

ABSTRACT

The global phenomenon in the financial service industry is the consolidation of the financial activities towards ensuring financial stability. It is occurring at a rapid pace due to changes in economic environment, which often alter the constraints faced by financial service firms. At the same time, the changes is battling to combat poor risk asset management which has been established by some studies to be the basic cause of bad debt, a major distress syndrome in the banking industry. The scenario has been argued to be a factor that downsizes banks' profitability within any fiscal year and often times destroys customers' confidence in banking. The present study attempted an evaluation of the effect of risk management in the Nigerian Banking industry in this era of consolidation. The major objectives were to determine the relationship between the income of banks and the volume of their risk assets; evaluate the effect of loan repayment on the profitability of banks; and lastly, to determine the impact of loan repayment on loanable funds available in the Nigerian banks. By employing the survey research method, the study used questionnaire instrument to generate the primary data needed for the study. The generated data were further subjected to chi-square inferential statistical test to determine if the null hypotheses formulated in chapter one were either validated or nullified. Testing at 95% confidence level with 8 degree of freedom, the null form for hypothesis one was not rejected. This implies that there is a negative relationship between banks income and the volume of their risk assets. But the null form for hypothesis two was rejected. The result showed that Loan Repayment has Positive effect on the bank's profitability. Lastly, the null for the third hypothesis was not again rejected. The implication was that Loan Repayment negatively affects the availability of loanable funds in banks. The findings of this study justify the fact that loan is the engine that drives money creation in the economy. Due to this crucial role, the study recommends among other things that banks should develop effective mechanism to overcome default risks and other information asymmetries.

TITLE PAGE

THE EFFECT OF RISK MANAGEMENT IN THE NIGERIAN BANKING INDUSTRY

BY

UGWU, USMUND CHIGBO
PG/MBA/99/30174

**BEING A RESEARCH PROJECT SUBMITTED TO THE FACULTY OF
BUSINESS ADMINISTRATION, DEPARTMENT OF MANAGEMENT,
UNIVERSITY OF NIGERIA, NSUKKA, ENUGU CAMPUS**

**IN PARTIAL FULFILMENT OF THE REQUIREMENTS FOR THE
AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA)
IN MANAGEMENT**

SUPERVISOR: MR C.O.CHUKWU

FEBRUARY, 2001