Effect of Credit Risk on Financial Performance of Listed Deposit Money Banks in Nigeria

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Abstract

Banks are the largest financial institutions, with numerous branches and subsidiaries around the globe. However, the business of banking is not without drawbacks. Credit risk is one of the major threats facing the banking industry. This is due to the fact that money deposit banks derive a significant portion of their income through granting of credit. This study examines the effect of credit risk on financial performance of listed money deposit banks in Nigeria. The study utilized return on equity (ROE) as proxy for financial performance, while credit risk was represented by non-performing loan ratio (NPLR), loan loss provision (LLP), capital adequacy ratio (CAR) and; loans and advances to total deposit (LATD). The study adopts correlation research design and utilized secondary data extracted from the published accounts of the 14 listed money deposit banks in Nigeria from 2011 - 2020. Multiple regression was used for data analysis and results revealed LLP and CAR as having a direct and significant relationship with ROE, while NPLR and LATD have an insignificant effect on ROE. The study therefore recommends among others that quoted money deposit banks should raise the loan loss provision reserves to enable them give additional loans and absorb credit losses if they arise.

Keywords: Credit risk, Non-performing loan, loan loss provision, return on equity.

Introduction

The banking industry of any nation plays essential roles in the process of the economic development and advancement. As financial intermediaries, the industry facilitates the mobilization of financial resources from surplus units to deficit units, thereby ensuring efficient allocation and utilization of funds (Campbell, 2007). To play these crucial roles on a sustainable basis, the banks must have sound corporate risk management systems in place to forestall the possibility of insolvency, illiquidity and eventual failure.

Globalization offers great opportunities for banks' growth, nevertheless it brings with it more challenges than can be handled by the traditional management strategies. Credit risk constitutes a major threat to banks. It is a product of default

by a debtor which may be due to refusal or incapability to pay as per the contractual agreement. This risk has an effect on a bank's book value, as it heightens probability of a bankruptcy. As a result, depositors' fund is in danger (Bizuayehu, 2015). Globalization offers great opportunities for banks' growth, nevertheless it brings with it more challenges than can be handled by the traditional management strategies. Credit risk constitutes a major threat to banks. It is a product of default by a debtor which may be due to refusal or incapability to pay as per the contractual agreement. This risk has an effect on a bank's book value, as it heightens probability of a bankruptcy. As a result, depositors 'fund is in danger (Bizuayehu, 2015).

One of the notable financial crises is credit risk, which has to be cautiously monitored and supervised, so as to reduce default rate (Noomen & Abbes, 2018). General lack of a monitoring process on credit records, which includes not following up after banks give credit, and instability of governance are contributors of increased credit risk in banks. It is essential for any bank as a lender to continuously monitor the borrower's ability to repay the debt (Addae-korankye, 2014). However, credit is a major source of revenue generation for the banking sector, though the exercise encompasses colossal threats to the banks as well as the customers. The banks' operations can be greatly hampered by the failure of customers to fulfil their contractual obligations as at when due. More so, high credit risk increases the probability of bankruptcy of a bank, thereby jeopardizing depositors' funds (Kargi, 2011).

Generally, risk is an unclear event that could affects atleast business plan. In other words, the risk is the possibility that quantifiable damage, injury, liability, loss, or any other negative occurrence may happens as a result of external or internal exposure that could be avoided if proper plans are considered. (Boateng 2020)

According to Campbell(2007), credit risk refers to the probability of incurring losses resulting from non-payment of a loan (principal and/or interest) by a debtor .The risk is more common in the financial industry principally the banking sector. It is a major risk encountered by commercial banks. The Nigerian banking sector witnessed financial booms in the late 1990s. However, as the numbers of the actors' grow significantly in the system, the banks experienced increase in non-performing loan and this contributed significantly to the financial agony of the sector. In addition, the presence of greedy debtors who often abandon their debt responsibilities in one bank only to contract new debts in other banks also

contributed to the mess. This could be attributed to the exponential increase in the number of banks as against the prevailing capacity of the human resources of the banks. This gave birth to a number of other problems including poor asset quality, inadequate credit appraisal, and corruption. Consequently, the number of distressed banks increased (Sanusi, 2002). Kargi 2011) also attributed the excessive rate of non-performing loans to low level of corporate governance, one-sided credit policy as well as the non-existence or lack of observance of credit management policies.

Risk in the listed deposit money banks can be ascertained through capital adequacy ratio. Capital adequacy is an indicator of the financial strength of a bank revealed by the extent to which the bank's capital is able provide cushion to its risky loans (John & Okika, 2019). Mendoza and Rivera (2017) state that capital adequacy ratio enhances the financial stability of banks and improves b their ability to protect depositors' funds. The quality and strength of capital influence profitability. This is because low level of Capital Adequacy Ratio (CAR) leads to higher borrowing cost which lowers profit. Capital adequacy, therefore, impacts banks' performance (Kwado, 2019). Credit risk has also been defined as the probability of suffering a loss due to the failure of customers or related party to meet their financial duty to the bank (Heffernan, 1996). According to the Basel Committee of Banking Supervision (2001), credit risk refers to the likelihood of not recovering the balance on a loan, as a result of defaults. It also looked at credit risk as the possibility that a debt may default in his debt obligations. It asserts that banks are constantly confronted with credit risk emanating from the issuance of different facilities.

Furthermore, the credit risk can also be measured using non-performing loan profiles. Etale, Ayunku and Etale (2016) posit that the introduction of the prudential guideline by the Central Bank of Nigeria (CBN) in 2010 was direct response to the growing incidence of non-performing loan portfolios in the Nigeria deposit money banks. A loan is classified as non-performing where interest charge on the loan or the facility itself is mature for payment and unpaid for a period of 90 days and more; and where there is a capitalization of interest which results to a new loan status through rearrangement and rolled over. The prudential guidelines subdivide non-performing credit facilities into three categories which are, substandard, doubtful or lost (CBN, 2010).

However, in spite of the CBN's prudential guidelines, the rate of non-performing loans is on the increase. According to NDIC (2013), non-performing loans rose from 286.09 billion naira in 2012 to 321.66 billion naira in 2013, representing an

increase of about 11.06%. In addition, IMF report (2018) for Nigeria shows an increase from 5% to 15.6% of non-performing loans in relation to total loans between June 2015 and October 2017. Non-performing loans can have significant effect on banks operations as witnessed in the recently collapsed Diamond Bank Plc, whose huge non-performing loan level led to its impairment charges of 25 billion naira yearly. The bank consequently reported a profit after tax of less than 3 billion naira in its 2018 nine-month financial report (Nelson, 2018)

Therefore, the objective of this study is to examine the impact of credit risk on financial performance of listed deposit money banks in Nigeria for the period of 2011 to 2020, while specifics objectives is as followed
i. To examine the effect of non-performing loans of listed Nigeria money deposit banks.
ii. To determine the effect of loan loss provision on the financial performance of listed Nigeria money deposit banks.
iii. To investigate how capital adequacy ratio affect the financial performance of listed Nigeria money deposit banks.
iv. To evaluate the effect of loan and advances-total deposit ratio on the financial performance of listed Nigeria money deposit banks.

The hypotheses were in null form, while remaining parts of the study is structured as follows: Literature review, methodology, data presentation and discussion of findings, conclusion and recommendations.

Literature Review
Abiola and Olausi (2014) investigate the impact of credit risk management on the commercial banks performance in Nigeria. The study covers a period of seven years (2005 – 2011). Financial reports of seven commercial banking firms were used. The panel regression model was employed for the estimation of the model. Return on equity (ROE) and return on asset (ROA) were used as the performance indicators while non-performing loans (NPL) and capital adequacy ratio (CAR) were used as credit risk management indicators. The findings revealed that credit risk management has a significant impact on the profitability of commercial banks in Nigeria.

Gizaw, Kebele and Salvaraj (2015) examined the impact of credit risk on the profitability of commercial banks in Ethiopia for the period of 2003-2012. Eight (8) commercial banks were used as sample for the study. Credit risk was measured

with non performing loan ratio, capital adequacy ratio, loan and advances ratio and loan loss provision ratio. Profitability on the other hand, was represented with both ROA and ROE. Secondary data were collected from annual reports of respective banks and the National Bank of Ethiopia. The results reveal that credit risk measures: loan loss provision and capital adequacy ratio have a significant impact on the profitability of Ethiopian banks.

Abu, Sadjeda, Mustafa and Hasanul (2015) examined the effect of credit risk on the banking profitability: A case on Bangladesh. 172 firms were extracted, for the period between 2003-2013, OLS random effect model, GLS & GMM were used to evaluate the relationship between the indicators credit risk and that of profitability proxied at ROAA, NIM and ROEE. The result revealed a negative significant effect of capital assets ratio on ROAE, also GMM, GLS were found into be negatively significant, while some policy implication was adviced to be used in the profitability that will protect the banks from crisis.

Bizuayehu (2015) conducts a study on how credit risk affects bank financial performance in Ethiopia. Data obtained from secondary source were eight banks audited annual reports of Ethiopia. The study employed multiple regression analysis with performance proxied (ROE) as dependent variable, while the perimeters for assessment were non-performing loan, capital adequacy, bank size, loan and advance to deposit ratio, inflation and GDP. Non-performing loan and capital adequacy are inversely correlated and significant with ratio banks financial performance. Hence, there was positive significant relationship between loan to deposit ratio and bank size on banks financial performance.

Ebrahim, Khalil, Mohamed and Xiangpei (2016) study how credit risk affect banks' performance in Yemen between period of 1998-2013. The study utilizes a quantitative approach, secondary data obtained from annual reports of a cluster sample of six (6) banks and the world development indicators data base for sixteen years (1998-2013) period was used to ascertain their relationship. The study employed return of assets (ROA) proxied for banks performance while credit risk was represented by the ratio of loan and advances to total assets, and non performing loans ratio. The study also includes macroeconomic indicators, GDP and inflation in the model. Evidence of causal association in the credit risk indicators (LA and NPL) and ROA were revealed, which confirmed the presence of casualty on stated hypotheses that credit risk affect bank performance in Yemen. However, while the ratio of loan and advances has a positive effect, non-performing

loan adversely significantly affected. The macroeconomic variables were found to be insignificant. The neutral effect of the GDP and inflation justifies their irrelevance in the model, and thus has little or no relation with credit risk.

Syed M. H. (2017) examines the impact of credit risk management as it affected the bank performance in Pakistan. Data were extracted from official website of the banking sector survey, pooled regression were used, to find the relation between the credit management and the banking sector. The result on ROA on the capital, adequacy ratio, non-performing loan ratio, loan loss provision ratio, were significantly related while liquidity ratio, loan and advances and size of the were positively related with ROE. Hence, it was on the pooled panel regression that credit risk management negatively influence the performance of the banking sector in Pakistan.

Ndubuisi and Amedu (2018) studied the Relationship between Credit Risk Management and Bank Performance in Nigeria using Fidelity Bank Nigeria PLC as a case study. The statistical analysis for the study was done using Pearson Correlation Coefficient. The findings of the study reveal that there is weak significant relationship between credit risk management and bank performance in Nigeria. The study concludes that there is no significant relationship between credit risk management and bank performance in Nigeria and it recommend that deposit money banks should establish sound competent risk management units which must adopt best practice in risk management.

Nwude and Okeke (2018) investigated the impact of credit risk management on the performance of deposit money banks in Nigeria, using five banks that had highest asset base. Ex-post facto research design was adopted using dataset for the period 2000–2014 collated from the annual reports and financial statement of the selected deposit money banks. Three hypotheses were proposed and tested using ordinary least square regression model. The findings reveal that credit risk management had a positive and significant impact on total loans and advances, the return on asset and return on equity of the deposit money banks.

Adegbie and Dada (2018) evaluated the effect of risk asset and liquidity management on the sustainable performance of Deposit Money Banks in Nigeria. The study adopted both the ex-post factor and survey research methods. The population of this study comprised the Deposit Money Banks operating in the banking industry while the samples were three banks in addition to Central Bank

of Nigeria as sample representatives. Primary data were used to obtain opinions of respondents while secondary data were used to analyze the actions taken by the managers. Both descriptive statistics and regression analysis were used for the analyses with the aid of Statistical Package for Social Sciences. All analyses were based on level of significance 0.05., and four hypotheses were tested. The findings showed that there are strong relationships between risk asset management, liquidity management and sustainable performance in Nigeria Deposit Money Banks. The study concluded that effective risk asset management and liquidity management remain the nuclear of the banking industry to maintain sustainable performance.

Mayowa and Ehi (2019) examine the impact of credit risk management and the performance of Deposit Money Banks (DMBs) in Nigeria from (2006-2016) Generalized Method of Moments (GMM) and Granger causality techniques were used. The study revealed a direct and statistically significant relationship between DMBs credit risk management variables measured by capital adequacy ratio, non-performing loan ratio and loan loss provision ratio and performance measured by return on asset. However, there is a significant inverse relationship between liquidity ratio and DMBs performance which is an indication that excess liquidity not properly managed as credit facility will eventually leads to a reduction in the financial performance of DMBs.

Oduro, Asiedu and Gamali (2019) identified the factors that determine the level of bank credit risk and further estimate the effects of bank credit risk on corporate financial performance using financial data from banks on the Ghana Stock Exchange over a 15-year period from 2003 to 2017. Using the method of 2SLS, it was observed variables such as capital adequacy, operating efficiency, profitability, and net interest margin are inversely related to credit risk. Conversely, bank size and financing gap tend to relate positively with credit risk. Also, annualized changes in inflation tend to positively affect credit risk. Again, it was observed that, increase in bank credit risk negatively affects corporate financial performance which is consistent with Basel accord. Thus, for banks to survive in their industry, critical attention needs to be paid to management of its credit risk exposure.

Gadzo, Kportorgbi and Gatsi (2019) assessed the effect of credit and operational risk on the financial performance of universal banks in the context of the structural equation model (SEM). Data were collected from all the 24 universal banks in Ghana without missing variables and using the PLSSEM, the results showed that credit risk influences financial performance negatively contrary to the empirical

study but in line with the information asymmetry tenant of the lemon theory. It was also found that operational risk influences the financial performance of the universal banks in Ghana negatively. Furthermore, the study indicated that bank specific variables measured by (asset quality, bank leverage, cost to income ratio and liquidity) significantly influence credit risk, operational risk as well as the financial performance of the universal banks positively.

Akinselure & Akinola (2019) examines how credit risk management affects the financial performance of deposit money bank, 13 Nigeria banks data were extracted online, UPPS statistical software was used to analyse the data. The result shows a significant relationship with the bank relationship. The study then recommended strategies of repayment on any loan granted to keep on the standard as they fall due.

Cheng, Takyi, Richard and Mandella (2019) empirically examined the relationship between credit risk management and profitability of Ghana's firm, ROA was used to ascertain the performance. The result revealed that nor-performing rate ratio and assets growth ration were negatively and significantly related to the firm's profitability while cost per loan asset ratio and capital reserve ratio were positively related to the profitability of Ghana firms. Hence they recommend an efficient credit risk management to guide their profitability since credit risk is negatively related to the profitability of firms in Ghana.

Summarily, the review work has done much justice to subject matter the effect of credit risk and the performing of banks' profitability, though with varying significant results like Akinselure and Akinola (2019), Mayowa and Ehi (2019), Adegbie and Dada (2018), Abiola and Olausi (2014), Hosna, Manzura and Juanjuan (2009), Agyei, Hymore and Dusah (2012), Ogboi and Unuafe (2013), Siba (2012) submitted significant positive relationship between credit risk management an banks profitability. However, the likes of Kolapo, Ayeni, and Oke (2012), Abu, Sadjeda, Mustafa and Hasanul (2015). Also, different time lag considered in most of the reviewed paper were too small like Hosna, Manzura and Juanjuan (2009), Agyei, Hymore and Dusah (2012), Ogboi and Unuafe (2013) and Wanjohi (2013) and some were also not same method analysis that will amount to volatility in nature, and while some like panel data were not capable to capture this observed volatility in most of the empirical studies. However, study to clear the doubt on this issue was necessary for this topic captioned on credit risk management and the profitability of banks in Nigeria.

Theoretical Framework
This study is underpinned on the information asymmetry theory propounded by George Akerlof, Michael Spence and Joseph Stieglitz in 1970s. Hence, the theory suggests that imbalance of information between purchasers and vendors may result in unproductive results in particular markets. The theory emphasizes the difficulty in distinguishing a worthy from unscrupulous borrower, which can lead to selection bias (Ewert, Szczesmy & Schenk, 2000).

Normally, the person with the relevant information regarding a given transaction possesses higher bargaining power to negotiate better conditions for the transaction compared to the other person (Auronen, 2003; as cited in Otieno & Nyagol, 2016). The person with less information regarding the transaction can make right or wrong decision on the matter. Non-performing loan which is by-product of loan defaults usually flourish in the information asymmetry situation due to inadequate credit information disclosure system.

Since loans form huge proportion of credit in the banking sector, banking business is normally confronted with challenges of loan quality. Low loan quality begins from the information handling stage and then progress to the loan approval level, monitoring as well as controlling phases. This difficulty is over blown particularly in situation where credit risk management rules are not in existence, feeble or inadequate (Ezekiel, 1997).

Methodology
The study adopts correlation research design. The design was used since it allows an insight into the nature and extent of association or relationships of the variables. However, this Correlation matrix helps to verify the method adopted to generalize findings to the population. That is establishing the existence of relationship between two or more variables, such as dependent and independent variables. The study covers a period of 10 years, 2011 to 2020. This period was faced with many issues such as the economic recession of 2016, the introduction of the Nigeria code of corporate governance of 2018, and the Covid-19 pandemic with its attendant effects on all organizations. The population of the study consist of the14 quoted money deposit banks on the Nigeria stock exchange as at 31st December, 2020. The sample of the study is 12 listed deposit money banks. Eco bank Plc and Jaiz bank Plc were excluded from the study due to paucity of data during the study period. The data were extracted from the audited annual reports of the sampled banks for the period under consideration. The data extracted were in respect of the independent variables

of Non-Performing Loan ratio (NPLR), Loan Loss Provision (LLP), Capital Adequacy ratio (CADR), and Loan and advances to Deposit Ratio (IATDR) and the dependent variable of Return on Equity (ROE).The study used multiple regression technique as a tool of analysis with the aid of STATA software.

Variable Measurement and Model Specification
Based on existing theoretical literature and empirical evidence from prior studies, this study used ROE as dependent variable whereas non-performing loan ratio, loan loss provision, capital adequacy ratio and; loan and advances to total deposit ratio were used as explanatory variables.

Table 3.1 Variables Measurements

Variables	Nature	Measurement	Source
Return on equity (ROE)	Dependent Variable	Net income /Shareholders' equity.	Hosna, Manzura&Juanjuan (2009)
Non- performing loan ratio (NPLR)	Independent Variable	Non-performing loan/Total loan	Kargi (2011),
Loan loss provision	"	Loan loss provision/classified assets	Kolapo, Ayeni and Oke (2012)
Capital adequacy ratio (CAR)	"	Total equity/Total assets	Berger (1995)
Loan& advances/Total deposit ratio (LATDR)	"	Total loans and advances/Total deposits	Kargi (2011)

Source: Author's compilation**,** 2018.

Model Specification
The model for the study is represented by the following regression equation:
$$ROE_{it} = \beta_O + \beta_1 NPLR_{it} + \beta_2 LLP_{it} + \beta_3 CAR_{it} + \beta_4 LATDR_{it} + \beta_5 Age_{it} + \beta_6 Size_{it} + \mathcal{E}_{it}$$
Where;
*RO*E = Return on Equity
NPLR = Non-performing loan ratio
LLP = Loan loss provision

CAR = Capital Adequacy Ratio
LATDR = Loan and advances to Deposit Ratio
Age = Bank age
Size = Bank size
Ɛis the stochastic error term
βo = the intercept
β₁-β₄ = parameter estimates
Data Presentation and Findings

Table 4.1: Descriptive Statistics

Variables	**Observation**	**Mean**	**Std. Dev.**	**Min.**	**Max.**
ROE	120	5.6764	41.9098	-394.32	110.69
NPLRI	120	7.8247	11.9695	-1.04	86.85
LLP	120	-3.0741	6.3973	-18.36	50.28
CAR	120	13.8620	4.7798	-10.37	28.28
LATD	120	0.7818	1.2117	0.24	13.8
Age	120	26.0583	15.0825	7	52
Size	120	20.9056	0.8457	19.12	22.9

Source: STATA output (2021).

Table 4.1 reveals that return on asset (ROE) has a mean of 5.6764 with minimum and maximum value of -394.32 and 110.69. In addition, the ROE variable has a standard deviation of 41.9098, which signifies that there is wide dispersion in the level of return on equity among the listed money deposit banks in Nigeria over the period of study. From the table it is revealed that non-performing loan ratio (NPLR) has a minimum value of -1.04 and maximum of 86.85 with average value of 7.8247. The NPLR has a standard deviation of 11.9695, which suggests that the NPLR variable is widely dispersed. Furthermore, results from the table show that loan loss provision (LLP) has a minimum and maximum value of -18.36 and 50.28, with average value of -3.0741. Also, the standard deviation of 6.39 indicates that the LLP is widely dispersed. Capital adequacy ratio (CAR) has a minimum value of -10.37 and maximum of 28.28 with an average of 13.86.In addition, the table shows that LATD has a mean value of 0.7818, indicating that the ratio of loans and advances to total deposits was about 78.55% during the period under investigation. The values of the loan and advances to total deposits ratio (LATD) range from a minimum of 0.24 to a maximum of 13.80, with a standard deviation of 1.21.

Correlation Matrix

Table 4.2 presents the correlation coefficients of the study as follows:

Variables	ROE	NPLR	LLP	CAR	LATD	AGE	SIZE
ROE	1.0000						
NPLR	-0.0859	1.0000					
LLP	0.3376	0.1236	1.0000				
CAR	0.3582	-0.1478	-0.0250	1.0000			
LATD	0.0421	-0.0580	-0.0147	0.0129	1.0000		
AGE	-0.0962	0.0128	0.1162	-0.3346	0.0940	1.0000	
SIZE	0.2292	-0.2918	-0.0772	0.0267	0.1161	0.1471	1.0000

Source: STATA Output (2021).

Table 4.2 shows that there is an inverse relationship between non-performing loan ratio and ROE, from the correlation coefficient of -0.0859. However, all the other independent variables have direct relationship with ROE. Furthermore, it is obvious from table 4.3 that there is absence of multicollinearity problem in the estimated model.

Table 4.3: Summary of Regression Results (Fixed effect model)

Variables	Coefficients	Std. Error	t	P > (t)
Constant	-371.1976	253.0308	-1.47	0.145
NPLR	0.0028	0.3206	0.01	0.993
LLP	3.1511	0.5953	5.29	0.000
CAR	3.2762	0.8507	3.85	0.000
LATD	-0.7372	2.7567	-0.27	0.790
AGE	1.1711	1.7881	0.65	0.514
SIZE	14.885	13.5204	1.10	0.274
Obs.	120			
F – Statistic	9.54			
Prob. > F	0.0000			
R^2	0.3595			

Source: Author's computation (2021) using STATA

Table 4.3 shows that the independent variables accounted for about 35.95% of the total variations in the dependent variable (from R^2 value of 0.3595). Also, the F-statistics of 9.54, which is significant at 1% level further attest the fitness of the model. The results from table 4.3 demonstrate that NPLR has an insignificant relationship with ROE, given the p-value of 0.993. However, the results show that loan loss provision (LLP) has a direct and significant association with ROE, from coefficient of 3.1511and p-value of 0.000. The results also indicate the coefficient

of CAR as 3.2762 with p-value of 0.000. This implies that capital adequacy ratio has a direct and significant relationship with ROE of quoted money deposit banks in Nigeria. However, loan and advances to total deposit ratio (LATD) exhibits an insignificant interaction with ROE.

Discussion
An examination of Table 4.3 reveals that non-performing loan has an insignificant impact on ROE. This result contradicts prior expectations as well as the findings of Kargi (2011), Bizuayehu (2015), Gizaw, Kebele and Salvaraj (2015), Ebrahim, Khalil, Mohamed and Xiangpei (2016). Table 4.3 also shows that loan loss provision (LLP) has a positive and significant impact on ROE of listed money deposit banks in Nigeria. The result reveals that a unit increase in LLP will lead to a 3 unit increase in ROE. This result indicates that commercial banks with higher loan loss provision reserves will be able to give more loans and be able to contain losses that may result therefore. The outcome is line with the work of Gizaw, Kebele and Salvaraj (2015) but contradicts Kolapo, Ayeni and Oke (2012) that reported an indirect relation between loan loss provision and banks' performance.

The results from this study also indicate that capital adequacy ratio (CAR) has a direct and significant influence on ROE of listed money deposit banks in Nigeria, implying that an increase in CAR is associated with increases in profitability. The result suggests that probability of bankruptcy is lower for banks with adequate capital. The finding is in line with those of Abiola and Olausi (2014), Gizaw, Kebele and Salvaraj (2015) but in contrast to Ravi (2012), Bizuayehu (2015). Loan and advances to total deposit (LATD) on the other hand has an insignificant association with ROE, having a p-value of 0.790. The findings corroborate those of Kolapo, Ayeni and Oke (2012), Bizuayehu (2015), Ebrahim, Khalil, Mohamed and Xiangpei (2016). It is however contrary to the outcomes of the works of Kargi (2011), Gizaw, Kebele and Salvaraj (2015).

Conclusion and Recommendations
The results show that both LLP and CAR are positively and significantly associated with ROE. However, NLPR as well as LATD were found to be insignificant. Based on these findings, this study provides sufficient evidence that credit risk significantly influences financial performance of quoted money deposit banks in Nigeria. Therefore; there exists a positive and significant relationship between capital adequacy ratio and ROE of listed money deposit banks in Nigeria. It therefore follows that the propensity of well-capitalized banks going bankrupt is

low, which brings to a minimum, their funding costs and risks. Furthermore, the stronger the capital base of a bank, the more its ability to absorb likely loses from loans, thus avoiding insolvency and failure. The work also indicated that loan loss provision has a positively significant union with ROE. The study therefore concludes that banks with high loan loss provision reserves can withstand bad debts and eventually non-performing loans. Furthermore, findings from the study shows that loan and advance to total deposit ratio have a positive, though insignificant effect on ROE. It therefore concludes that more loans and advances lead to higher financial performance of listed money deposit banks in Nigeria. Lastly, non-performing loan ratio was shown as having a negative and insignificant union with ROE. The study therefore concludes that profitability (ROE) decreases when non-performing loans increase

In line with the findings, this study recommends that given the importance of capital adequacy to solvency, quoted money deposit banks in Nigeria should sustain the current capital base. This will enable them to continue to be solvent and at same time reduces the chances of failure of the financial sector. In addition, listed money deposit banks in Nigeria are required to increase their loan loss provision reserves to enable them give out further loans and be able to contain possible credit losses upon their occurrence. By way of policy implication, there should be a policy for short-term periodic review of prudential guidelines and other regulations governing banking operations with respect to loan facilities, which will address evolving issues relating to credit risks.

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