

## **EFFECT OF CREDIT RISKS ON FINANCIAL PERFORMANCE OF LISTED DEPOSIT MONEY BANKS IN NIGERIA**

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### **Abstract**

The low performance of the Nigerian banking sector was revealed by the Financial Stability Report of the Central Bank of Nigeria in 2020, which stated that the financial status of the Nigerian deposit money banks is very weak and not promising as their primary duties of financial intermediation and money creation may be affected in relation to their poor performance in almost all major banking performance indicators. In view of this, the study examined the effect of credit risks on the financial performance of listed Deposit Money Banks in Nigeria from the period of 2013-2022. The population of the study consisted of Nineteen (19) DMBs listed in Nigeria, seven (7) DMBs were later filtered out reducing the total population to twelve (12) adjusted population. Secondary data were extracted from the annual financial reports of the twelve (12) adjusted population from 2013 to 2022. The dependent variable which is financial performance was proxied by Return on Assets (ROA), while credit risks was proxied by Non-performing loan, Loan loss provision, and Insider lending whereas firm size was used as a control variable in the study. After all the necessary diagnostic tests were conducted the outcome supported the use of the Random Effect (RE) regression analysis technique. The regression result shows that Non-performing loan, and Insider lending had negative and significant effect on the financial performance of listed DMBs in Nigeria, while Loan loss provision had positive and significant effect on the financial performance of listed DMBs in Nigeria. Therefore, the study concluded that Non-performing loan, Loan loss provision and Insider lending are all determinants of DMBs financial performance in Nigeria. In line with the conclusion, the study recommended that the management of the listed DMBs in Nigeria should increase the rate of Non-performing loans and Insider lending to enhance their financial performance. Also, the management of the listed DMBs in Nigeria should increase their loan loss provision to promote their financial performance.

**Keywords:** Credit risk, deposit money banks, financial performance, Nigeria.

### **1.0 Introduction**

Corporate financial performance has been an issue of concern to many business owners and stakeholders around the world. The collapse of many organizations in the recent times, most especially the financial institutions such as Silicon Valley Bank, Credit Suisse, Signature Bank, First Republic Bank etc. have given the reason for the reassessment of challenges that led to the collapse of financial institutions across the globe (Thompson, 2023). The banking institutions in the process of carrying out their operations are greatly exposed to risks which affect their performance and in some cases resulting to the fall of these banks. In recent times, the global banking system has been in turmoil following the strings of bank failures in Europe and America (Power, 2023).

Similarly, in Nigeria the banking sector of the country has witness a lot of financial crises and challenges that have resulted to the failure of many banks in the country. For instance, the collapse of Oceanic Bank, Intercontinental Bank, Afri Bank, FinBank, Skye Bank Plc, Diamond Bank Plc, among others. These crisis where as a result of a huge problem of credit risk issues from the ever increasing level of non-performing loans in the financial institutions. According to Ogbemor *et al.* (2020), the major perpetrators of the credit risk challenges are insiders and in some cases corrupt staff of the top managements of these banks. In the case of Skye Bank Plc, a total loan amounting to ₦446 Billion naira was drawn from the bank to corporate individuals and insiders and were not recorded in any of the bank's previous annual reports and this led to the fall of this bank in 2018 (Daily Trust, 2018).

According to Okoh *et al.* (2019), credit risk represent one of the most serious financial risk challenges affecting the financial performance of the banking sector in Nigeria. Bank loans are regarded as risk assets because the monies advanced as loans by the banks belongs to depositors. The risk arises in the event of massive defaults and makes it difficult for depositors' monies to be available on demand (Adesoji, 2019), which increases the financial risk of the banks, resulting to poor financial performance and a high loan portfolio of firms in this sector. The steady rise in the level of credit risk (Non-performing loans) in the Nigerian banking sector has continue to be an issue of concern to stakeholders in the financial institutions as it has led to the collapse of many banks in the sector (i.e., Diamond Bank Plc, Skye Bank Plc etc.).

However, in order to reduce the effect of financial risks on the financial performance of the Deposit Money Banks in Nigeria, the Central Bank of Nigeria (CBN) in 2010 introduced the prudential guideline to reduce the impact of financial risk on the operation of the DMBs in Nigeria (Abimbola, 2020). These guidelines by the apex bank in Nigeria mandated DMBs to continually review their loan portfolios from time to time. Which should be done at least once every three months, to enable DMBs to spot any adverse risk in the loan portfolio. Also in 2016, the CBN adopted some liquidity risk measures in maintaining adequate liquidity by DMBs in Nigeria by stipulating that DMBs should maintain 22.5% and 30% as cash reserve ratio and liquidity ratio respectively (CBN, 2016).

Despite these measures by the Central Bank of Nigeria, the level of financial performance of the listed DMBs in the country has continue to be affected by the ever increasing financial risk challenges which has seen the withdrawal of license of operation of some DMBs in the country, with the most recent cases in 2018 where the operating license of Skye Bank Plc was withdrawn by the CBN and Diamond Bank Plc merger with Access Bank Plc due to the huge credit risk and liquidity issues faced by these banks (Afolabi *et al.*, 2020). This has drawn the attention of scholars globally to the issues of financial performance of banks (Adesoji, 2019). To this end, this study examined the effect of credit risk on the financial performance of listed DMBs in Nigeria. This study will contribute empirically to the body of knowledge in this area of study by evaluating the effect of Non-performing Loans, Loan Loss Provisions and Insider loans on the financial performance of listed DMBs in Nigeria.

## **2.0 Literature Review**

According to Abdullahi *et al.* (2023), the word performance is a concept of two levels, such as efficiency and effectiveness. While efficiency is the proportion between input and output, effectiveness is the extent to which goals are achieved. As stated by motivation theory in management, performance is seen as the extent of work accomplished by a worker. Performance is the strategic outcome a company uses in achieving its objectives. Efficiency is the major concern of any corporate management or entrepreneur (Dahiru *et al.*, 2016). A company's performance is the level to which an organization is capable of achieve its planned objectives,

including an indicator for the assessment of general competitiveness. When properly evaluated, a company's performance give corporate management an idea of current financial and non-financial conditions (Abdullahi *et al.*, 2023).

Financial performance as firms' ability to maximize earnings from available assets and resources. The term can also be used to mean the general measurement of an organization's total financial power within a particular time. Financial performance examines an organization's effectiveness and efficiency in attaining its objective of wealth generation and manage its assets, liabilities and financial benefits of stakeholders (Olusola *et al.* 2022).

According to Igwe *et al.* (2017), performance signifies how efficient a manager uses total assets to create income. Investors are interested in the performance of a company due to the fact that it can be used to forecast future income of that company. Performance is being measured by several scholars in different ways, such as the Return on assets (ROA), Price Earnings Ratio (PER) as well as Return on equity (ROE) (Ado *et al.*, 2020; Haddad *et al.*, 2021). This study adopted ROA, as the main measurement of financial performance.

### **Credit Risk**

Credit risk is the risk associated with a loan given by a bank, which will not be repaid either partially or fully on time, (Abu-Afifa, 2020). Abu-Afifa further describes credit risk as the loss suffers by banks as a result of the failure on the part of the borrower to fulfill his/or her part of the obligation by paying back the loans (principle and interest) and this may lead to financial crisis which may cause bankruptcy of the banks involved if not properly manage. In this study, non-performing loans, loan loss provisions and insider loans are considered as the proxies for credit risk in relation to the financial performance of listed DMBs in Nigeria

### **Non-Performing loan**

Alton and Hazen (2001), defined NPLs as loans that were 90 days or more past due or that were no longer generating interest. When principle and interest payments are three months or more over due, or when interest payments equaling three months' worth of interest or more have been capitalized, refinanced, or rolled over, loans are considered non-performing under the IMF Financial Soundness Metrics Compilation Guide of 2006. The IMF Guide raises the intriguing issue that if a debtor declares bankruptcy, a loan may likewise be labeled as non-performing. Many research scholars have examined the effect of non-performing loans on the financial performance of banks. Ariff and Marisetty (2011); Corsetti *et al.* (2010), in their studies found that Non-performing loan has effect on financial performance. On the other hand, Akomeah *et al.* (2020); Hosna *et al* (2016); Okoh *et al.* (2019), found no significant relationship between Non-performing loan and financial performance. Hence, the first null hypothesis of the study is stated as thus.

*H<sub>01</sub>: non-performing loan has no significant effect on the financial performance of listed deposit money banks in Nigeria*

### **Loan loss provision**

Loan loss provisions allow banks to record an expected loss from a specific loan portfolio in their profit and loss statements before the actual loss can be accurately and confidently assessed as events develop and is actually written off (Agor, 2021). In other words, if banks expect future losses on the loan portfolio when the economy experiences a downturn, loan-loss reserves should result in direct charges against earnings during economic upturns. Banks can then rely on these reserves when these predicted loan losses inevitably materialize, absorbing the losses without

depleting valuable capital and protecting banks' ability to continue providing credit to the economy and ensuring greater performance (Balla & Rose, 2015). Researchers in the field of finance have assessed the effect of loan loss provision on the financial performance of banks. Greenawalt and Sinkey, (2018); Hanifa *et al.* (2015); Kanagaretnam *et al.* (2015), carried out study on loan loss provision and financial performance and found significant relationship between loan loss provision and financial performance. While Mokrani *et al.* (2021) conducted a study on the effect of loan loss provision on financial performance of banks and established no relationship between loan loss provision and financial performance. Based on this, the study formulated its second null hypothesis as follows:

*H<sub>02</sub>: loan loss provision has no significant effect on financial performance of listed deposit money banks in Nigeria*

### **Insider lending**

Insider Lending according to the prudential guidelines issued by Central Bank of Kenya (CBK), comprise all loans and advances to a bank's executive director and chief executive officers, CBK, (2016). Leaven (2001) defines insider lending as the loans and advances made to internal persons in an organization; these persons are associated to a commercial bank through shareholding or the capacity to control on terms, conditions and scales that are more advantageous than would be economically justified normally. Similarly, Chege (2016) states that insider loans could involve a borrower giving incentives to a bank manager to bend controls so as to offer a loan facility at favourable rates to the borrower; these insider loan might breach the ability to repay axiom of lending.

Different research scholars have examined the effect of insider lending on financial performance, while some established a significant relationship others found no relationship between insider lending and financial performance. Taiwo *et al.* (2016), found significant relationship between insider lending and financial performance, however Chege (2016) and Samuel *et al.* (2018), established no relationship between insider lending and financial performance of banks. Therefore, the third hypothesis of the study is formulated as follows:

*H<sub>03</sub>: insider lending has no significant effect on financial performance of listed deposit money banks in Nigeria*

### **Theoretical Framework**

Many researcher scholars have used different theory to underpin the relationship between credit risk and financial performance. However, this study focused on credit risk theory.

#### **Credit Risk Theory**

Credit risk theory was introduced by (Robert Merton, (1974), cited in Hull *et al.* (2013), in his theory of default model which is the basic theory of credit risk. Hull *et al.*, also lamented that Melton's default model introduces credit risk theory, which relates a firm's credit risk to its capital structures in terms of its equity and debt obligation. There is no doubt that the failure of borrowers to meet their obligation to their banks will affect the capital structure of the banks. Central bank are also faced with the challenges of ensuring that banks have adequate processes and procedures to safeguard them against delinquent loans through the periodic issuance of guidelines to banks and imposition and implementation of sanction when the guidelines are breached.

These action by CBN are all geared to avoid chaos in the financial system and for terms and conditions of financial covenants to be mutually respected by banks and their customers.

Furthermore, Merton also proposed a model for assessing the credit risk of a company by characterizing the company equity as a call option on its assets. To reduce the lenders risk, the lender may perform a credit check on the prospective borrower, may require the borrower to take appropriate insurance, such as mortgage insurance or seek security or guarantees of third parties. In general, the higher the risk, the higher will be the interest rate that the debtors will be asked to pay on the debt. (Owojon, 2011).

### 3.0 Methodology

The descriptive and correlational research design were adopted in this study in examining the effect of credit risk and financial performance of listed deposit money banks in Nigeria. The purpose for adopting descriptive and correlational research design analysis is that descriptive research design helps describes, shows or summarizes data points in a constructive way such that patterns might emerge that fulfil every condition of the data (Asenahabi, 2019). Correlational research design on the other hand, is a non-experimental quantitative design in which the researcher applies correlational statistics to measure and describes the degree of associations among variables or set of scores (Creswell, 2012). Furthermore, the studied population consisted of 19 listed DMBs on the Nigerian Exchange Group (NGX) and are still on the Nigerian Exchange Group as at December 31, 2022. The study used the adjusted population of 12 listed DMBs after seven (7) DMBs were removed from the total studied population, with a secondary data extracted from the annual reports and accounts of the Twelve (12) DMBs for ten (10) years period from 2013-2022. The study used the Random Effect regression technique of data analysis to analyze the data of the study.

### Variable Measurement

The following is a presentation of the measurements for the dependent and the various independent variables used in the study:

**Table 1:**  
**Variable Measurement**

Variable	Acronyms	Measurement	Source
Financial Performance	FP	$\frac{\text{Profit after tax}}{\text{Total Asset}}$	Abdullahi <i>et al.</i> (2023)
Non-Performing Loan	NPL	$\frac{\text{Non – performing loan}}{\text{Total loan}}$	Kolapo <i>et al.</i> (2012)
Loan Loss Provision	LLP	$\frac{\text{Loan loss provision}}{\text{Classified assets}}$	Kargi (2011)
Insider Lending	INSL	$\frac{\text{Insider loans}}{\text{Total Loan}}$	Chege (2016)
Firm Size	FSIZE	Log of total assets of the banks within the period of the study	Terkende and Karim (2022).

**Source:** Researcher’s compilation from literatures reviewed, 2024.

### Model Specification

The variables incorporated into the model of the study includes: non-performing loans; loan loss provisions; insider lending, and firm size to assess their respective effect on financial performance of listed DMBs in Nigeria. Hence, the study’s multiple linear regression function was formulated as follows:

$$FP = f(\text{Credit Risks})$$

$$FP_{it} = \beta_0 + \beta_1NPL_{it} + \beta_2LLP_{it} + \beta_3INSL_{it} + \beta_4FSIZE_{it} + \epsilon_{it}$$

Where:

FP = Financial Performance

NPL = Non-Performing Loans

LLS = Loan Loss Provisions

INSL = Insider Lending

FSIZE = Firm Size

$\beta_0$  = Constant

$\beta_1$  to  $\beta_4$  = Coefficient of the respective independent and control variables in the model

$I_t$  = Panel Indicator

$\epsilon$  = Error Term

### Descriptive Statistics

The descriptive statistics of each of the variables in table 4.1 shows the Mean, Standard deviation, Minimum and Maximum values. Descriptive analysis of these variables is presented and discussed as thus.

**Table 2:**  
*Descriptive Statistics*

Variable	Obs	Mean	StdDev	Min	Max
FP	120	0.0202	0.0157	0.0015	0.0615
NPL	120	0.0514	0.0466	0.0012	0.2689
LLP	120	0.1127	0.1102	0.0073	0.8014
INSL	120	0.0509	0.0816	0.0001	0.4887
FSIZE	120	7.7318	1.5186	5.8826	10.114

Source: STATA Output, 2024.

Table 2 shows that the dependent variable represented by Return on Asset (ROA) has a mean value of 0.0202 and a standard deviation of 0.0157. This result suggests that the financial performance of listed DMBs in Nigeria on average is 2.02% during the period under review. The result indicates a low level of deviation from the mean value of financial performance recorded within the period of the study. Furthermore, the minimum and maximum value of financial performance stood at 0.0015 and 0.0615 respectively. This figures imply that some of the listed DMBs in Nigeria reported a low profit of 0.0015 and a maximum profit of 0.0615 within the period of the study.

Also, table 2 indicates that average value of Non-performing loans across the DMBs in Nigeria stood at 5.14% with a standard deviation of 4.66%, indicating there is a low deviation of NPLs recorded across the banks. With a minimum and maximum values of 0.12% and 26.89% respectively. Similarly, the average level of Loan loss provision of the listed DMBs in Nigeria was found to be 11.27%, and a standard deviation of 11.02%, which shows a low deviation from the mean of LLPs within the period. The minimum and maximum values in respect to LLPs are 0.0073 and 0.8014, revealing that certain DMB reported low LLPs of 0.73% and a maximum LLPs of 80.14% on during the period of the study.

Furthermore, the average of Insider lending is 0.0509, and a standard deviation of 0.0816 which shows a low deviation from the mean value of INSL; with a minimum and maximum value of

0.0001, and 0.4887 respectively indicating that some of the DMBs have a very low insider lending of 0.01% and the highest insider lending of 48.87%. Finally, firm size has the mean value of 7.7318, indicating that the average size of the DMBs under study is 53,926,222 (taking the anti-log of 7.7318), and a standard deviation of 1.5186 which shows a low deviation from the mean of the size of the listed DMBs in Nigeria within the period. The minimum and maximum values stood at 5.8826 and 10.114 respectively.

### Correlation Matrix

The correlation matrix reveals the relationship that exist between the dependent variable and each of the independent variables as well as the relationship between the independent variables themselves. The summary of the correlation coefficients of the variables of the study are shown in Table 3.

**Table 3:**  
**Correlation Matrix**

Variable	FP	NPL	LLP	INSL	FSIZE
FP	1.0000				
NPL	-0.1357	1.0000			
LLP	0.5005	-0.1417	1.0000		
INSL	-0.2051	0.0396	-0.0836	1.0000	
FSIZE	0.0440	0.0345	0.0372	-0.1296	1.0000

**Source:** STATA Output, 2024.

Table 3 presents the correlation result between credit risk and firm growth of listed DMBs in Nigeria. With correlation coefficients of -0.1357 and -0.2051, the table shows a negative relationship between Non-performing loan, Insider lending and financial performance of the listed DMBs in Nigeria. Which further means that increase in Non-performing loan and Insider lending will result to decrease in the financial performance of listed DMBs in Nigeria within the period of the study. Also, table 3 shows a positive relationship between Loan loss provision, firm size and financial performance of listed DMBs in Nigeria, as shown by the coefficient of 0.5005 and 0.0440 respectively. This means that increase in these variables will lead to a corresponding increase in the financial performance of listed DMBs in Nigeria. Similarly, the correlation matrix confirms that none of the independent variables of credit risks have a coefficient of correlation greater than 80%. This suggests that the independent variables employed in the study may not be multi-collinear (Gujarati, 2004). However, the VIF was also conducted to further confirm the assertion as analyzed using the Multi-collinearity Test.

### Multi-collinearity Test

A multi-collinearity test was conducted to find out if two or more of the independent variables included in the study had high inter-correlation, as this could have an effect on the validity of the study's results and how they should be interpreted.

**Table 4:**  
**Variance Inflation Factor and Tolerance Value**

Variable	VIF	1/VIF
NPL	1.02	0.9780
LLP	1.03	0.9720
INSL	1.03	0.9743
FSIZE	1.02	0.9798
<b>Mean VIF</b>	1.02	

**Source:** STATA Output, 2024.

Table 4, shows the VIF and tolerance values which were employed as an advance measure to check the presence of multi-collinearity among the explanatory variables of the study. The values of VIF and tolerance level were confirmed to be simultaneously less than 1 and 10 respectively which suggest that there is nonexistence of multi-collinearity among the explanatory variables used in the study (Gujarati, 2004).

### Diagnostic Test

The study determined its best estimates to test the hypotheses earlier formulated in the research by conducting different diagnostic tests to select the suitable technique for the study. It began with the multi-collinearity test to dictate the presence of multi-collinearity between the variables of the study, followed by hausman specification test to select between Fixed and Random Effect Models which turned out not to be significant as shown by the  $\chi^2$  of 0.70 and p-value of 0.9514 which favored the choice of the random effect model. The study further carried out the Random Effect test using the Breusch and Pagan Lagrange Multiplier (LM) test to select between the Random Effect Model and the Ordinary Least Square (OLS) technique which was discovered to be significant as shown by the  $\chi^2$  of 4.61 and a p-value of 0.0159 which supported the choice of Random Effect Model (REM) technique.

The study also conducted a normality test on the residuals of the model using Shapiro-Wilk and it was discovered to be significant as shown by the p-value of 0.0001 and this indicates that the data of the study were not normally distributed. More so, heteroskedasticity test was conducted and it turned out to be significant at 1% which suggests the presence of heteroskedasticity as revealed by the  $\chi^2$  704.25 and a p-value of 0.0000 which violated the homoscedasticity assumption. Therefore, to correct this, the study conducted the Robust Random Effect (RRE) regression model which was used to test the hypotheses formulated in the study.

### Presentation and Interpretation of Regression Result

The result obtained from the robust random effect regression is presented in Table 4.4, as follows:

**Table 5:**

#### *Summary of Robust Random Effect regression result*

FP	Coeff	Std.Err	t-value	p-value
NPL	-0.4238	0.1508	-2.81	0.005***
LLP	0.0390	0.0174	2.23	0.026**
INSL	-0.0765	0.0241	-3.17	0.002***
FSIZE	0.1517	0.0479	3.17	0.002***
Cons	-0.0082	0.2526	-0.03	0.974
Wald Chi2 (4)	72.56		Hausman	0.9514
R-square	0.6245		Chi2	0.74
p-value	0.0000		LMT	0.0159
Obs	120		Chi2	4.61
Hetero Test	0.0000		Normality	0.0001
Chi2	704.25			

**Source:** STATA Output, 2024.

From Table 5, the R-square ( $R^2$ ) which is the coefficient of determination is 0.6245 which means that all of the independent variables selected for this study explain the changes in the dependent variable by 62.45%. This indicates that the credit risk such as: Non-performing loan, Loan loss provision, Insider lending and firm size incorporated into the model of the study explain the variation of the dependent variable of financial performance of listed DMBs in Nigeria by 62.45% why the remaining 37.55% is explain by other factors not considered in this study. Also from Table 5, it can be seen that the overall model is well fitted as indicated by the Wald Chi of 72.56 at 1% level of significance as shown by the p-value of 0.0000.

$$FP = -0.0082 - 0.4238NPL + 0.0390LLP - 0.0765INSL + 0.1517FSIZE$$

The regression result in Table 5 indicates that NPL has a coefficient of -0.4238, t-value of -2.81 and a p-value of 0.005 which is statistically significant at 1%. This implies that NPL has a significant effect on financial performance of listed DMBs in Nigeria. This further means that increase in NPLs will decrease the financial performance of the DMBs. To this end, the study reject the first null hypothesis which states that Non-performing loan has no significant effect on the financial performance of listed DMBs in Nigeria. Also, the finding of the study supports the credit risk theory. The finding contradicts the studies Ariff and Marisetty (2011); Corsetti *et al.* (2010), who found significant relation between NPL and financial performance. Whereas, it support those of Akomeah *et al.* (2020); Hosna *et al.* (2016); Okoh *et al.* (2019), who found no significant relationship between NPL and financial performance.

Also, Table 5 indicates that LLP has a coefficient of 0.0390, a t-value of 2.23 and a p-value of 0.026 which is statistically significant at 5%. This suggests that, a rise in loan loss provision will result in an increase in the financial performance of listed DMBs in Nigeria. In based on this, the study reject the second null hypothesis which states that Loan loss provision has no significant effect on the financial performance of listed DMBs in Nigeria. The result is in line with the findings of Greenawalt and Sinkey, (2018); Hanifa *et al.* (2015); Kanagaretnam *et al.* (2015), who established significant relationship between LLP and financial performance. While it contradicts the study of Mokrani *et al.* (2021), who found no relationship between LLP and financial performance.

Finally, the result also reveals that INSL has the coefficient of -0.0765, t-value of -3.17 and a p-value of 0.002 which is statistically significant at 1%. This means that INSL is a major factor that influence the financial performance of listed DMBs in Nigeria. This means that increase in insider lending will decrease the financial performance of the listed DMBs in Nigeria. Therefore, the study reject the third null hypothesis which assumes that Insider lending has no significant effect on the financial performance of the listed DMBs in Nigeria. The result confirms the finding of Taiwo *et al.* (2016), who found significant relationship between INSL and financial performance, however the finding contradicts the studies of Chege (2016); Samuel *et al.* (2018), who established no relationship between INSL and financial performance.

## 5.0 Conclusion and Recommendations

The study was focused on how credit risks influence the financial performance of listed DMBs in Nigeria. The study made use of secondary data extracted from the audited annual reports and accounts of the twelve (12) selected listed DMBs in Nigeria from 2013-2022. The total population of the study consisted of Nineteen (19) listed DMBs which was later filtered to twelve (12) DMBs. Moreover, Random Effect regression technique was used in the analysis of the data of the study. Financial performance (ROA) was the dependent variable in the study, whereas Non-Performing loan, Loan loss provision, Insider lending were used as the proxy for credit risks in the study, while firm size was used as a control variable of the study. The study established that Non-Performing loan, and Insider lending have negative and significant effect on the financial performance of listed DMBs in Nigeria, increase in these variables will decrease the financial performance of the DMBs in Nigeria. However, the study found Loan loss provision to have positive and significant effect on the financial performance of listed DMBs in Nigeria increase in this variable will also lead to an increase in the financial performance of listed DMBs in Nigeria within the period of the study.

In line with the findings, the study concluded that Non-Performing loan and Insider lending had a negative and significant effect on the financial performance of listed DMBs in Nigeria. Banks with high NPLs often have high risk of financial crisis and insolvency. Also, Banks with high insider loans have are at the risk of callable if not properly dealt with as was the case with Skye Bank Plc the able to increase their operations due to their ability to settle their debts as at when due, this will improve the operations and growth of the companies. Finally, Loan loss provision had a positive and significant effect on the financial performance of listed DMBs in Nigeria.

Therefore, the study recommended that the listed DMBs in Nigeria should device ways to which it can cut down the high Non-Performing loans affecting the financial performance of the banks. Similarly, it is recommended that the listed DMBs in Nigeria reduce the rate of loans grated to insiders and when this is done should be strictly monitor to ensure repayment by the insiders. Finally, the study recommended that, the management of the listed DMBs in Nigeria should increase the amount of loan loss provision in the banks to help reduce the effect of bad loans the financial performance of the banks when they occur.

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