International Journal of Economics and Development Policy (IJEDP)
Vol. 6 No. 2, December, 2023
Print - ISSN: 2651-5644
Online - ISSN: 2651-5644

Impact of Credit Risk Management on Financial Performance of Deposit Money Banks in Nigeria: A Conceptual Review

[1] Usman, A. S. & [2]Aliyu, A.

[1] Department of Business Administration, Gombe State University, Gombe - Nigeria
[2] Commercial Banking Unit, Kano Region, First Bank Plc, Kano – Nigeria

Corresponding Author's; E – mail: aaliyu382@gmail.com

Abstract

Credit risk management in Deposit Money Banks has turn out to be more central not only because of the financial predicament that the entire banking industry is facing currently, but also an essential concept which determines Deposit Money Banks' survival, growth and financial performance. The objective of this study is to conceptually assess the impact of credit risk management on the financial performance of Deposit Money Banks in Nigeria. The methodology of this work is qualitative, and hence, over 35 journals and publications were reviewed. Return on Equity (ROE) and Return on Asset (ROA) were used as the performance indicators while Loans-to-Deposit Ratio (LDR), *Non-Performing Loans (NPL) and Capital Adequacy Ratio (CAR) as credit risk management indicators. The findings revealed that credit risk management has a significant impact on financial performance of Deposit Money Banks' in Nigeria. It is therefore suggested that to enhance financial performance and minimize the risk of non-performing loans in the future, banks must watch very carefully the loans' performance and analyze thoroughly the clients' credit history and ability to pay back their debts prior to any approval of loan applications. Furthermore, banks should continuously improve their assets utilization, liquidity, and techniques of managing operating costs, improve the impact of capital adequacy, and the use of deposits for lending activities from a weak positive impact to a significant positive impact on their profitability. The researchers recommend that future studies on credit risk management influence on banks' financial performance should consider more independent variables and longer periods of study such as twenty or thirty years to have more accuracy and generalized results.*

Keywords: Credit risk management, Profitability, Non-performing loan, Capital adequacy ratio
JEL Classification : C21, G28, C52, G2

Contribution to/Originality Knowledge
This outcome, therefore, leads to a research question of how risk management practices have impacted on Deposit Money Banks in Nigeria and therefore created a necessity to investigate the Nigerian case using current market conditions given that the country is just recovering from the impact of Covid 19 pandemic which affected all sectors in the country and sharp rise in dollar rate which could affect the payment credit facilities by borrowers.

1.0 Introduction

Financial performance of Deposit Money Banks (DMBs) globally is the centred around the pillars of every nation's economic and financial system; hence, the stability and underlying economic performance of Deposit Money Banks (DMBs) is vital and paramount to the economic development of a nation. The stakeholders in the banking industry ranging from depositors, shareholders, investors and the policy makers have high agitation on the financial performance of the commercial banks because of the existing risks of not getting adequate returns on the investment. The lengthy history of corporate failure linked to poor banks financial performance and reporting failure are very worrisome as the cumulative impact of these high-profile cases had led to steady bank losses in investments, credibility and confidence of stakeholders in the ability of banks handling of depositor's funds and the inherent banks credit risks (Mehmood, Hunjra & Chani, 2019).

However, the paper will focus on credit risk as one of the most important types of risk faced by banks. In addition, this type of risk is one that lenders face because of the weak ability of borrowers to pay back their loans, which puts the money of savers at risk. This exposes banks to significant losses that may lead to financial distress that negatively affects the economic growth and development. This type of risk cannot be avoided by banks as it is linked to their core activity, which is credit, so banks are constantly trying hard to reduce these risks by developing credit policies that will raise the quality of loans and reduce the volume of non-performing loans, as the higher the credit risk at banks, the greater the probability of financial crises and vice versa. Therefore, banks always seek to reduce these risks by ensuring that borrowers have guarantees and assets that exceed the value of their loans in proportions determined by the bank based on many factors, including the instructions of central banks.

Furthermore, Gaturo (2018) added that the bank's ability to manage credit risk is of importance for the bank business performance, continuity and survival since the banks' major source of income is the interest margin gained from lending activities. Sound management of credit activities in banks and the ability to deal with the risks of these activities significantly affects the profitability and overall performance of these banks (Athanasoglou *et al.*, 2008). Accurate measurement of the size and ability to deal with credit risk reduces the marginal cost of debt and capital and thus reduces the cost of money owed by banks (Basel, 1999). As a result of dependent economy, Nigerian financial system has since its inception witnessed significant challenges both domestically and internationally. In addition to economic challenges, the political issue and heightened security risk increased the crystallization of political risks which caused negative fallout in business environment. Recently, there is shortfall of income from export of crude oil as well as foreign exchange reserve, given rise to increase in inflation as well as currency pressure (Kanu & Nwali, 2019). Financial Performance is a measure of the results of a firm's policies and operations in monetary terms. These results are shown in the firm's return on investment, return on assets, shareholder value, accounting profitability and its components. It is the subjective measure of how efficient a firm can use assets from its primary mode of business and generate revenues and create value for its shareholders. Performance of a firm is affected by multiple factors. The internal factors that might affect the performance of a company are corporate governance practices of the company, ownership structure, and risk management of the firm, capital structure of the firm and firms characteristic and policies (Gaturo, 2018).

Financial risk is integral in any business enterprise, and good risk management is an essential aspect of running a successful business (Maverick, 2021). Credit risk management has been an essential part of the loan process in banking. According to Choudhary (2021), credit risk is in fact regarded as the most important mediating role of Deposit Money Banks‟ (DMBs). Credit risk is an endogenic determinant of bank performance, therefore, risk management toward credit affects the profitability of banks. Through effective credit risk management, banks not only support the sustainability and profitability of their operations but also contribute to economic stability and efficient allocation of capital within the economy (Ramazan & Gulden, 2019). Credit risk is the most important risk faced by the financial institutions, particularly by banks. It is defined as the probability that borrowers will fail in fulfilling their obligations on the due date (on the terms and conditions agreed in the loan agreement). It is compulsory by law for all the banks to maintain loan loss reserves to protect from such losses (Shahid Gul & Naheed, 2019). Risk management is to maximize performing asset and minimize nonperforming asset as well ensuring the optimal point of loan and advance and their efficient management (Verdiyani, 2019).

Due to ineffective risk management practices and non-compliance to the rules, the financial performance of banks is adversely affected. However, to improve the financial performance, the Pakistani banking sector has introduced modern ways (internet banking) to run their financial activities, which has great exposure to default credit risk and risk of losing customers (Gaturo, 2018, Ongore & Kusa, 2013). Due to a lack of financial risk management formalization and a lack of utilization of financial risk management tools, responsibility for the financial resources is still lacking. Abubakar *et al* (2016) opined that efficient credit risk management in banks is germane not only because of the consistent financial distress and crises, but also a major factor which determines banks' survival, growth and profitability. However, credit extension which is at the core of banking operation is possibly the most significant of all risks in terms of quantum of potential losses. For most banks, loans are the largest source of credit risk. Hence, the focus of banks' risk management is mainly on credit risk.

Credit risk cannot be avoided by banks as it is linked to their core activity, which is credit, so banks are constantly trying hard to reduce these risks by developing credit policies that will raise the quality of loans and reduce the volume of non-performing loans, as the higher the credit risk at banks, the greater the probability of financial crises and vice versa. Therefore, banks always seek to reduce these risks by ensuring that borrowers have guarantees and assets that exceed the value of their loans in proportions determined by the bank based on many factors, including the instructions of central banks. Furthermore, the bank's ability to manage credit risk is of important for the bank business performance, continuity, and survival since the banks' major source of income is the interest margin gained from lending activities (Salem & Omar, 2021). Efficient and effective risk management is ideal for the survival of banks as it enables them to allocate resources to risk units considering a trade-off between risk and return on investments (Ogbol & Okallo, 2013). Credit risk management is a strategy that banks worldwide have resorted to in protecting bank balance sheets and depositors' savings. Relaxed regulatory measures typically result in what is perceived as institutional governance failure or, in short, systemic market failure (Jackson & Jabbie, 2019). According to Serwadda (2018), given a couple of risks faced by banks, management of credit risk is always given particular attention since losses incurred on loans directly affect banks profitability. Thus, sound credit risk management policies maximize banks' performance by handling credit risk exposure within the acceptable standards. Banks usually monitor closely and conduct rigorous credit analysis of counterparties and different products.

This study is motivated by the recent classification and licensing of Deposit Money Banks (DMBs) in Nigeria into international, national and regional banks. The classification was based on meeting specified minimum capital limit set by the Central Bank of Nigeria (CBN). In spite of this classification and the minimum capital requirements, banks still develop symptoms of distress, the most recent one was at Skye Bank plc (licensed as international bank). This development at Skye Bank caused the CBN to replace the management team of the bank in July 2016 after the management team failed to reduce their insider credits to a minimum acceptable limit of 10 percent as directed by the CBN, within the deadlines of first, December 31, 2015 and finally June 30, 2016. The development at Skye Bank brings to the fore the fact that irrespective of how much a bank has as her capital base, credit risk can reduce their value to zero if not well managed. The performance of a bank can be measured in various ways using different parameters. In this study the researchers chose returns on assets, net interest margin and equity as measures of bank performance. This is to afford him the opportunity to assess whether selected variables of credit risk affect return on assets and return on equity similarly or differently. The driving force for this study is the fact that financial intermediation which is the core function of financial institutions/intermediaries which involves transfer of funds from surplus economic units to deficit economic units, like every other business, is faced with several risks' factors, major among them is credit risk. This is so because credit is the major product of financial intermediation and credit risk is the consequence. Credit risk has a direct effect on the value and performance of the financial intermediaries and can erode the capital base of the banks if not mitigated. Coupled with the current licensing of banks in Nigeria, and the fact that some banks fragrantly violate the prudential guidelines by mismanaging credit such that even the international banks have started losing their licenses, it becomes necessary to reawaken and remind bank management to the fact that lending should be based on need and not with levity, personal interest or political connection/expectation as it was experience with Skye bank plc. Also, that capital is a buffer that can be weakened by bad loans.

The review of past empirical literature indicated a lack of agreement in the findings of most scholars. This lack of consensus points to the existence of a research gap and therefore the need for further research on this subject. The problem of bank failures and its costs, and the lack of consensus in the findings of previous studies are the motivation for this study. It is based on this background that this study conceptually reviewed the impact credit risk management on banks performance in Nigeria by reviewing current literature and assess their effects on performance of Deposit Money Banks (DMBs) in Nigeria by using unique proxies of credit risks management in the field.

2.0 Statement of Problem

The economic development of any nation depends on the existence of well-organized financial system. The is possible because it is the financial system that could provide inputs for the production of goods and provision of service that in turn will affect the standard of living of nations or even continent (Franklin & Elena, 2012). The financial system is a complex system that comprises of financial institutions, financial markets and instruments. Financial institutions are intermediaries that transfer funds from the surplus unit to deficit unit of the economy (Teshome, Debela and Sultan, 2018). Financial institutions have played a very important role in financing an economy and some studies have appreciated the role of commercial Banks in any economy as conduits of financial resources through savings mobilization (Franklin & Elena, 2012). However, most Deposit Money Banks engage in transactions that put banks at the risk of incurring bad debts, which if incurred reduce Loan Performance. The Nigeria banking system still encounters a lot of problem, which has disrupted its operation in the country. It was reported that the non-performing loans of banks in Nigeria raised by 5.3 percent an indication of how borrowers are unable to fulfil their repayment obligation (Selene, 2017).

Credit risk management has been an essential part of the loan process in the banking sector. Deposit Money Banks continue to spend huge resources in credit risk management modeling with the objective of maximizing profits. However, to improve the financial performance, the Nigerian banking sector has introduced modern ways (internet banking) to run their financial activities, which has great exposure to default credit risk and risk of losing customers (Ongore & Kusa, 2013). The CBN introduced the code of corporate governance immediately to instill financial discipline in the system (Umanholen, 2015). Better market, supervision and well-structured regulation that prevent the failure of poorly managed banks from spilling over and leading to failures of healthy banks as a result of banking panics or runs (Kaufman 2003).

However, despite the above measures taken, the Nigerian banks still encounters series of problems leading to the closure of 234 bank branches and 649 Automated Teller Machines (ATM) in 2020 leading to decline in the country's Financial Access Score (FAS) to 4.44 in the year as against 4.78 percent in 2019. The previous studies on the effect of management of credit risk on the financial performance of Deposit Money Banks in Nigeria (Abiola & Olausi,2014), The Effect of Credit Risk on Financial Performance of Deposit Money Banks in Turkey (Poyraz & Ekinci, 2019) and Bhattarai (2019) all centred on similar topic with inconsistent findings on the relationship between credit risk and financial performance of Deposit Money Banks. In another study by Kurui & Kalio (2014) investigated impact of management of credit risk on the loan performance of MFIs. The study established that management of credit risk practices has influence on loan performance of MFIs but the study was on loan performance and not financial performance. Most studies have dealt with management of credit risk measured in terms of non-performing loans (NPLs) and not on management of credit risk practices of the banks. Thus, the question; what are the impacts of credit risk management on performance in financial perspective of Nigerian commercial banks? This study will look at current state based on a different methodology in Nigerian context.

While some studies in the literature showed that credit risk has a positive effect on the financial performance of banks, the majority of the studies concluded that there is a negative relationship between credit risk and financial performance. Another group of studies suggest that other factors apart from credit risk management impacts on bank's performance. Hence, a further study on credit risk management and financial performance of deposit money banks in Nigeria will not only help in the formulation of effective policies to ensure the sustained stability of the country's banking sector but also bridge the gaps in the literature. The problem that led to this conceptual review is poor credit risk management which has been unstable, and this is a virus that has cause a great disturbing effect on the performance of deposit banks in Nigeria. Existing research like Adewunmi (2021), Onyenwe (2019) and Taiwo, Ucheaga and Achugamonu (2017) have all examined the impact the financial performance of commercial banks operating in Nigeria have produced mixed results and in different context. While some concluded that credit risk management has a positive relationship with banks performance, other results appeared to contradict. Also, several other studies have concluded that credit risk management has helped Deposit Money Banks improve on their profitability. The actual relationship between risk management (credit and liquidity) and its impact on Deposit Money Banks performance is yet to be settled and researchers do not necessarily split these risk factors into categories while embarking on finding a solution. This outcome, therefore, leads to a research question of how risk management practices have impacted on Deposit Money Banks in Nigeria and therefore created a necessity to investigate the Nigerian case using current market conditions given that the country is just recovering from the impact of Covid 19 pandemic which affected all sectors in the country and sharp rise in dollar rate which could affect the payment credit facilities by borrowers.

The current study attempts to close the gap and identify the risk factors affecting the financial performance of Deposit Money Banks and the soundness of their financial performance in Nigeria due to the importance of the banking sector and the lack of sufficient research studies to highlight the effect of credit risk management on Deposit Money Banks' financial performance. Therefore, the main objective of this research is to conceptually assess the impact of credit risk management and financial performance of Nigerian Deposit Money Banks in Nigeria.

2.1 Theoretical Review (Anticipated Income Theory)

Anticipated income theory was propounded by Herbert Victor Prochanow in 1944 at the end of World War II as a result of the fact that the compositions of the earnings assets of commercial banks began to change as resources shifted from the government to the private sector. The spectacular rise in the loan demand of the immediate postwar years provided Deposit Money Banks with strong incentives to expand their loan portfolios and hence increase bank earnings. After the postwar, the banks began to make loans that were of longer maturity, covered a much wider variety of borrowers and extended too many more purposes than originally envisaged. As a result, the bank's management acquired more experience in meeting withdrawals and found that through prudent asset management, a mixture of very liquid and not-so-liquid assets could achieve the desired degree of overall liquidity. Thus, the loan portfolios of commercial banks in the post-war years included such items as intermediate and long-term loans to customers, home owners and business firms that would not qualify as liquid assets under the traditional theory of bank liquidity and would qualify only in part, if at all under the theory. However, loans of this type qualify under the anticipated income theory.

2.2 The Credit Risk Theory

Founded by Robert Merton in 1974 this school of thought states that in spite of the fact that individuals have been confronting credit chance as far back as early ages. According to Emekter, Tu, Jirasakuldech and Lu (2015), credit risk has usually not been focused on until late 30 years. The credit risk theory indicates the risk that the lender will be delayed or defaulting on the instalments or interests owed to him or both to the borrower, where the risk is that the lender will be exposed to financial distress after which he cannot return deposits to their owners or meet his other obligation due to the loss of capital and interest and the lender's exposure to significant losses resulting from borrowers not paying their obligation to lenders, which is now called non-performing loans (Dimitrios & Louzis, 2012). Accordingly, lenders would conduct a credit check and request appropriate loan insurance such as mortgage insurance and request enhanced guarantees for mortgages on the borrower's assets such as personal guarantees or guarantees from third parties. Therefore, the level of risk for borrowers directly affects the cost of loans such as interest, fees, etc. This theory is relevant to the research because Deposit Money Banks face credit risk of loan beneficiaries failing to repay the principal and interest as agreed and hereby adopted.

3.0 The Conceptual Review of Literature

3.1 Financial Performance

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Tobash, 2016). The term is also used as a general measure of a firm's overall financial health over a given period. Financial performance measures an organization's ability to manage finances. It is evaluated based on a firm's assets, liabilities, revenue, expenses, equity, and profitability. Financial ratios serve as crucial indicators. It measures firms' financial well-being using data provided in financial statements

a. Credit Risk

Credit risk refers to delinquency and default by borrowers, that is failure to make payment as at when due or make payment by those owing the bank or firm. Credit risk is found in all activities in which success depends on counterparty, issues or borrower performance. Credit risk management arises any time bank funds are extended, committed, invested, or otherwise exposed through actual or implied contractual agreements, whether reflected on or off the balance sheet (Serwadda, (2018). Credit risk management in banks has become more important not only because of the financial crisis that the industry is experiencing currently, but also a crucial concept which determine banks’ survival, growth and profitability. The exposure to credit risk is particularly large for financial institutions such as commercial and merchant banks. When firms borrow money, they are in turn expose to credit risk. However, credit risk arises from nonperformance by a borrower. It may arise from either an inability or unwillingness to perform in the contracted transactions. This can affect the entity holding the loan contract as well as other lenders to the creditors. Consequently, borrowing exposes the firm’s owners to the risk that the firm generally will have to pay more to borrow money because of credit risk (Onyenwe, 2019).

3.2 Risk Management

Risk means the perceived uncertainty connected with some event Musyoka (2017). Bankers maybe most interested in achieving high stock values and high profitability, but none can fail to pay attentions to the risks they are attached to these decisions. Bankers are concerned with many types of risks such as credit risk, liquidity risk, market risk, interest rate risk, earnings risk, foreign exchange risk and solvency risk (Chen, 2012; Kargi, 2011). Kithinji, (2010) assessed the effect of credit risk management on the profitability of commercial banks in Kenya. Data on the amount of credit, level of non-performing loans and profits were collected for the period 2004 to 2008. The findings revealed that the bulk of the profits of commercial banks are not influenced by the amount of credit and non-performing loans, therefore suggesting that other variables other than credit and non-performing loans impact on profits. The study did not examine the casual link between risk management and performance of deposit money bank rather the casual link was established on sectoral level. Also, the Nigeria economy in specific and the world in general were partially explained by Felix and Claudine, (2008), the writers centered their work on impacts causes, natures of risk management. Credit risk management maximizes bank's risk adjusted rate of return by maintaining credit risk exposure within acceptable limits in order to provide framework for understanding the impact of credit risk management on banks‟ profitability (Kargi, 2011).

a. Capital Adequacy Ratio (CAR)

Capital adequacy (CAR) ratio according to Yüksel, Özsarı (2018) is an internal measure of total capital to total assets. This ratio indicates whether the bank needs external sources of financing or not, as the higher the capital adequacy ratio, the lower the need for external financing and therefore the lower external financing costs and lower bankruptcy costs and risks (Staikouras CH & Wood, 2003). Capital adequacy ratio according to the Basel criteria amounts to 8% of risk weighted assets and based on the principle of caution: the banking regulatory and supervision agency (BRSA) imposed an additional 4% requirement. This ratio shows the bank's ability to deal with potential losses and bankruptcy risks, so there is a statistical positive relationship between the capital adequacy ratio and banks' profitability (Athanasoglou *et al.,* 2008).

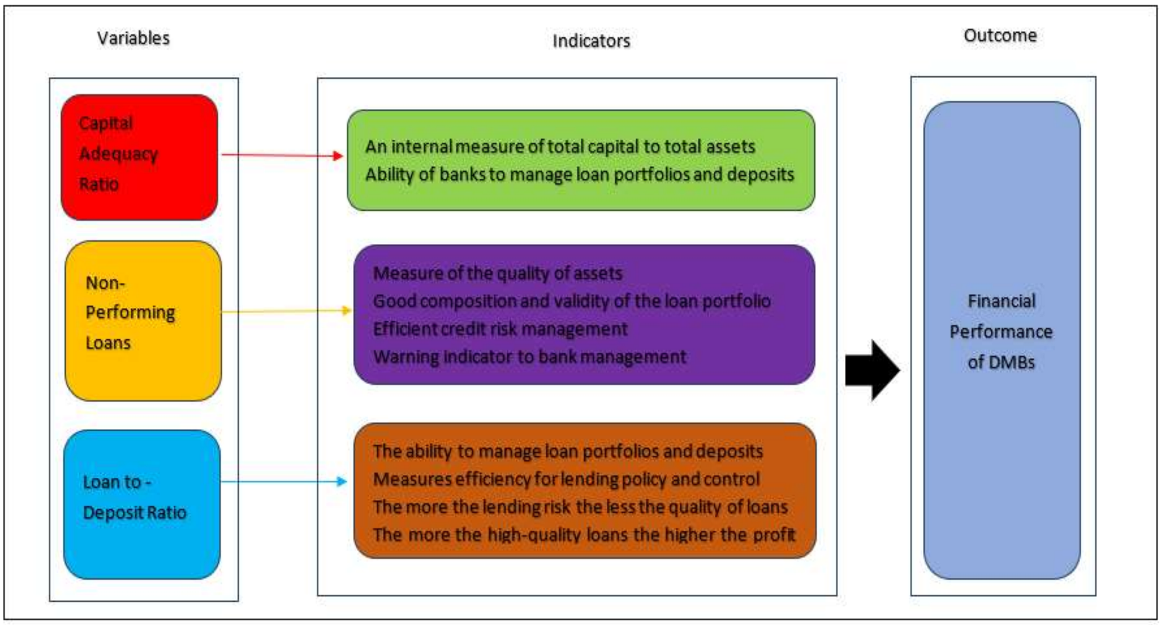

Figure 1: Conceptual framework of Credit Risk Management and Financial Performance

b. Non-Performing Loans Ratio (NPLR)

This ratio is an important measure of the quality of assets and good composition and validity of the loan portfolio, in addition to the efficiency of the bank's credit risk management. However, a high non-performing loans ratio is a warning indicator to bank management and supervisors and indicates that banks have a weak quality of assets and a high risk. Accordingly, the ratio of non-performing loans to total loans negatively affects the bank's efficiency and return on asset (Boahene *et al.*, 2012). Moreover, the non-performing loan is a loan in which the customer's payments are late (Kauko, 2012). In addition, the International Monetary Fund (IMF) defines a loan as a non-performing loan once the borrower has delayed the payment of interest and principal payments for more than 90 days; or "more than 90 days' worth of interest has been refinanced, capitalized, or delayed by agreement; or payments are less than 90 days overdue but are no longer anticipated" (Akomeah *et al*., 2020).

c. Loans-to-Deposit Ratio (LDR)

The loans-to-deposit ratio indicates the ability of banks to manage their loan portfolios and deposits. It is therefore one of the most important measures of credit management efficiency for lending policy and control and the polarization of deposits from institutions and individuals, and it reflects the level of quality of assets. The higher the loan-to-deposit ratio, the more increase in the level of lending risk and thus reduces the quality of loans or in other words increases the rates of non-performing loans; however, the more the bank can convert deposits into high quality loans, the higher the profit margin from lending interest. Therefore, deposits have a positive effect on the banks' profitability.

4.0 Conclusion and Recommendations

The main aim of the study was to conceptually establish the impact of credit risk management on the Deposit Money Banks' financial performance in Nigeria and specifically the objectives are to examine the relationship between Capital Adequacy Ratio (CAR), Non-Performing Loan and Loan to deposit ratio previous studies. After review of literatures, it is found that all the three dimension of credit risks management have direct effect on financial performance of DMBs in Nigeria and that higher rates of interest is likely to discourage microenterprises from accessing loans from the said banks. Those who are able take up such loans may also find it very difficult to repay because of the exorbitant interest rates. This situation has the tendency of creating *'loan-losses high-interest cycle'* phenomenon.

DMBs are thus recommended to establish sound and competent credit risk management units which are run by best practices in risk management such as the institution of a clear loan policy and the adherence to underwriting authority and limits. The study also revealed that DMBs with higher capital adequacy ratio can better advance more loans and absorb credit losses whenever they crop up and therefore record better profitability. The regulatory authority should pay more attention to Deposit Money Banks' compliance to relevant provisions of the Bank and other Financial Institutions Act 1991 and prudential guidelines.

REFERENCES

Abubakar M. Y, Ezeji, M., O., Shaba, Y. & Ahmad, S.S. (2016). Impact of Credit Risk Management on Earnings per Share and Profit after Tax: The Case of Nigerian Listed Banks. IOSR Journal of Economics and Finance (IOSR-JEF) e-ISSN: 2321-5933, p-ISSN: 2321-5925.Volume 7, Issue 6 Ver. IV PP 61-68 www.iosrjournals.orG

Abraham, E. A., & Anifowose, O. M. (2020). Assessment of Risk Management on Construction Project in Abuja, Nigeria. Proceedings of the 5th Research conference of the NIQS (RECON 5), 546-558.

Adewunmi, K. A. (2021). Credit Risk management and Profitability of Deposit Money banks in Nigeria. School of Business Studies, The Federal Polytechnic Ede, Osun State. *Ede Journal of Business (EJOB)*. 8 (1); 54 – 65.

Agu, O. C. and Ogbuagu, M. I. (2015). Lending Rate, Bad Debt and Credit Management in Nigeria Commercial Banks: A VAR Analysis. *American Journal of Economics, Finance and Management*, 1(3); 164-170.

Ajayi, L. B., & Ajayi, F. I. (2017). Effects of Credit Risk Management on Performance of Deposit Money Banks in Nigeria. International Journal of Research in Management & Business Studies, 4(3), 50-55.

Al- Homaidi A., Ahmad A., Khaled S.D. and Qaid M. (2019). External factors and banks' performance: An empirical Examination of Commercial Banks Listed on Bombay Stock Exchange (BSE). *Journal of Emerging Technologies and Innovative Research (JETIR)* www.jetir.org. 6(6); 2 – 6.

Alshatti, S. (2015). The effect of credit risk management on financial performance of Jordanian Commercial banks. *Investment Management & Financial Innovations*, 12(1), 338-345.

Apps, R. (1996). The Monetary and Financial System. London, Bonkers Books Ltd, 3rd Edition.

Avery, R. B., Bostic, R. W., Calem, P. S. and Canner, G. B. (1996). Credit risk, credit scoring, and the Performance of Home Mortgages. *Fed. Res. Bull*., 82-621.

Badar, M. and Javid, A. Y (2013). Impact of macroeconomic forces on nonperforming loans: An empirical study of commercial banks in Pakistan. *WSEAS Transactions on Business & Economics*, 10(1).

Balogun, A & Omobolanle, E (2022). Evaluating the impact of credit risk management on the financial performance of commercial banks in Nigeria. inbo-Balogun, Elizabeth-Omobolanle Business Administration Program, School of Economic Sciences and business Neapolis university pafos

Basel Committee on Banking Supervision (2006). Studies on Credit Risk Concentration, An Overview of the Issues and a Synopsis of the Results from the Research Task Force Project. Available from www.bis.org.

Brown, B.M. (1998). The Causes of Financial Distress in Local Banks in Africa and Implications for Prudential Policy, UNCTAD OSG/DP/132.

Campbell, A. (2007). Bank insolvency and the problem of non-performing loans. *Journal of Banking Regulation*, 9(1): 25– 45.

Chen, K. and C. Pan. 2012. "An empirical study of credit risk efficiency of banking industry in Taiwan." *Web Journal of Chinese Management Review*, 15(1): 1-16.

Choudhary R. (2021). Types of risks in banking sector: A detailed analysis. https://bank.caknowledge.com/types-of-risks/

Chol, B. B., Nthambi, E. K. and Kamau, J. N. (2019). Influence of bank stability on the financial Performance of Commercial Banks in South Sudan. *American Journal of Finance*, 4(1); 20-30.

Danson, M. and Adano, S. (2011). "The Impact of Credit Risk Management on the Financial Performance of Banks in Kenya for the Period 2000 – 2006. *International Journal of Business and Public Management*, 2(2): 72-80.

Das, A. and Ghosh, S. (2007). Determinants of credit risk in Indian state-owned banks: An empirical investigation. *Economics and Statistics*, 58(2): 355-372.

Dhakal, B. (2015). The Determinants of Loan Loss Provision in Nepalese Commercial Banks, Kathmandu. *Journal of Banking and Finance*, 30(2): 220–240.

Dimitrio. P. L, Angelos. T. V. and Vasilios L. M. (2012). Macroeconomic and Bank-Specific Determinants of Non-Performing Loans in Greece: Comparative Study of Mortgage, Business and Consumer Loan Portfolios. *Journal of banking and Finance*, Vol. 36, issue 4.

Ekanayake E.M.N. and Azeez, A.A. (2015). Determinants of Non-Performing loans in licensed commercial banks: Evidence from Sri Lanka. *Asian Economic and Financial Review*. ISSN(e): 2222-6737/ISSN(p): 2305-2147. Journal Homepage: http://www.aessweb.com/journals/5002

Emekter, R., Tu, Y., Jirasakuldech, B., & Lu, M. (2015). Evaluating credit risk and loan performance in online Peer-to-Peer (P2P) lending. Applied Economics, 47(1), 54-70.

Fadun, S. O. and Oye, D. (2020). Impacts of Operational Risk Management on Financial Performance: A Case of Commercial Banks in Nigeria. *International Journal of Finance & Banking Studies*, 9(1); 2147-4486.

Gatuhi, S. K. (2015). Macroeconomic factors and stock performance in Kenya.

Gaturo, C. J. (2018). Credit Risk Management Practices and Financial Performance of Commercial Banks in Kenya. Kenyatta University.

Gizaw, M., Kebede, M., & Selvaraj, S. (2015). The impact of credit risk on profitability performance of commercial banks in Ethiopia. African journal of business management, 9(2), 59-66.

Halling, M. and Hayden, E. (2006). Bank Failure Prediction: A Two-Step Survival Time Approach, FC bulletin (pp.48-73). Retrieved from http://bis.org/ifc/publ/ifcb28h.pdfI.

Ibe, S. O. (2013). The Impact of Liquidity Management on the Profitability of Banks in Nigeria. *Journal of Finance and Bank Management*, 1(1): 37-48.

Jackson, E. A., & Jabbie, M. (2019). Understanding market failure in the developing country context (pp. 1-14). In, W. L. Filho (Eds.), Decent Work and Economic Growth, Encyclopedia of Sustainable Development Goals: Springer Nature Publisher. https://doi.org/10.1007/978-3-319-71058-7_44-1.

Jackson, E. A., Barrie, M. S., & Johnson, L. (2021). Impact of exchange rate and inflation on commercial banks' performance in Sierra Leone. Journal of Smart Economic Growth, 6(3), 67-95.

Karrar K. A., Ahmad M. M., Anwar A., Eissa A. H. (2020). Influence of Internal and Macro Factors on Profitability of Indian Commercial Banks: Empirical Study. *Studies in Economics and Business Relations* https://sebr.sabapub.comISSN:2709-670X. 1(1): 20–26.

Khalil, E. A. (2013). Effectiveness of Credit Risk Management of Saudi Banks in the Light of Global Financial Crisis: A Qualitative Study. Asian Transactions on Basic and Applied Sciences (ATBAS ISSN: 2221-4291) Volume 03 Issue 02.

Kithinji, A. M. (2010). Credit Risk Management and Profitability of Commercial Banks in Kenya (Master‟s thesis). School of Business, University of Nairobi. Nairobi, Kenya.

Kolapo, T. F, Ayeni, R. K. and Oke, O. (2012). Credit Risk Management and Banks Performance. *Australian Journal of Business and Management Research*.

Li, F., Zou, Y. and Lions, C. (2014). The Impact of credit risk management on profitability of commercial banks: A study of Europe. *Journal of Business and Economics*, 4(8), 1-93.

Muskan, S. (2021).Types of Risk and its management in banking. https://www.yourarticlelibrary.com/banking/ty pes-of-risk-and-its-management banking/99250.

Mekhasha, G. (2001). Credit Risk Management and Performance of Commercial Banks in Ethiopia. Addis Ababa University.

Mehmood, R., Hunjra, A. I., &Chani, M. I. (2019). The impact of corporate diversification and financial structure on firm performance: Evidence from South Asian countries. Journal of Risk and Financial Management, 1-17

Misman, F. N., Bhatti, I., Lou, W., Samsudin, S. and Rahman, N. H. A. (2015). Islamic Banks Credit Risk: A Panel Study. *Procedia Economics and Finance*, 31(3), 75-82.

Musyoki, D. and Kadubo, A. S. (2012). The Impact of Credit Risk Management on the Financial Performance of Banks in Kenya for the Period 2000-2006. *International Journal of Business and Public Management*, 2(2), 72-80.

Naeem , M., Baloch, O. B., & Khan, A. W. (2017). Factors affecting banks' profitability in Pakistan. *International Journal of Business Studies Review, 2*(2), 33-49

Ndoka, S., Islami, M. and Shima, J. (2017). The Impact of Liquidity Risk Management on the Performance of Albanian Commercial Banks during the Period 2005-2015. *International Journal of Social Sciences and Education Research*, 3(1), 70-76.

Ngwu, T. C. (2006). Bank Management. Owerri: Bob Publishers.

Ongore, V. O., & Kusa, G. B. (2013). Determinants of Financial Performance of Commercial Banks in Kenya. *International Journal of Economics and Financial Issues*, 3 (1), 237-252.

Onyenwe, I. N. (2019). Risk Management Implications on Performance of Deposit Money Banks in Nigeria (1998 -2016). *Journal of Banking and Finance Management*. 2(2); 1-15.

Osei, M. J., & Kim, J. (2020). Foreign direct investment and economic growth: Is more financial development better? Economic Modelling, 93, 154-161. https://doi.org/10.1016/j.econmod.2020.0

Poudel, R. P. S. (2012), "The Impact of Credit Risk Management in Financial Performance of Commercial Banks in Nepal". *International Journal of Arts and Commerce*.

Rajan, R. G. (1994). Why bank credit policies fluctuate: A theory and some evidence. *The Quarterly Journal of Economics*, 109(2), 399-441.

Ramazan, E. and Gulden, P. (2019). The Effect of Credit Risk on Financial Performance of Deposit Banks in Turkey. 3rd World Conference on Technology, Innovation and Entrepreneurship (WOCTINE).

Ruwani, F.J.M. and Nimal, P. D. (2013). Does Risk Management Affect Bank Efficiency? An Analysis of the Sri Lankan Banking Sector. Economics Papers. Orebro University, School of Business.

Salem, A. J. and Omar, A. J. (2021). The impact of credit risk management on the financial performance of United Arab Emirates commercial banks. *International Journal of Research in Business and Social Science*, 10(3); 303-319.

Serwadda I. (2018), Impact of Credit Risk Management System on the Financial Performance of Commercial Banks in Uganda. Acta Universitatis Agriculturae Et Silviculturae Mendelianae Brunensis, Volume 66.

Serwadda, I. (2018). Impact of Credit Risk Management Systems on the Financial Performance of Commercial Banks in Uganda. *Acta Universitatis Agriculturae et Silviculturae Mendelianae Brunensis*, 66(6): 1627–1635.

Shafiq, A. and Nastr, M. (2015). Risk management practices followed by the commercial banks in Pakistan, *International Review of Business Research Papers*, 6(2); 308-325.

Sufian, F. and Chong, R. R. (2008). Determinants of Bank Profitability in A Developing Economy: Empirical Evidence from the Philippines, Asian Academy of Management, *Journal of Accounting and Finance*, 4(2): 91–112.

Taiwo, J. N., Ucheaga , E. G. and Achugamonu, B. A. (2017). Credit Risk Management: Implications on Bank Performance and Lending. *Saudi Journal of Business and Management Studies*, 2(5B), 584-590.

Taiwo, J.N., Ucheaga, E., Achugamonu, B., Adetiloye, K., Okoye, L. and Agwu, M.E. (2017). Credit Risk Management: Implications on Bank Performance and Lending Growth. *Saudi J. Bus. Manag. Stud*.; Vol-2, Iss-5B :584-590

Tobash M. I. (2016). An empirical investigation between liquidity and key financial ratios of Islamic banks of United Arab Emirates (UAE). *Business and Economic Horizons, 143,* 713-724. Retrieved from

https://academicpublishingplatforms.com/article.php?journal=BEH&number=32&article=2548

Uwuigbe, Ranti and Babajide (2015). Credit Management and Bank Performance of Listed Banks in Nigeria. *Journal of Economics and Sustainable Development*, www.iiste.org ISSN 2222-1700 (Paper) ISSN 2222-2855 (Online) Vol.6, No.2.

Verdiyani A., Ade, B. and Najmudin, E. (2019). The Effect of Credit Risk Management on Financial Performance of the Indonesian Commercial Banks. International Conference on Rural Development and Entrepreneurship, 5(1);949-954.

Yüksel, M. M. and Özsarı, M. (2018). The Determinants of Profitability in the Banking Sector in Post-Soviet Countries. An International, Scholarly, Peer-Reviewed, Open Access. *Journal of Development Economics and Macroeconomics*, Published Monthly Online by MDPI. Economies 2018, 6, 41; doi:10.3390/economies6030041.