the efficiency of the banks risk management practices. The study differs from the current study in that the current study seeks to focus on the relationship between treasury risk management which include operational and credit risk management as opposed to focusing on the risk management practices of identifying, managing and controlling the financial risks.

Mwangi (2012) studied the effect of risk management practices on the financial performance of commercial banks in Kenya. The objectives of this study were to



analyze the risk management practices undertaken by Commercial Banks in Kenya and to determine and assess the effect of these risk management practices on their financial performance. Secondary data was also obtained on the financial performance of the banks from the annual reports and audited financial statements. From the research conducted it is evident that risk management and the related practices are considered significantly important to the operations and financial performance of these commercial banking institutions. The study also found that some risk management practices do have significant effect on financial performance more than others i.e. the existence of a risk management policy and the integration of risk management in setting of organizational objectives were considered to be the key risk management practices that had a direct effect on financial performance. This study differs from the current study in that it was conducted in Kenya while current study is in Nigeria.

Materials and Methods

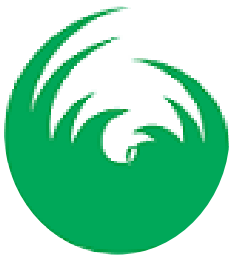
This study investigates the banker's perception of the relationship between treasury risk management and financial performance in Nigeria. The research design

Results and Findings

Table 1: Analysis of the Response of the Sample Respondents

Numbers	Questionnaire	Percentage (%)
No. Sent out	150	100%
No. Returned	120	80%
No. Not Returned	30	20%

Table 1 shows the distribution and collection of questionnaire sent to the respondents. It was shown that 150 copies of questionnaires were distributed to the respondents representing 100%. 120 copies of questionnaires representing 80%



were correctly filled and successfully collected from the respondents; however 30 copies of questionnaires representing 20% could not be collected. Consequently, the researcher used the 120 copies correctly filled questionnaires to represent 100% as a basis for the analysis.

Table 2: Reliability Coefficient Table showing the Cronbach Alpha of all Variables of the Study

Variable	Cronbach's Alpha
Operational Risk Management	0.748
Credit Risk Management	0.958
Return on Asset	0.809
Earnings per Share	0.887

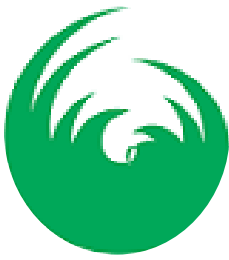
Table 2 shows the Cronbach alpha of all the variables of the study. It was shown that: operational risk management had the Cronbach alpha value of 0.748; credit risk management had Cronbach alpha value of 0.958; return on asset had Cronbach alpha value of 0.809; while earnings per share had Cronbach alpha value of 0.887. All the variables of the study had Cronbach alpha value ≥ 0.7 , the required Cronbach alpha value for the study.

Accordingly the researcher concludes that all items of the variables of the study were reliable, hence if the same set of items of the variables are re-administered to respondents the same result will be obtained.

The range/levels of association as well as analytical extent and direction of relationship are presented in Tables 3, 4, 5, 6 and 7.

Table 3: Relationship/ Descriptive Levels of Relationship

Range of r values	Descriptive Level of r
$\pm 0.80 - 1.00$	Very strong
$\pm 0.60 - 0.79$	Strong
$\pm 0.40 - 0.59$	Moderate
$\pm 0.20 - 0.39$	Weak
$\pm 0.00 - 0.19$	Very weak



Test of Hypotheses

Ho₁ There is no significant relationship between operational risk management and return on asset in deposit money banks in Nigeria.

Table 4: Correlation Analysis on the Extent and Direction of the Relationship between Operational Risk Management and Return on Asset

		Operational Risk Management	Return on Asset
Operational Risk Management	Pearson Correlation	1	.626**
	Sig. (2-tailed)		.000
	N	120	120
Return on Asset	Pearson Correlation	.626**	1
	Sig. (2-tailed)	.000	
	N	120	120

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

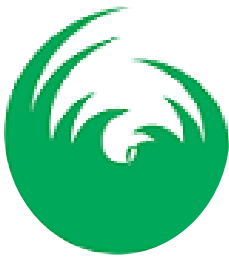
Table 4 shows the correlation analysis on the extent and direction on the relationship between operational risk and return on asset. The table showed a correlation coefficient of $r = 0.626^{**}$ with a correspondent significant/probability value of 0.000, from the classification of r value in table 3, the value is strong. Also the correlation coefficient is positive which indicate that an increase in return on asset is associated with an

increase in operational risk management. Thus the analysis from table 4 shows that there is a strong significant relationship between operational risk management and return on asset.

Ho₂ There is no significant relationship between operational risk management and earnings per share in deposit money banks in Nigeria.

Table 5: Correlation Analysis on the Extent and Direction of the Relationship between Operational Risk Management and Earnings per Share

Correlations



		Operational Risk Management	Earnings per Share
Operational Risk Management	Pearson Correlation	1	.727**
	Sig. (2-tailed)		.000
	N	120	120
Earnings per Share	Pearson Correlation	.727**	1
	Sig. (2-tailed)	.000	
	N	120	120

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

Table 5 shows the correlation analysis on the extent and direction of the relationship between operational risk management and earnings per share. The table showed a correlation coefficient of $r = 0.727^{**}$ with a correspondent significant/probability value of 0.000, from the classification of r value in table 3, the value is strong. Also the correlation coefficient is positive which indicate that an increase in earnings per share is associated with an increase in operational risk management. Thus the analysis from table 5 shows that there is a strong significant relationship between operational risk management and earnings per share.

H₀₃ There is no significant relationship between credit risk management and return on asset in deposit money banks in Nigeria.



Table 6: Correlation Analysis on the Extent and Direction of the Relationship between Credit Risk Management and Return on Asset

Correlations

		Credit Management	Risk Return on Asset
Credit Risk Management	Pearson Correlation	1	.724**
	Sig. (2-tailed)		.000
	N	120	120
Return on Asset	Pearson Correlation	.724**	1
	Sig. (2-tailed)	.000	
	N	120	120

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

Table 6 shows the correlation analysis on the extent and direction of the relationship between credit risk management and return on asset. The table showed a correlation coefficient of $r = 0.724^{**}$ with a correspondent significant/probability value of 0.000, from the classification of r value in table 3, the value is strong. Also the correlation coefficient is positive which indicate that an increase in return on asset is associated with an

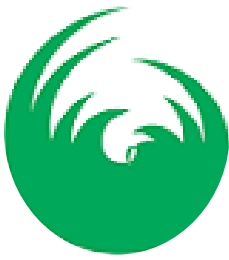
increase in credit risk management. Thus the analysis from table 6 shows that there is a strong significant relationship between credit risk management and return on asset.

Ho₄ There is no significant relationship between credit risk management and earnings per share in deposit money banks in Nigeria.

Table 7: Correlation Analysis on the Extent and Direction of the Relationship between Credit Risk Management and Earnings per share

Correlations

		Credit Management	Risk Earnings per Share
Credit Risk Management	Pearson Correlation	1	.740**



	Sig. (2-tailed)		.000
	N	120	120
Earnings per Share	Pearson Correlation	.740**	1
	Sig. (2-tailed)	.000	
	N	120	80

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

Table 7 shows the correlation analysis on the extent and direction of the relationship between credit risk management and earnings per Share. The table showed a correlation coefficient of $r = 0.740^{**}$ with a correspondent significant/probability value of 0.000, from the classification of r value in table 3, the value is strong. Also the correlation coefficient is positive which indicate that an increase in earnings per Share is associated with an increase in credit risk management. Thus the analysis from table 7 shows that there is a strong significant relationship between credit risk management and earnings per Share.

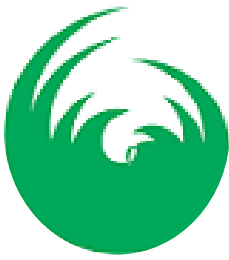
Discussion of Findings

The test of hypotheses was done using primary and secondary data obtained from both the respondents and the annual reports and accounts of the sampled deposit money banks. The extent and direction of the relationship between the predictor variables (operational risk management, credit risk management) and the measures of financial performance (return on asset, earnings per Share) were determined. Thus it is imperative to discuss the findings and relate them to the literature reviewed as follows.

On the test of hypotheses one (H_{01}), it was found that there is a significant positive relationship between

operational risk management and return on asset. The analysis in table 4 showed the correlation coefficient of $r = 0.626^{**}$ significant at $pv = 0.000 < 0.05$. Hence, the conclusions that there is a significant relationship between operational risk management and return on asset. The implication of this finding is that an increase in return on asset is associated with an increase in operational risk management. This finding is in line with the study of Chapelle, Crama, Hübner and Peters (2004) estimated the effects of operational risk management actions on bank profitability, through a measure of RAROC adapted to operational risk. The results suggest that substantial savings can be achieved through active management techniques, although the estimated effect of a reduction of the number, frequency or severity of operational losses crucially depends on the calibration of the aggregate loss distributions.

Test on the second hypothesis (H_{02}) show that there is a significant positive relationship between operational risk management and earnings per share. The analysis in table 5 showed the correlation coefficient of $r = 0.727^{**}$ significant at $pv = 0.000 < 0.05$. Hence the conclusions that there is a significant relationship between operational risk management and earnings per share. The finding implies that an improvement in earnings per share is associated with an increase in operational risk



management. This result is in agreement with the findings of Mwangi (2012) who studied the effect of risk management practices on the financial performance of commercial banks in Kenya. The study also found that some risk management practices do have significant effect on financial performance more than others i.e. the existence of a risk management policy and the integration of risk management in setting of organizational objectives were considered to be the key risk management practices that had a direct effect on financial performance.

Test on the third hypothesis (H_{03}), show that there is a significant positive relationship between credit risk management and return on asset. The analysis in table 6 showed the correlation coefficient of $r = 0.724^{**}$ significant at $pv = 0.000 < 0.05$. Therefore, the conclusions that there is a significant relationship between credit risk management and return on asset. This finding implies that an improvement in return on asset is associated with an increase in credit risk management. This finding is in line with the study of Siba (2012) who carried out a study on the relationship between financial risk management practices and financial performance of commercial banks in Kenya. The study concludes that banks had highly effective risk management practices and there was a strong relationship between the bank's performance and the efficiency of the banks risk management practices.

Test on the fourth hypothesis (H_{04}) show that there is a significant positive relationship between credit risk management and earnings per Share. The analysis in table 7 showed the correlation coefficient of $r = 0.740^{**}$ significant at $pv = 0.000 < 0.05$. Hence, the conclusion that there is a significant relationship between credits risk management and earnings per share. The implication of the findings is that an increase in earnings per share is

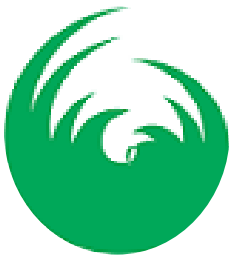
associated with increase in credit risk management. The finding is in line with the study of Kamau (2010) who conducted a study on the adoption of risk management by commercial banks in Kenya. This study sought to identify the risks encountered by commercial banks and the risk management practices adopted by commercial banks to militate against these risks. The study found that progress has been made in risk management by commercial banks in Kenya as revealed by the study as most of the banks have risk management structures in place.

Conclusion and Recommendations

The study empirically examined the banker's perception of the relationship between treasury risk management and financial performance in Nigeria using cross – sectional data of 150 employees drawn from fifteen (15) deposit money banks quoted in Nigerian Stock Exchange (NSE) as at 31st December, 2019. The dependent variable was measured by return on assets and earnings per share, while the independent variable was proxied by operational and credit risk management. The study was anchored on financial economic theory to underpin the objective of the study. It assumes both knowledge and acceptance of the theory that this study depend upon. Four hypotheses were postulated in this study. Based on the test of the hypotheses, the following conclusions are drawn:

That there is a significant relationship between treasury risk management and financial performance in deposit money bank in Nigeria. In the light of the above, the study makes the following recommendations:

- i. There is need to have operational risk management strategies in place to ameliorate fraud and other financial irregularities. This will



have a positive impact on the financial performance of the banks.

- ii. Adequate internal control system should be put in place to mitigate against operational risk.
- iii. The deposit money banks should enforce proper credit risk management policy to a greater extent as it improves the financial performance of the banks.
- iv. The banks should put credit appraisal checks in place to avoid booking loans that will be classified as nonperforming.

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