

RISK MANAGEMENT AND INVESTORS VALUATION OF DEPOSIT MONEY BANKS IN NIGERIA

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ABSTRACT

This study examines the effect of risk management and investors valuation of deposit money banks in Nigeria from 2013-2021. The intent of the study was to determine whether risk management mechanism: deposit to equity, loan to equity and loan to deposit have effect on the investors valuation of Deposit money banks measured by returns on equity (ROE). The expos-facto design was adopted in this study simply because of the fact that the study was experimental. The data for this study were obtained from secondary sources. Specifically, annual time series data of the variables such as: Returns on Equity (ROE), Deposit to Equity (DTE), Loan to Equity (LTE) and Loan to Deposit (LTD). The data were sourced from the annual reports of deposit money banks in Nigeria listed on the floor of the Nigerian Stock Exchange (NGX) as at 2022. The investors valuation was proxy with ROE. The judgmental sampling technique was adopted. The time series data were collected from the year 2013 to 2021. The descriptive statistics, multiple linear regression model, R-Square, Adjusted R-Square, t-Statistic (t-Stat), Durbin-Watson (DW) Statistic and P-value were used to analyze the data collected and to test the hypotheses stated. The level of significance used was 5%. The analysis was done using SPSS tool. The study therefore concluded that deposit money banks in Nigeria have a high growth rates on loans and advances, with corresponding high rate of non-performing loans by customers. The study recommended that recommended that the central bank of Nigeria should investigate all registered deposit money banks if their bank policy is terms with what is stipulated under the commission guidelines, more also, the stringent policy of the deposit money banks which makes it most difficult for them to indemnify the individual who was suffered from the registered losses should be reviewed. Training of qualified personnel staff should as well be encouraged.

Keywords; Risk Management, Investors Valuation, Deposit Money Banks, Central bank of Nigeria

INTRODUCTION

The Firms plays a vital role in the economic development of a nation and hence the need to analyze the importance of Risk management and investors valuation of Nigeria deposit money firms, Credit failure in firms is not new or a rare occurrence, they affect their liquidity position as well as cash flows and profits (Lawrence & Foluso 2017). Hence, Alice and Jaya (2016), maintain that it is a biggest threat to any financial institute performance and the principal cause of firm failures. According to Kargi (2019), available statistics from liquidated firms clearly showed that inability to get more customers into partnering with their company due to the bad and misunderstanding of the terms and conditions of writing agreement and failure to pay up when the incident occurs.

The loan to deposit ratio of deposit money banks in Nigeria is too low, which indicates that the firm may not be earning as much as it could be earning which as well will affect the investors valuation the firm (Saeed & Zahid 2016). For this reason, the Central Firm of Nigeria (CBN) increased the minimum loan-to-deposit ratio (LDR) of firms from 60 percent to 45 per cent in the latter part of 2020.

A firm seeking to transfer its risk (an individual, association, corporation of any type, etc.) becomes the insured party as soon as risk is assumed by the insurer, the party that is insuring, by

means of contract, called an bank policy. Generally, the bank contract includes, a minimum of the following elements: identifying the participating parties (the insured, the insurer, the beneficiaries), the period of coverage, the certain loss event covered, the premium, the amount to be coverage (that is, the amount of money to be paid to the insured or beneficiary in the event of loss), and exclusions (events not covered). An insured is said to be indemnified against the loss covered in the policy (Hosna & Manzura 2009).

Whenever the insured party experience losses for a specified peril, all its coverage entitles the policyholder in making a claim against the insurer for the covered amount of his loss as specified by the policy. The fee to be paid by the insured to the insurer for undertaking the risk is called the premium. The company's bank premiums for the insured are normally used to fund accounts reserved for later payment of the claims in relative to few claimants and for overhead costs. As long as the insurer maintains adequate funds set aside for eventualities losses (called reserves), the remaining margin is the insurers profit (Berrios 2013).

However, the reason for the failure of these firms has sparked the interest of the researcher in conducting further studies into the management of finance and credit in Nigerian deposit money firms. It is in the light of the above, that this study examined the relationship between Risk management and investor's valuation of Nigerian deposit money banks and as well, the following firms are selected for study to help make generalization, since we are dealing with firms in Nigeria.

Statement of the Problem

There are challenges faced by the Nigerian bank industry which include low penetration levels, for lack of consumer trust, low implementation of compulsory bank and a lack of professionals that are adequately skilled in this space. Considering the main concept of firm is that of spreading risks. Bank structural facilitates in investment by reducing the amount of capital that businesses and customers need to keep at hand to protect themselves from uncertain events. According to some researchers, bank is said to be a barometer of economic activity in many countries and thus, protection of the success of emerging economies. Some of the challenging problems of firm will concern the Nigerian market which is in great doubtfulness of Deposit money banks in keeping to its terms in the agreement, knowing fully well that their policies have a way of refusing to pay the obligation of the insured. Morealso, the aspect of inadequate access to information Technology is another challenge here that document management system of the company is relatively poor compared to other sectors in the economy like the banking sector (DMBs). There is no provision for regulatory guideline on best IT infrastructure that the insurers and re-insurers will adopt for both operational and reporting purposes. As well in the case of weak regulatory framework which this is known that the regulatory framework for bank is very weak. The Central bank of Nigeria has the responsibility to ensure the effective supervision, regulation, administration, and control of firms in Nigeria. This can be noted that another major problem is Central bank of Nigeria is the inability to ensure that there are standard premium rates on majority of certain bank products. Furthermore, there is high level of poor knowledge of bank services by the prospective assured, the level of the bank culture in Nigeria is very low. These have been unconnected to the lack of knowledge about the life bank products. Most educated Nigerians still have little or no knowledge to see a reason for insuring life and property. These have affected the deposit money banks in Nigeria which has lead to a high level of loan, few deposits, much borrowing for financing of the firm and also low returns on its shareholders. Due to mistrust by Nigerians as regards to insuring both life and properties in the firms, this has arouse the interest of the research in undertaking this study of what impact risk management has on investor valuation of deposit money banks in Nigeria.

Objective of the Study

Specific objectives of the study include the following:

- i. To examine the effectiveness of loans to equity on investors valuation of deposit money banks in Nigeria.
- ii. To ascertain the effect of debt to equity on investors valuation of deposit money firm in Nigeria.
- iii. To determine the effectiveness of loan to deposit on investors valuation of deposit money banks in Nigeria.

Research Hypothesis

The following null hypotheses are to be tested;

H₀1: loans to equity do not have significant effect investors valuation of deposit money banks in Nigeria.

H₀2: debt to equity does not have significant investors valuation of deposit money banks in Nigeria.

H₀3: loan to deposit does not significantly affect investors valuation of deposit money banks in Nigeria.

REVIEW OF RELATED LITERATURE

Conceptual Review

Meaning of Bank

Bank can be defined as the act of pooling funds from different insured entities (known as exposures) for the purpose to pay for relatively uncommon but severely devastating obligations which can occur to these firms. The insured firms are protected from the risk for a fee, with the amount of money paid as fee being dependent upon the severity and frequency of the event occurring (Kurawa & Garba 2020). Thus, it has been seen as the commercial enterprise and major part of the financial services industry. Bank is a form of credit risk management that the insured transfers the cost of potential losses to another firm in exchange for monetary compensation which is known as the premium. In economic terms, Bank is refers to the pooling mechanism for the reduction of the down-side of risk through resource reallocation from stable to stormy states of the world.

Muhammed and Garba, (2017) stated that firm facilitates financial protection against unforeseeable losses by reimbursing losses during crisis. This is designed in order to protect the financial well-being of the individual, company or other firms in the cases of unforeseeable loss. This protection is been accomplished through a pooling mechanism whereby some individuals who are vulnerable to a specific risk are joined together into a risk pool. For every individual under the bank cover will be expected to pay a small amount of money, which is known as a premium into the pool, that is then used to compensate the unfortunate persons who do actually suffer from a loss.

Agu and Basil (2013) opined that bank can be said to be the business of pooling resources together to pay compensation to the assured or insured (that is the policy holder) on the happening of a particular event in return for a periodic consideration which is known as premium. Bank also involved the transfer of credit risk from one person to another, by sharing of losses on an equitable basis by all members of the group. The group is therefore known as deposit money bank which must increase its hold on the given premium and expand its profit margin to cope with the demand of all.

Firms are similar to deposit money banks, microfinance and capital markets as they all serve the needs of business functions and private households in intermediation. The availability of the services of the bank is essential for the stability of the economy and can force the business investors accept aggravated risks. By acceptance of the claims, deposit money banks also have to pool premiums and reserve funds.

Raheman and Nasr (2019) The important role played by the deposit money banks in enhancing internal cash flow at the assured and creating large amount of firm assets placed on the capital market. Theoretical and empirical studies have shown that countries with well developed financial system enjoy better and faster and more stable long-run growth of deposit money bank's contribution. A well-developed financial market will have a significant positive influence on the total factor productivity, which translates into a better long-run development.

Loan to equity

To convert an intercompany loan to equity, the lender has agreed to convert the outstanding loan from the borrower into shares in the company. This would mean a reduction in the loan balance and an increase in the share capital of the borrower.

The Companies and Allied Matters Act (CAMA) 2020 prescribes a new process for increasing issued share capital. Under section 127 of the CAMA 2020, a company that wishes to increase its issued share capital simply passes a resolution approving the allotment of new shares to named persons. The Corporate Affairs Commission (CAC) must be notified of the increase and allotment within 15 days of the relevant general meeting and it is at this point that stamp duty and CAC filing fees are paid on the amount of the increase, and a return of allotment filed.

Debt-to-Equity

The debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. The D/E ratio is an important metric used in corporate finance. It is a measure of the degree to which a company is financing its operations through debt versus wholly owned funds. More specifically, it reflects the ability of shareholder equity to cover all outstanding debts in the event of a business downturn. The debt-to-equity ratio is a particular type of gearing ratio.

Debt-to-Equity (D/E) Ratio Formula and Calculation

Debt/Equity=Total Shareholders' Equity Total Liabilities

The information needed for the D/E ratio is on a company's balance sheet. The balance sheet requires total shareholder equity to equal assets minus liabilities, which is a rearranged version of the balance sheet equation.

Assets=Liabilities + Shareholder Equity

These balance sheet categories may contain individual accounts that would not normally be considered debt or equity in the traditional sense of a loan or the book value of an asset. Because the ratio can be distorted by retained earnings/losses, intangible assets, and pension plan adjustments, further research is usually needed to understand a company's true leverage.

Loan-to-Deposit

The loan-to-deposit ratio (LDR) is used to assess a bank's liquidity by comparing a bank's total loans to its total deposits for the same period. The LDR is expressed as a percentage. If the ratio is too high, it means that the bank may not have enough liquidity to cover any unforeseen fund requirements. Conversely, if the ratio is too low, the bank may not be earning as much as it could be. To calculate the loan-to-deposit ratio, divide a bank's total amount of loans by the total amount of deposits for the same period. You can find the figures on a bank's balance sheet. Loans are listed as assets while deposits are listed as liabilities. The LDR helps to show how well a bank is attracting and retaining customers. If a bank's deposits are increasing, new money and new clients are being on-boarded. As a result, the bank will likely have more money to lend, which should increase earnings. Although it's counterintuitive, loans are an asset for a bank since banks earn interest income from lending. Deposits, on the other hand, are liabilities because banks must pay an interest rate on those deposits, albeit at a low rate.

Return on Equity (ROE)

Return on equity (ROE) is a measure of financial performance calculated by dividing net income by shareholders' equity. Because shareholders' equity is equal to a company's assets minus its debt, ROE is considered the return on net assets. ROE is considered a gauge of a corporation's profitability and how efficient it is in generating profits. ROE is expressed as a percentage and can be calculated for any company if net income and equity are both positive numbers. Net income is calculated before dividends paid to common shareholders and after dividends to preferred shareholders and interest to lenders.

Theoretical Review

Efficient Markets Theory

In this theory, it states that the market prices for shares and financial securities of incorporate are captured in all the known information about that inventory/security. This simply means that the inventory is accurately priced and valued until a given future event has changes that valuation, because the uncertain future has an adherent to the efficient market hypothesis is far off better for owning a wide range of inventories and profiting from the general price increase of the market. Adinde (2020) In the form of argument, opponents of efficient market theory did point out to a few works such as Warren Buffett and other investors that have consistently research deeply in the market by finding irrational prices within the overall market. In the investment and intermediation dealings, the firms construct portfolios in the process of creating and holding various types of both real assets and financial assets. The portfolio of the firms is fully targeted at creating optimum value and varieties of firm assets, and hence optimum returns on investment of the company at a given level of risk. The sole effect is to minimize the level of risk possible at any minimal level of expected return. Hence, such portfolio behaviour is in accordance with what is been described as the efficient portfolio behavior.

Commercial loan theory (Real Bill Doctrine)

The real bills doctrine or the commercial loan theory states that a commercial financial institution which is now known as the financial houses or firm should forward only short-term self-liquidating loans to business organizations. These credits which are meant to fund the production and advancement of merchandise through the progressive stages of production, save keeping (storage), transportation, and dissemination are considered as self-liquidating advances. Thus, this theory also states that whenever commercial financial institutions make short term self-liquidating loans for customers who demand for loans should only be based on granting of loans to customer for short – term financing of their working capital and loan secured by real goods in production, marketing and shipment. Sales of such goods constantly provide the means for liquidating the loans.

Empirical Review

Olalere and Ahmad (2018). The empirical effects of credit risk on profitability of firms. The study adopted a survey design, regression analysis to determine the relationship between variables of the study. The findings revealed a positive relationship between financial performance, credit policy, credit risk, credit appraisal and collection policy. The study recommends that firms should adopt a more stringent policy to a lenient policy for effective debt recovery.

Bagh and Jessie (2017) carried out a study on the impact of risk management on investors valuation of banks in Pakistan: An empirical investigation. The objective of the study was to scrutinize the impact of risk management on investors valuation of Pakistan banks, covering period of 2006-2016. The ex-post facto research design was used in the study. The secondary financial data obtained from audited annual financial reports were analyzed using descriptive and inferential statistics. Return on equity (ROE) had been used as measures of bank's profitability while current ratio (CR) advances to deposit ratio (ADR), Cash deposit ratio (CDR) and deposit assets ratio (DAR)

represented liquidity management. The results demonstrated that ADR, CDR and DAR had positive and significant impact on ROA, whereas negative and significant impact on ROE. CR, ADR, CDR and DAR had positive and significant impact on ROE. Based upon key findings, it was recommended that all financial markets should have a comprehensively approved risk management procedures, practices, policies and mechanisms, exclusively tailored for their financial institutions and management should be responsible for aptly implementing these policies and strategies on priority basis.

Yakubu and Barie (2017) conducted a study on the impact of credit risk management (CRM) on investors valuation: Evidence from listed Financial firms in Ghana. The objective of the study was to empirically examine the impact of credit risk management on investors valuation of firms in Ghana using the ROE. The ex-post facto research design was adopted. Secondary data of five listed financial firms for the period 2020-2018 were collected for the study. The Random effect model was employed to establish the relationship that existed between the various components of credit risk management and investors valuation. The results showed that average payment period and current ratio had a positive relationship with firm performance. Average collection period, inventory turnover, cash conversion cycle and firm size on the other hand had a negative relationship with investors valuation using ROE. However, only average collection period, average payment period, cash conversion cycle, and current ratio were found to have a significant impact on Returns on Equity. The researchers recommended that managers of financial firms in Ghana should formulate sound credit risk management policies that will enable firms to deal with liquidity challenges and enhance firm's valuation.

Bhunja and Vannie (2019) carried out a study on the relationship between risk management of firms and valuation of investors. The objective of the study was to empirically examine the relationship between risk management of firms and valuation of investors. The researchers employed data from the annual reports that was audited with selected private sector steel firms listed on Indian Stock Exchange. The sample for the study was drawn using purposive sampling technique and covered a ten (10) year period (2009-2019). The four companies selected were Lloyds steel industries Ltd, Kalyane Steels Ltd, Tata steel Ltd, and JSW steel Ltd. The independent variables: current ratio, liquid ratio, absolute liquid ratio, short term debt-equity ratio, age of inventory, age of debtors and age of creditors were regressed against profitability of the sampled firms proxied by return on equity (ROE). All variables passed the normality (approaching normal distribution that is. bell-shaped) tests carried out using both the Shapiro-Wilks' test and Lillifors test. The results from the analysis indicated risk management of firms and valuation of investors were strongly positively related with a multiple correlation coefficient of 93.4%.

Alshatti (2018) studied the effect of credit risk management on investors valuation of the Jordanian commercial firms. This study aims at examining the effect of credit risk management on shareholder's valuation of the Jordanian commercial firms during the period (2005-2013). The study used both descriptive statistics and econometric analysis using the panel linear regression methodology consisting of periodic and cross sectional data in the estimation of the regression equation. The study revealed that the credit risk management effects on i shareholder's valuation of the Jordanian commercial firms as measured by ROA and ROE.

Agu and Basil (2013). Risk management and bad debt in Nigeria commercial Firms. The aim was to analyze the impact of credit risk management on the performance of firms in Nigeria. The study used financial reports of seven commercial firms financial reports to analyze for seven years (2005–2019). Panel regression model was used for the estimation of the model. In the study, return on assets (ROA) and return on equity (ROE) were used as the performance indicators.

Chen and Pan (2019) have analyzed credit risk efficiency of 34 Taiwanese commercial firms over the period 2005-2019. The study recommends that firms are advised to imbibe the spirit of after-sales-services. They should monitor the credit process as to prevent possible diversion of funds. There is a great danger in not monitoring a customer for it can lead to bad loan. The firms should have a control and monitoring units or department to carry out post-mortem exercise by way of

monitoring and controlling credit facilities and also ensuring completeness of all conditions precedent to draw down. They should put in place proper credit documentation which serves as the official documentation verifying the existence of a credit facility and contains information relating to the credit.

Paudel (2019) has analyzed the impact of risk management on the valuation of firms in Nepal. The study concludes that risk management is crucial on the financial institute performance and it has a significant relationship with firm performance. The recommendations are as follow: firms should establish sound and competent risk management units and recruit well motivated staff. Credit officers are the cutting edge of credit programmes. They perform a range of functions from project appraisal through credit disbursement and deposit mobilization to loan collection.

Ifeanyi and Francis (2017) has analyzed the impact of credit risk on the profitability of Nigerian firms. This study examined the nexus between risk management and financial institute performance in Nigeria. Secondary data were used. The Findings from the study uncovered a significant impact on credit risk management and profitability of Nigerian firms. Hence, they observed that firms' profitability is inversely influenced by the levels of non-performing loans and deposits, loans and advances thereby exposing them to great risk of distress and illiquidity. The study recommends that deposit money banks should ensure guarantee of credits which would serve as a shield against credit loss of customer's fund.

METHODOLOGY

The researcher adopted the ex-pos facto research design technique because of the fact that the researcher has no power to influence the data to be collected for the study. The adoption of this research design will enable the researcher to examine Risk management and investors valuation of deposit money banks in Nigeria.

The sample size of this study is drawn from the total population size of ten (10) deposit money banks in Nigeria in the floor of NGX. All ten (10) deposit money banks are drawn from the total population size judgmentally. The deposit money banks in Nigeria included in the sample size are those with up to date annual reports for the period chosen by the researcher, well-presented financial statements as mandated by International Financial Reporting Standards (IFRSs) formats and available data that are up to date for a period of eight (8) year 2013-2021. These are presented on the Table 1 below:

Table 1: Sample Size Determination of the Study

Company

Access

Eco

Fcmb

Fidelity

Fbn

Gtb

Stanbic

Sterling

Uba

Union

Source: *NGX, 2022*

The judgmental sampling technique is used in the study. This enables the researcher to draw a suitable sample size for the study by considering an appropriate technique of selection. In drawing the sample size, only deposit money banks with complete annual reports, well-presented financial statements as single entities and up to date available data is considered appropriate as sample for the study by the researcher.

Table 2 measurement of variables and Apriori expectation

S/N	Variable	Abbr.	Measurement	Apriori Expectation
1	Returns on Equity	ROE	Net income / Total equity	-
2	Loans to equity	LTE	Total loan / Total equity	Positive
3	Debt to equity	DTE	Total debt / Total equity	Negative
4	Loans to deposit	LTD	Total loans / Total Deposits	Positive

Model specification

For this study, the researcher was interested in appraising Risk management and investors valuation of deposit money banks in Nigeria. The model used in the study was taking the form below:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

Where:

Y= investors valuation as measured (ROE),

X₁= Loans to equity (LTE)

X₂= Debt to equity (DTE)

X₃= Loans to Deposit (LTD)

e= Error term

β= Measure of change in investors valuation due to change in independent variables.

Data Analysis

Descriptive Statistics

The descriptive statistics for each of the variables were computed and presented on the Table 3 below:

Table 3: Descriptive Statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
ROE	30	-.363386331	22.406258657	.90680730115	4.067856821
DTE	30	-.648929898	6.624723056	.41060013877	1.216891183
LTD	30	.003126321	4.082461743	.50596844860	.8357669174
LTE	30	-.064394343	1.178674191	.12875787571	.2375309709
Valid N (listwise)	30				

SOURCE: SPSS 2022

From the table above, the Return on Equity (ROE) had minimum value of -.363386331, maximum value of 22.406258657, a mean value of .90680730115 and standard deviation of 4.067856821. This indicated that the listed deposit money banks in average made a profit of .90680730115 for the period of the study. The minimum and maximum of ROE made were -.363386331 and 22.406258657 respectively. This showed that the least loss made by a listed manufacturing company during the period of the study was -.363386331 and the maximum profit were 22.406258657. The standard deviation of 4.067856821 indicated that variation from mean was much for the period of the study. It also showed that fluctuation in ROE for the period was much. From the table above, the Deposit to Equity (DTE) had minimum value of -.648929898, maximum value of 6.624723056, a mean value of .41060013877 and standard deviation of 1.216891183. This indicated that the listed deposit money banks in average made a profit of .90680730115 for

the period of the study. The minimum and maximum of DTE made were -.648929898 and 6.624723056 respectively. This showed that the least loss made by a listed deposit money bank during the period of the study was -.648929898 and the maximum profit were 6.624723056. The standard deviation of 1.216891183 indicated that variation from mean was much for the period of the study. It also showed that fluctuation in DTE for the period was much.

From the table above, the Loan to Deposit (LTD) had minimum value of .003126321, maximum value of 4.082461743, a mean value of .50596844860 and standard deviation of .8357669174. This indicated that the listed deposit money banks in average made a profit of .50596844860 for the period of the study. The minimum and maximum of DTE made were .003126321 and 4.082461743 respectively. This showed that the least profit .003126321 made by a listed deposit money bank during the period of the study was -.648929898 and the maximum profit were 4.082461743. The standard deviation of .8357669174 indicated that variation from mean was much for the period of the study. It also showed that fluctuation in LTE for the period was much. From the table above, the Loan to Equity (LTE) had minimum value of -.064394343, maximum value of 1.178674191, a mean value of .12875787571 and standard deviation of .2375309709. This indicated that the listed deposit money banks in average made a profit of .50596844860 for the period of the study. The minimum and maximum of LTE made were -.064394343 and 1.178674191 respectively. This showed that the least loss -.064394343 made by a listed deposit money bank during the period of the study was -.064394343 and the maximum profit were 1.178674191. The standard deviation of .2375309709 indicated that variation from mean was much for the period of the study. It also showed that fluctuation in LTE for the period was much.

Coefficient of Determination

The R-Square for all the independent variables were computed and presented on the Table 4. as shown below:

Table 4: Coefficient of Determination

R-Square	Adjusted R-Square	Durbin-Watson Statistic	(DW)
0.223	-0.60	2.032	

Source: Researcher's Computation, 2022

*Dependent Variable=ROE

From Table 4 above, R-Square (Adjusted) showed that -60% changes in ROE can be explained by the influence DTE, LTD and LTE. THE Durbin Watson statistic show a no autocorrelation of 2.032 which falls between the level of 1.5 to 2.5

Test of Hypotheses

The coefficients of each of the independent variables and other statistics were computed and presented on the Table 5 as shown below:

variables	Beta (β)	t-Statistic	P-Value	Remark
DTE	-.443	-.658	.046	Significant
LTD	.349	.130	.027	Significant
LTE	-3.88	-.411	.024	Significant

Source: Researcher's Computation, 2022

*Dependent Variable=ROE

Table 5: Summary of Analysis

From the Table 5 above, DTE indicated negative and significant relationship with ROE (P-value<0.05); LTD indicated negative and significant relationship with ROE (P-value<0.05); LTE showed negative and significant relationship with ROE (P-value<0.05); WCR indicated positive and significant relationship with ROE (P-value<0.05). A percentage increase in DTE brought about 44% decrease in ROE; a percentage increase in LTD brought about 34% increase in ROE; a day increase in LTE brought about 38% decrease in ROE.

Hypothesis One

Ho: There is no significant relationship between deposit to equity and investors valuation of deposit money banks in Nigeria. From the Table 4.3 above since the p-value<0.05 for DTE, therefore, the alternative hypothesis was accepted and the null hypothesis was rejected and concluded that there is significant relationship between deposit to equity and investors valuation of deposit money banks in Nigeria.

Hypothesis Two

Ho: There is no significant relationship between loans to deposit and investors valuation of deposit money banks in Nigeria. From the Table 3 above since the p-value<0.05 for LTD, therefore, the alternative hypothesis was accepted and the null hypothesis was rejected and concluded that there is significant relationship between loans to deposit and investors valuation of deposit money banks in Nigeria.

Hypothesis Three

Ho: There is no significant relationship between loans to equity and investors valuation of deposit money banks in Nigeria. From the Table 3 above since the p-value<0.05 for LTE, therefore, the alternative hypothesis was accepted and the null hypothesis was rejected and concluded that there is significant relationship between loans to equity and investors valuation of deposit money banks in Nigeria.

Discussion of the Findings

From the analysis presented on the Table 3 above, we observed that DTE had a positive and significant influence on investors valuation of deposit money banks in Nigeria.

The LTD was in compliance with the apriori expectation of the model. This simply means that an increase in total loan divided by total deposit affects the profitability, which is the indicator of investors valuation of deposit money banks in Nigeria. It implied that the liquidity position of deposit money banks in Nigeria had been managed to an optimum point where the LTD maintained does not affect the investors valuation negatively rather positively. At the point where the LTD had positive and significant influence on investors valuation of deposit money banks in Nigeria.

DTE indicated negative and significant influence on investors valuation of deposit money banks in Nigeria. The DTE was in compliance with the apriori expectation of the model. This simply means that an increase in equity total debt divided by total equity affects the profitability, which is the indicator of investors valuation of deposit money banks in Nigeria. When an entity has higher debt to equity, the implication is that the higher debt to equity can reduce the liquidity position of the company. Higher debt to equity is threat to investors valuation of an entity. DTE for the period of the study was high and this was why from the analysis on the Table 4.3, debt to equity was 41% in average. The negative effect of DTE on the investors valuation of deposit money banks was owing to the fact that DTE of these entities is high compared to the total equity which affect the liquidity position.

Total loan to total equity (LTE) showed negative and significant influence on investors valuation of deposit money banks in Nigeria. This was in compliance with the apriori expectation. This implied that a day increase in LTE affected the profitability of deposit money banks in Nigeria negatively

by decreasing the profitability, which is an indicator of the investor's valuation in this study. When an entity has higher loan to equity, the implication is that the higher loan to equity can reduce the liquidity position of the company. Higher loan to equity is threat to investors valuation of an entity. LTE for the period of the study was high and this was why from the analysis on the Table 3, debt to equity was 12% in average. The negative effect of LTE on the investors valuation of deposit money banks was owing to the fact that LTE of these entities is high compared to the total equity which affect the firms investors interest.

CONCLUSION AND RECOMMENDATION

Conclusions

The study was conducted to examine the influence of risk management on investors valuation of deposit money banks in Nigeria. The risk management variables examined in the study were DTE, LTD and LTE were the variables chosen by the researcher in the study. From the analysis of data and the discussion of the findings, the researcher concluded that deposit to equity, loan to deposit and loan to equity which are proxies of Risk management, had a significant influence on investors valuation of deposit money banks in Nigeria. In other words, risk management had a significant influence on investors valuation of deposit money banks in Nigeria.

Recommendation

Due to the challenges faced by the Nigerian bank industry which include low penetration levels, for lack of consumer trust, low implementation of compulsory bank and a lack of professionals and many others, the following recommendation has been put below;

It is highly recommended that the central bank of Nigeria should investigate all registered deposit money banks if their bank policy is terms with what is stipulated under the commission guidelines, so as to avoid the insured suffering all the losses without been indemnified. more also, the stringent policy of the deposit money banks which makes it most difficult for them to indemnify the individual who was suffered from the registered losses should be reviewed so are pay for losses and restore it good name. Training of qualified personnel staff should be encouraged so as to minimize the short coming of fund and reduce the high state of debts in their firm. Furthermore, the deposit money banks are been seen as having played same roles as deposit money banks in issuing of deposit and loan, this should also be encouraging and enforced by the central bank of Nigeria in Nigeria.

REFERENCE

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