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Credit management mechanisms and performance of listed deposit money banks in Nigerian

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Abstract

Banking industry has played an integral role in mobilizing funds from areas of surpluses to places of deficits so as to bolster growth in the economy. However, banks collapse in Nigeria has become a worrisome phenomena because of the significant roles of banks in financial intermediation. These collapses are a result of ineffective credit management system that has led to the inability of banks to retrieve loan funds as at when due, thus staining the little liquidity left. This motivation necessitated examination of credit management mechanisms in quoted banks on the floor of Nigerian Exchange Group, spanning a decade, from 2013 to 2022. Correlational and ex-post facto design were used for the sets of secondary data. Net interest margin was a proxy for financial performance while the explanatory variables were proxy with; asset quality, credit risk and liquidity risk. The random effect regression result showed that, liquidity risk had negative and significant effect on financial performance of quoted banks on the floor of Nigerian Exchange Group. This showed that, the higher the liquidity risk, the lower the performance level recorded by quoted banks on the floor of Nigerian Exchange Group. Asset quality and credit risk had negative but insignificant effect on the financial performance of quoted banks on the floor of Nigerian Exchange Group. Therefore, the study recommended that, to mitigate financial failure, quoted banks on the floor of Nigerian Exchange Group should ensure lower liquidity risk.

Keywords: Anticipated income theory, Asset quality, Credit risk, Liquidity risk, Net interest margin, Shift-ability theory

1. Introduction

Banks are essential pillar, piloting the financial flow within and outside the country that ensures economic commitment which improves on national development and growth (Central Bank of Nigeria, 2023). They act as medium for channeling funds from points of excesses to points of deficits, as such, they affect both macro and micro aspect of the economy. The activities of banks overtime is getting more complex, with more banks embracing the diversities sprawling in the industry. Performances in the listed Deposit Money Banks in Nigeria is not symmetrical considering the various level of each banks ability to effectively, navigate, manage and aligned itself in making profit. Statistically, listed Deposit Money Banks in Nigeria have reported receding profits predominantly in the last decade, despite its huge financial commitment (Afolabi et al., 2020). Poor performance in financial institutions could have devastating consequence on an emerging economy.

Effective credit management is essential for corporate performance. The proxy for financial performance used is the net interest margin considering the relationship with credit management mechanisms. Silaban (2017) noted that, Net Interest Margin (NIM) measures the net returns that are associated with banks earning asset. This measure takes into cognizance only assets that are productive is opposed to all assets. It paves way for identification and disposal of non-productive assets which dwindles financial performance. Haruna (2019) noted that, net interest margins is an integral constituent of weighing performance by taking into considerations assets that are productive. Ascertainment of productive assets enables firms to dispose of, non-productive assets which further increases it financial performance. It is appropriate in this research to measure performance via this measure because of the relationship of interest to credit systems in banks. Effective credit management mechanisms in firms is a recipe for corporate performance (Olga et al., 2019).

2. Background of the study

Credit management practices entails mechanisms devised by credit granting institutions that effectively monitors the strength of these institutions in granting credit or otherwise (Etale 2018). These mechanisms evaluates the ability of financial institutions towards granting credit and the likely risks associated with the credits given. The rationale behind the credit management is to ensure that banks do not exceed its threshold in granting credit thereby putting banks in precarious position with respect to liquid resource available to users of these assets as at when due. Credit management ensures that banks have organized lending pattern that does not burden the institutions in handling it cash challenges.

When the amount of credit given is too large, banks are put in a difficult state that exposes them to inherent risks and vice-versa (Eno & Iniabasi, 2022). Credit management by banks comes in the following dimensions; asset quality, credit risk and liquidity risk, amongst others.

Assets of firms are adjudged to possess high quality when the risk elements in it is low, this is because it allows for opportunity for effective and optimal utilization of such asset to achieve the desired level of profitability (Okoh et al., 2019; Nataraja et al., 2018). Similarly, asset with high risk is associated with little or no return which adversely affect performance (Omorokunwa & Ogbeide, 2020). Ogboru (2019) opined that, for effective credit management, banks needs to authenticate its assets quality so as to ascertain the degree of effectiveness of its assets, vis-à-vis the financial risk that come with it in other to strategize for possible losses. When the assets are accruing more losses, as a result of it risky state, it reduces performance of banks but less risky assets increases the asset quality and financial performance of banks (Kolapo et al., 2012). Therefore, banks tends to loose more when they have poor asset quality compared to banks with good asset quality.

Furthermore, Ali and Dhiman (2019) asserted that credit risks entails comparison between total loans and loans that are not performing and it gets highly risky when the proportion of loans that are not performing are significant with respect to the total loans. To effectively curtail this risks and increase financial performance, a credit evaluation mechanism is used to evaluate the potentials of loan repayments so as to avoid the dangers of non-performing loans. When a banks has huge non-performing loans, it reduces its profitability to the barest minimum and it may take the bank out of business. Eno and Iniabasi, (2022) asserted that, credit risk have significant impact on performance of DMBs quoted on the Nigerian Exchange Group. When bank have high level of credit losses, it reduce its profits and consequently erode its capital base thereby leaving it in a vulnerable state. This is devastating when credits are given to persons or entities that do not have collateral or ability to remit the facility given to them as at when due, thus leading to financial failure by banks.

More so, the more banks are able to meet its obligations as at when due, the less risk they have which in turn translate to profitability. Therefore, Liquidity risk is associated with the risks elements arising from a banks inability to meet its obligations when they become due (Adeusi, et al., 2023). This risk is concerned with the inability of banks to respond to its obligations as they fall due. Once it happens, banks are exposed to inherent risks that affect it profitability. Investors and prospective investors will become skeptical in committing financial resources to the banks and customers may decide to take their savings to banks that will guarantee prompt retrieval of saved funds. Suyanto (2021) noted that, effective liquidity management ensures banks' capacity to meet cash flow needs when the need arise which increase financial performance.

Banking industry represent the backbone of financial system in Nigeria and most unfortunately, it is laden with significant credit risk which is threatening it survival (Eno & Iniabasi, 2022). This eminent risk would have been curbed to the barest minimum with effective credit management mechanism put in place (Ayiro et al., 2022). Lack of proper evaluation of the credit system has led to significant loss by banks and to an extreme, their survival was cut short (Skys bank, Afri Bank, Diamond Bank, amongst others), thus leaving them being absorbed or forced to windup (CBN report, 2023). Yinka, et al. (2015), asserted that banks that collapsed in Nigeria were a result of poor management of facilities which resulted to non-performing loans. Banks gave loans with no collateral and these encourage mischievous persons to seek loans with no intention of paying. Some of these risks are beyond the control of banks, nevertheless, effective management should be able to mitigate the effect it has on credit system. Haruna (2019) noted that, risks arising from interest rate hikes and fluctuations in the exchange rate are exposing banks to another level of risk but effective credit evaluation mechanism set up by banks will mitigate the risks associated with credit to the barest minimum

Financial weakness in listed Deposit Money Banks led to recapitalization introduced by the Federal Government of Nigeria in 2005 to strengthen them. Consequently, this move led to consolidation of some banks through mergers and acquisition, intended at improving efficiency of non-performing loans and financial performance. Udemeobong et al. (2019) asserted that, the major cause of banks collapse in Nigeria is attribute to non-performing loans. This is because, credits were given with little or no due diligence to credit seekers and as such, many ended up using the funds sought to areas the funds are not allocated for, thus creating liquidity problems. The liquidity challenges faces by banks led to massive injection by the CBN of about N786 billion into the bank to shore up its liquidity (Central Bank of Nigeria Report, 2023). The continuous depletion of banks capital base, increase in non-performing loans and liquidity challenge is an issue that has affected shareholders and the government considering the pivotal role banks play in financial intermediation. It is at the backdrop of these problems that a research is conducted to analyze credit management mechanism with respect to performance of banks quoted on the Nigerian Exchange Group.

Based on the issues problematized, the study seeks to examine the effect of credit management practices on the performance of banks quoted on the Nigerian Exchange Group. Specifically, the study seeks to achieve the following:

- i. To determine the effect of asset quality on performance of banks quoted on the Nigerian Exchange Group.
- ii. To determine the effect of credit risk on performance of banks quoted on the Nigerian Exchange Group.
- iii. To examine the effect of liquidity risk on performance of banks quoted on the Nigerian Exchange Group.

The following null hypotheses were coined from the aforementioned objectives:

H0₁: Asset quality has no significant effect on performance of banks quoted on the Nigerian Exchange Group.

H0₂: Credit risk has no significant effect on performance of banks quoted on the Nigerian Exchange Group.

H0₃: Liquidity risk has no significant effect on performance of banks quoted on the Nigerian Exchange Group.

3. Review of empirical literature

Literature review is necessary in research so as to explore past researches in the field and build on the foundation laid by these researches so as to improve on its inadequacies in order to arrive at meaningful conclusions that will advance knowledge. It provides the foundation upon which researches are conducted.

3.1. Empirical literature

Ayiro et al. (2022) explored asset quality and performance of Kenyan commercial banks as at December 2022. Secondary data were used to address the research design (longitudinal research design). The regression result showed that, the asset quality had negative and statistically significant impact of performance of banks in Kenya. This connoted that, banks in Kenya had poor asset quality as such, it affect its performance, thus reducing profitability. These banks had poor asset quality that is the reason it is impacting financial reporting negatively. To achieve optimum performance, banks have to deploy an optimal use of it asset in order to make reasonable gains. Poor asset quality erode the capital of firms which in turn affect performance of firms (Abdulkadir, 2017). It is therefore imperative for firms to ensure optimum asset quality so as to make reasonable profit

Mnyampana and Chindengwike (2021) studied commercial banks in Tanzania for 11 years period covering from 2010 to 2020. Secondary data were used and purposive sampling was used to arrive at the adjusted population. Regression output showed that, banks in Tanzania had good asset quality as it increases its performance for the period under review. This implies that, the assets were put to good use and it helped in boosting the financial standing of banks in the country. Similarly, Giulio, et al. (2021) asserted that weak asset quality negatively affects financial performance because the foundation to stand and build on good performance is poor. Strong asset quality helps organization to achieve optimum profitability. It is therefore recommended for banks to manage its asset quality effectively to achieve optimum performance. Abata (2014) noted that, weak asset quality can lead to corporate failure and eventual winding up.

Mboto et al. (2022) explored credit management administration of microfinance banks in Cross River state; Nigeria. Five (5) years were studied, from 2015 to 2019 using data from secondary sources. The regression result showed that, loans that are not performing negatively impacts on performance of micro finance banks in Cross River state. This implied that, that increase in loan loss provisioning and non-performing loan ratio resulted in performance of micro finance banks. When banks have non-performing loans, it cripples profitability of banks which is a threat to its survival. In addition, Ogunmakinju (2022) analyzed credit management and the performance of Zenith bank from 2009 to 2020. The regression result showed that, loans that are not performing reduces the profitability of banks because of the loss associated with the loan component and the interest elements thereto. This implied that, high level of non-generating loans reduces the prospect of making significant profit because of the loss associated with it (principal and interest).

Adeusi, et al. (2023) asserted that, high liquidity risk is a disaster that can wreck the goodwill of firms and consequently dampen its performance. When firms risk is high, it leads to losses that affect financial performance. Suyanto (2021) documented that, weak low liquidity risk increases financial performance. Olga et al. (2019) examined forty-five (45) European banks from 2014 to 2017. Regression result showed that, liquidity risk had a positive and significant impact profitability. This connoted that, the studied banks had low liquidity risks that is why it impacts on financial performance of the firms positively. Similarly, Nguyen et al. (2017) noted that, firms with high liquidity risks are exposed to dangers that affect financial performance compared to firms with low liquidity risks.

Moreso, Otitolaiye (2020) studied banks quoted on the Nigerian Exchange Group for thirteen (13) years, from 2006 to 2018. Return on capital employed (ROCE) and dividend paid (DPRS) were the proxy for financial performance while loan that are not performing was among the proxy for credit risk management. The result showed that, loans that are not performing had statistical negative effect on performance. This connotes that, increase non-performing loans and loan loss had adverse effect on profitability whereas. If banks continually make losses from its loans, the profitability status of these banks will keep declining because of the loss of principal, interest and the prospect of future investment. Banks should effectively manage its loans to avoid the dangers associated with loans that are not performing which eventually affect its performance. The result is consistent with Omorokunwa and Ogbeide (2020) that investigated same domain within the same time period

Okoh et al. (2019) explored non-performing loans on the performance of banks quoted on the Nigerian Exchange Group from 1985 to 2016. The outcome of the regression result revealed that, loans that are not performing is high in comparison to total loans and thus had significant adverse effect on profitability. Increase in non-generating loans lowers the returns associated with assets and in turn performance. Cash reserve ratio was poor thus affecting financial performance adversely. Hailu and Sankar (2019) examined commercial banks in Ethiopia for a decade; from 2007 to 2016. Findings revealed that, loans that are not performing usually impact adversely to the financial fortune of banks in Ethiopia. Thus, higher non-performing loan leads to loss of capital and its accompanying interest which result in low profit for firms. To mitigate this debacle, firms must ensure prudent and monitoring loan management that will minimize loss associated with lending so as to ensure profitability.

Nwanna et al. (2017) explored the nexus between credit management and profitability of deposit money Banks (DMBs) in Nigeria for a period of a decade, from 2006 to 2015. The study revealed that loans and advances had positive and significant effect on profitability (ROA). This connotes that, effective loans and advances management by DMBs helps to increase profitability. Non-performing loan had negative and significant effect on financial performance, which connotes that increase in non-performing loan has adverse consequence on the financial performance of listed DMBs in Nigeria. Similarly, Otieno et al. (2016) examined Credit Risk management and financial performance of Microfinance

banks in Kenya for 5 years, ranging from 2011 to 2015. The regression output revealed that, loan loss provision coverage ratio had statistical significant negative effect on financial performance

Uwalomwa and Oyewo (2015) studied the effect of credit management on bank's performance in Nigeria for a period of 5 years covering from 2007 to 2011. The regression result revealed that non-performing loans and loan loss had significant negative effect on the performance. This implies that, when banks have high non-performing loans and loose enough money through loan loss, it affect banks' performance adversely. More so, Yimkaa et al. (2015) examined credit risk management and the financial performance of selected DMBs in Nigeria for 5 years (2006 to 2010). The regression result showed that, non-performing loans had significant negative effect on ROE, thus denoting the adverse effect of non-performing loans on financial performance of listed DMBs in Nigeria.

3.2. Theoretical framework

Anticipated income theory and the shift-ability theory are used to underpin this study. The anticipated income theory advocated for firms' liquidation apparatus of a term loan should be fixed based on the anticipated income of the loan seeker regardless of the features and nature of its business. Doing so will optimize functional loans and eradicate the issue of loans that are not performing and create sound asset quality measures capable of increasing performance (Okoh et al., 2016). The Shift-ability theory on the other hand, advocated for liquidity maintenance by shifting of assets to a liquid form so as to have access to liquid resources in other to achieve it liquidity needs. Banks in need of liquidity can sell out assets to a desiring buyers so as to have liquidity in other to respond to it obligations as the fall due. More so, it helps banks in dislodging redundant assets to create good quality for its asset and obtain a desired level of liquidity (Okoh et al., 2016).

4. Methodology

The study examined effects of credit management practices on the performance of banks quoted on the floor of Nigerian Exchange Group. Considering the nature of the study, correlational and ex-post facto research design. This design is appropriate in evaluating the secondary data sourced from books of account of banks quoted on the floor of Nigerian Exchange Group for a decade, covering from the year 2013 to 2022. Fourteen (14) banks quoted on the floor of Nigerian Exchange Group as at December, 2022 were examined. The study made use of adjusted population of 12 listed Deposit Money Banks in Nigeria, thus representing 86% of the population. To arrive at the adjusted population, the following filters were used;

- i. Firms to be selected as part of the sample must be quoted on the floor of the Nigerian Exchange Group prior to the base year (2013)
- ii. Firms to be selected must never miss a period on the floor of Nigerian Exchange Group.
- iii. Firms to be selected must have complete information for the period

Upon the application of the above filters, Eco bank and Jaiz Bank were excluded because Eco Bank was delisted in 2015 and Jaiz Bank was not listed on the Nigerian Exchange group in 2013.

Table 1: Adjusted population

S/N	Companies	Date incorporated	Date Listed
1	Access Bank Plc	8th February, 1989	18th November, 1998
2	FCMB Bank Plc	20th November, 2012	21st June, 2013
3	Fidelity Bank Plc	19th November, 1987	17th May, 2015
4	First Bank Plc	13th August, 1984	26th November, 1971
5	Guaranty Trust Bank Plc	20th November, 1960	9th September, 1996
6	Stanbic IBTC	14th March, 2012	23rd November, 2012
7	Sterling Bank Plc	25th November, 1960	17th August, 1993
8	UBA Bank Plc	23rd February, 1961	31st March, 1970
9	Union Bank Plc	12th November, 1917	1st January, 1979
10	Unity Bank Plc	27th April, 1987	22nd December, 2005
11	Wema Bank Plc	2nd May, 1945	13th February, 1991
12	Zenith Bank Plc	20th May, 1990	30th May, 1990

Source: Extracted from NGX website, 2022

Measurement of variables

The measurement and variables are provided as follows.

Table 2: Variables of the study and their measurement

Variables	Denotation	Measurement	Expectations
Dependent Variable Performance	NIM	Net Interest income to Total assets (Khan <i>et al.</i> , 2021)	
Independent Variables Asset Quality	AQ	Ratio of loan impairment charges to total assets (Ayiro <i>et al.</i> , 2022; Mnyampanda & Chindengwike, 2021)	Positive
Credit risk	CR	Ratio of non- performing loans to total loans of banks (Otitolaiye, 2020; Okoh. <i>et al.</i> , 2019)	Positive
Liquidity risk	LR	Ratio of current assets to current liabilities (Omorokunwa & Ogbeide, 2020; Okoh. <i>et al.</i> , 2019)	Positive

Sources: Researcher’s compilation

Model Specification

A panel regression model is considered suitable for the study because it aptly depict the nature of relationship between the explanatory variables (credit risks management mechanisms) and the explained variable (performance) of banks quoted on the floor of Nigerian Exchange Group. Below is a mathematical denotation for the model:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \dots + \beta_n X_{nit} + \mu_{it} \text{ ----- (1)}$$

Therefore, the explained and explanatory variables were substituted in the first model to arrive at the second model

$$NIM_{it} = \beta_0 + \beta_1 AQ_{it} + \beta_2 CR_{it} + \beta_3 LR_{it} + \mu_{it} \text{ ----- (2)}$$

Where;

- β_0 = Intercept.
- $\beta_1- \beta_3$ = Coefficients of the explanatory variables.
- NIM = Net interest Margin,
- AQ = Asset Quality
- CR = Credit Risk
- LR = Liquidity Risk
- μ = Error term
- it = Firm ‘i’ at time ‘t’

5. Results and discussion

Table 3: Descriptive statistics

Variables	Obs.	Mean	Std. Deviation	Min.	Max.
NIM	120	0.0480765	0.0294835	0.0132881	0.3269946
AQ	120	0.6269167	0.1092972	0.18	0.97
CR	120	0.1301706	0.9031215	0.0005437	9.915524
LR	120	0.9855833	0.3258287	0.08	1.7

Source: STATA version 14.0

One-hundred and twenty (120) observations were generated for 10 years across 12 listed deposit Money Banks in Nigeria. The average net interest income represented approximately 5% of the total assets of listed deposit money banks studied. NIM had a minimum of 0.133 and a maximum of 0.327, suggesting that, the least profitable banks' net Interest income was 1.33% while 32.70% represented the maximum NII. From the range, between the minimum and maximum, it can be deduced that, there is wide variability for performance within the studied period.

Asset quality had a minimum value of 0.18 and maximum value of 0.97. The mean of approximately 63%, showed that the ratio of loan impairment charges to total assets is very high, indicating lower asset quality, thus leading to decline in performance. Credit risk (a comparison between loans that are not performing to the total loans) had a minimum value of 0.0005437 and a maximum value of 9.915524. The average of 13% indicated a large amount of non-performing loans, which will reduce the amount of profitability. Liquidity ratio had an average of 0.98, indicating that listed Deposit Money banks for the period had liquidity problems as the components of current liabilities exceeded the current assets. This will affect the banks in meeting up with it obligations as at when due. Hence it will reduce the bank’s profitability.

Table 4: Correlation analysis

	NIM	AQ	CR	LR
NIM	1.0000			
AQ	0.1022	1.0000		
	0.2665			
CR	-0.0800	-0.0206	1.0000	
	0.3850	0.5793		
LR	-0.3712***	0.0661*	-0.0547	1.0000
	0.0000	0.0124	0.5527	

Source: STATA version 14.0

The coefficient of correlation between assets and net interest margin of quoted banks on the floor of Nigerian Exchange Group is 0.1022, which is statistically insignificant at any level 1% (0.2665). This implies that assets quality move in the same direction with net interest margin but it does not influence it. Credit risk revealed a negative relationship with net interest margin to the tune of -0.0800. It connotes that, credit risk move in opposite direction with net interest margin of listed Deposit Money Banks in Nigeria. Liquidity ratio showed a co-efficient value of -0.3712 which is statistically significant at 1% (0.0000). This shows that weak liquidity ratio in quoted banks on the floor of Nigerian Exchange Group adversely affects the performance of these banks.

Table 5: Random effect regression result, pre and post estimation

NIM	Coefficients	Z	P>(Z)	VIF	1/VIF
AQ	-.0035714	0.13	0.885	1.06	0.944102
CR	-.0028958	-1.04	0.300	1.01	0.992742
LR	-.0348044	-3.97	0.000	1.06	0.943739
Constant	.0805171	4.19	0.000		
Mean				1.04	

Hottest	= 237.40
Prob.	= 0.0000
Breusch-Pagan	
Chi(1)	= 237.40
Prob.	= 0.0000
Model Fitness	
R ² between	= 0.4526
Wald-Chi ² (3)	= 16.99
Prob > chi ²	= 0.0007
Langrangian multiplier test	
Chibar2(01)	= 0.20
Prob.	= 0.3268

Pre and post estimation test

Multicollinearity test was conducted for the data set using Variance Inflation Factor (VIF) and the Tolerance Value (1/VIF). All the VIF values are less than 10 and the tolerance values were less than 1 and these are in line with the rule of thumb. The Breusch-pagan's test for heteroskedasticity conducted showed a value of chi square of 237.40 with a probability that is significant at 1% (0.0000). This implies that, the OLS regression result cannot be relied upon for analysis. The fixed effect and random effect regression were conducted and the langrangian multiplier test conducted suggested the interpretation of random effect regression.

The random effect regression had a Wald-chi² statistics of 16.99 with a probability that is statistically significant at 1% (0.0007) which is an indication that the model is fit for analysis. This showed that, credit management had effect on the performance of quoted banks on the floor of Nigerian Exchange Group. The R² between of 45.26% showed that, the explanatory variables (asset quality, credit risk and liquidity ration) explained the explained value to the tune of 45.26% while the remaining was caused by factors not captured in the model.

Random effect regression result

Asset quality had a negative coefficient value of (-0.0035714) and a Z-value of 0.13 which is statistically insignificant. On the basis of this finding, we reject the null hypothesis H₀₁ formulated. This result revealed that asset quality of quoted banks on the floor of Nigerian Exchange Group had insignificant negative effect on net interest margin for the period under study. This finding contravened the findings of Ayiro *et al.*, (2022), Ginlio, et al., (2021) and Abdulkarim, (2017). Credit risk of quoted banks on the floor of Nigerian Exchange Group had a negative coefficient value of -0.0028958 with a Z-statistics value of -1.04 which is statistically insignificant (0.300). Therefore, on the basis of this finding, the null hypothesis H₀₂ formulated is rejected. The result is contrary to that of Mbotto *et al.*, (2022), Ogunmakinju, (2022) and Otitolaiye (2020)

Liquidity risk had a negative coefficient value of -0.0348044 with a Z-statistics value of -3.97 which is statistically significant at 1% (0.000). This implies that, increase in the liquidity risk decreases the net interest margin of quoted banks on the floor of Nigerian Exchange Group. The poor state of liquidity management had adverse effect on the performance of quoted banks on the floor of Nigerian Exchange Group. This is evident with the spate of banking collapse in Nigeria. On the basis of this finding, the study fail to reject the null hypothesis H₀₃ formulated. This finding contravened that of

Nwanna *et al.*, (2017), but is consistent with those of other researchers (Adeusi *et al.*, 2023; Suyanto, 2021; Olga *et al.*, 2019; Nguyen *et al.*, 2017).

6. Discuss of findings

From the result obtained, asset quality and credit risks were statistically insignificant and hence, prediction cannot be made with respect to the influence they have on the dependent variable. On the contrary, liquidity risk has statistical and negative effect on performance of listed deposit money banks in Nigeria. This implies that, listed deposit money banks in Nigeria has serious liquidity risk that is posing serious risk to financial performance of banks in Nigeria. Liquidity challenges restricted customers from having access to its cash as at when needed and this is adversely affecting the image of these banks and consequently, reducing it performance. To avert this challenges, banks must ensure ample amount of liquidity is readily made available to cater for customers obligations as at when due.

7. Recommendations

From the conclusions drawn, the findings recommends that, to increase financial performance, Inherent liquidity risks should be avoided so as to provide enough resource to strengthen asset quality and minimize credit risk. This is because, the more liquidity risk prone a bank is, the lower it performance metric which eventually threatens it existence.

8. Conclusion

The study examined credit management mechanism on performance of quoted banks on the floor of Nigerian Exchange Group for a period of 10 years starting from 2013 to 2022 and found that, higher liquidity risk had significant negative effect on the performance of quoted banks on the floor of Nigerian Exchange Group. Conclusions drawn from the result are thus; asset quality and credit risk had insignificant negative effect on performance of quoted banks on the floor of Nigerian Exchange Group but liquidity risk had significant negative effect on performance of quoted banks on the floor of Nigerian Exchange Group.

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