JORMASS
Volume 9, Issue 2
December 2023
JOURNAL OF RESEARCH
IN MANAGEMENT AND SOCIAL SCIENCES
DOI: To be assigned

Effect Of Enterprise Risk Management On Sustainable Financial Performance Of Listed Deposit Money Banks In Nigeria

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ABSTRACT:
The paper examined the effect of Enterprise Risk Management (ERM) on sustainable financial performance of listed deposit money banks in Nigeria. The specific objectives of the research are to determine the effect of ERM on earnings per share (EPS) and to ascertain the effect of ERM on Tobin Q. Descriptive research design was adopted for the study considering the total population of all the fifteen (15) listed deposit money banks in Nigeria. Data were gathered via secondary sources from five (5) public annual reports of the listed deposit money banks for six years, ranging from 2011-2016, and analyzed using percentages and ratios. Multiple regression was employed in data analysis and testing the hypotheses; in determining if Enterprise Risk Management has a significant effect on Earnings per Share and Tobin Q of listed deposit money banks in Nigeria. The study revealed a positive and significant relationship between ERM (firm size and leverage) and sustainable financial performance (TQ & EPS) of listed deposit money banks in Nigeria. Based on the findings, the study recommends that financial institutions in Nigeria should employ robust Enterprise Risk Management Practices as these are likely to influence their financial performance in one way or another and that the Central Bank of Nigeria and other regulators should endeavor to strengthen the enforcement of risk control mechanism to boost a robust bank performance.

KEYWORDS: Enterprise risk management, financial performance, Tobin Q, and earnings per share.

MANUSCRIPT TYPE:
Research Paper
PUBLICATION DETAILS:
Received: AUG 2023
Revised: OCT 2023
Accepted: OCT 2023

Publication of College of Management Sciences, Michael Okpara University of Agriculture, Umudike Nigeria

INTRODUCTION

Risk is a central part of businesses in banking and financial services, as firms must be willing to take on a fair amount of risk to provide more excellent value to stakeholders. Debt financing (leverage) involves risk, and firm size determines how firms cope with debt financing. The word enterprise for Enterprise Risk Management (ERM) clearly shows a different meaning than traditional risk management. Enterprise means integrating or aggregating all types of risks; using integrated tools and techniques to mitigate the risks and communicate across business lines or levels compared to traditional risk management. **(**Izah & Ahmad, 2011). Due to the rise of globalization and intense competition, risk in the financial sector is on the rise, giving the management the need for efficient management of such risk to enjoy a sustainable financial performance level. ERM considers the firm's risk appetite to determine which risks should be accepted and which should be mitigated or avoided. While there has been a considerable increase in practitioner attention

on ERM in recent years, little academic research exists about ERM, particularly the consequences of ERM on firm performance. Many companies are now employing Enterprise Risk Management as part of a strategic management tool. Nyagah (2014), risk management has emerged as a new paradigm for managing the portfolio of risks that face organizations, and policymakers continue to focus on mechanisms to improve corporate governance and risk management. In analyzing the concept of Enterprise Risk Management, four (4) critical risks, amongst others, are given vital consideration, as financial institutions deal with a number of these risks, which include credit risks, market risks, liquidity risks, and operational risks (Nocco & Stulz, 2006).

Generally, companies hardly publish comprehensive information about their existing risk management system or plans. Hence, the empirical literature is faced with the challenge of gathering information about whether or not an ERM system has been adopted and to what degree. Information about the current corporate risk management system can be collected using surveys or scanning public sources. Surveys are typically used to study the level or stage of the ERM implementation. The central focus of enterprise risk management has mainly been controlling and regulatory compliance, as opposed to enhancing the financial performance of Banks.

Financial performance can be sustainable if the firm's performance is viewed holistically with reference based on profitability, solvency, and liquidity. A firm's profitability indicates fully the extent to which a firm generates profit from its factors of production. Financial performance can be measured by monitoring the firm's profitability levels. Enterprise Risk Management helps ensure effective reporting and compliance with laws and regulations. Also, it helps avoid damage to the entity's reputation and associated consequences. It delivers a current, credible understanding of the risks unique to an organization across a broad spectrum that includes all types of risk (credit risk, operational risk, market risk, liquidity risk, and trading risk), lines of business, and other critical dimensions. The efficiency of risk management by financial institutions will generally enhance their sustainable financial performance. There is, therefore, no doubt that deposit money institutions could not survive with increased loss and expense ratios. Generally, company operations are susceptible to risks, and if these risks are not properly managed wholly, the firm's sustainable financial performance will be threatened as those firms with efficient enterprise risk management structures will outperform their counterparts as they are well prepared for periods after the occurrence of the related risks. This study hopes to develop an expected positive relationship between enterprise risk management and sustainable financial performance of selected listed deposit money banks in Nigeria.

Modern financial institutions are in the risk management business as they bear and manage risks on behalf of their customers through the pooling of risks and the sale of their services as risk specialists, placing them in the core business of managing risk. These companies manage the risks of both their clients and their risks, which require the integration of risk management holistically into the companies' systems, processes, and culture. Various stakeholders pressure their organizations to manage their risks effectively and transparently report their performance across risk management initiatives. While there is an argument that some risks can and should be retained as part of the core business operations and actively managed to create value for stakeholders, others suggest they should be transferred elsewhere as long as it is cost-effective to do so. Some risks present opportunities for the firm to acquire a comparative advantage, enabling it to improve its financial performance. Generally, a review of the literature on risk management suggests that better risk management practices result in improved firm financial performance. By linking enterprise risk management and financial performance, financial institutions can more effectively and efficiently understand the value of implementing a risk management framework. This study is an attempt to critically examine the various practices through which financial institutions manage the various types of risks they face and determine if there was any relationship between the practices and the financial performance of these companies. Given this, the research is carried out to look at the effect of enterprise risk management on sustainable financial performance of listed deposit money banks in Nigeria. It seeks to determine the effect of enterprise risk management on the earnings per share (EPS) and market value of listed deposit money banks in Nigeria.

REVIEW OF LITERATURE

Concept of Enterprise Risk Management and Financial Performance

Enterprise risk management, as defined by Wikipedia, includes the methods and processes used by organizations to manage risks and seize opportunities related to achieving their objectives. Enterprise Risk Management makes room for a framework for managing risk, which involves identifying particular events or circumstances relevant to the organization's objective (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. As stated

in Pagach and Warr (2008), ERM is an increasingly popular strategy that attempts to evaluate and manage all of the firm's risks holistically. ERM wholly encompasses aligning risk appetite and strategy, enhancing risk response decisions, reducing operational surprises and losses, identifying and managing multiple and cross-enterprise risks, seizing opportunities, and improving capital deployment (Beasley et al., 2005). ERM sets out to address the needs of stakeholders, who want to understand the broad spectrum of risks facing complex organizations to ensure they are intensely managed. By addressing proactively and identifying risks and opportunities, financial institutions project and create stakeholder value, not leaving out customers, employees, owners, and overall society. COSO (2004) ERM seeks to ensure the attainment of strategic, operational, reporting, and compliance objectives. These objectives are geared toward ensuring an organization's financial and overall performance.

The financial performance of an organization is viewed from the standpoint of its operations by considering the profit generated by its resources. The reason behind selecting financial performance from operations is that this performance is easier for managers to control. Common examples of financial performance comprise operating income, earnings before interest and taxes, and net asset value. This study used earnings per share (EPS) and Tobin's Q as a proxy for the dependent variable. Earnings per share (EPS) is a measure of corporate value. It is calculated by dividing a company's net profit by the number of outstanding shares of the entity. It is a performance indicator, and a higher EPS reveals the greater value of the firm, while a lower EPS indicates the lesser value of the firm under consideration. Tobin's Q formula is an economic ratio that compares a company or index's market value to its book or replacement value. Q = market value/Total Assets. It measures the relative value of a company's stock or the overall market.

It is important to note that no single measure of financial performance should be considered independently. Instead, a thorough evaluation of a company's performance should consider many different measures of performance (Muteti, 2014). Pandey (2009) explains that financial performance is a measure of efficiency to meet its obligation by ensuring sound liquidity, solvency, and profitability and maintaining the positive value of assets. Nyagah (2014) Performance encompasses three specific areas of firm outcomes, namely financial performance (profits, return on assets, return on investment); market performance (sales, market share); and shareholder return (total shareholder return, economic value added). One measure of sustainable financial performance is return on equity (ROE), which Pagachand Warr (2010) define as the amount of net income as a percentage of shareholders' equity. It measures a corporation's profitability by revealing how much profit it generates with shareholders' invested money. Widely used by investors, the ROE ratio is an essential measure of a company's earnings performance (Bizuayehu, 2015). Therefore, this is expressed as ROE= Net profit/Total Equity. Another measure is return on assets (ROA), which is expressed as Net Income/Total Assets. Nyagah (2014) noted that in several studies that assess the (financial) performance of ERM, the impact is measured by excess stock market returns (Gordon et al., 2009). As much as the financial performance of an organization forms the center of its existence, the need for continuity is of great importance. The aim of a financial institution should not just be on attaining financial performance but sustainability of its financial performance.

Enterprise Risk Management and Sustainable Firm Performance

Corporate scandals and diminished confidence in financial reporting among investors and creditors have renewed Corporate Governance as a top-of-mind priority for Boards of Directors, Management, Auditors, and Stakeholders. There is a sharp increase in companies trying to manage risks. Thus, companies need to effectively integrate Enterprise Risk Management with Corporate Governance (Sobel & Reding, 2004). Magezi (2003) Poor management of risk by insurance companies leads to the accumulation of claims from the clients, leading to increased losses and poor financial performance. However, by extension, such accumulated leverage also affects the financial institutions of Nigeria. Enterprise risk management capabilities help management to achieve the entity's performance and profitability targets and prevent loss of resources. Enterprise Risk Management helps ensure effective reporting and compliance with laws and regulations. It helps avoid damage to the entity's reputation and associated consequences. It delivers a current, credible understanding of the risks unique to an organization across a broad spectrum, including all types of risk (credit risk, operational risk, market risk, liquidity risk, and trading risk), lines of business, and other key dimensions (SAS, 2014). In summary, ERM helps an entity get to where it wants to go and avoid pitfalls and surprises (Nocco & Stulz, 2006).

Enterprise Risk and market value of firms

Market risk is the risk that the value of assets and liabilities of off-statement of financial positions of a financial institution will be adversely affected by movements in market rates or prices such as interest rates,

foreign exchange rates, equity prices, credit spreads, and commodity prices resulting in a loss to earnings and capital (Nocco & Stulz, 2006). Interest rate risk is the potential negative impact on the net interest income, and it refers to the vulnerability of an institution's financial condition to the movement in interest rates. Changes in interest rates affect earnings, value of assets, liability off-statement of financial position items, and cash flow (Sensarma & Jayadev, 2009). Foreign exchange risk is the risk that a firm may suffer a loss due to adverse exchange rate movement during a period in which it has an open position, either spot or forward, or both in the same foreign currency. Even in cases where spot or forward positions in individual currencies are balanced, the maturity pattern of forward transactions may produce mismatches (Al-Tamimi, 2002). There is also a settlement risk arising out of the counterparty's default and out of time lag in the settlement of one currency in one center and the settlement of another currency in another time zone. Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events (Nocco & Stulz, 2006). The COSO (2004) on enterprise framework reflects four (4) primary objectives, namely:

a) Strategic (high-level goals aligned with and supporting the organization's mission);
b) Operations (efficient and effective use of resources);
c) Reporting (reliability of reporting); and
d) Compliance (compliance with laws and regulations).

Nyagah (2014) outlined the factors against enterprise management implementation, including the firm's size, leverage, and growth opportunities. Kleffner *et al.* (2003) suggest that larger firms would be more likely to adopt ERM because of the need for a more comprehensive risk management strategy. The larger the organization, the more complex its operations will probably be and the more its exposure to threatening events.Firms with higher leverage are more likely to suffer financial distress. Excessive leverage may limit a firm's flexibility when pursuing additional profitable investment projects. Thus, the impact of ERM adoption on leverage is unclear; however, for firms that were previously at their target leverage level, greater control of operational risks would suggest that the firm could increase its debt capacity (Liebenberg & Hoyt, 2003). Beasley et al. (2005) state that as companies growth rate increases, the scope of events threatening it is likely to differ in nature, timing, and extent. Therefore, the faster a company grows, the more likely it will embrace ERM. However, Hoyt *et al.* (2008) find no significant relationship between a company's growth rate and its ERM implementation level.

Theoretical background

There are established theories concerning enterprise risk management and financial performance, but this study was anchored on the Modigliani-Miller Theory (MM Theory) and the Capital Asset Pricing Model (CAPM). There is a broad literature on general risk management decisions for firms, beginning with Modigliani and Miller (1958). Their famous theorem states that financial decisions are irrelevant in a world of perfect and complete markets as they do not alter the value of the shareholder's stake in the firm. The only way to increase shareholder wealth is to increase the value of the firm's assets. Neither the capital structure nor the risk management decisions impact shareholder wealth (Nyagah, 2014). The MM theory stands out as an essential tool when used in making economic decisions where risk management is involved. Onyekwelu and Onyeka (2014) observed weak risk management practices outlined by Agbonkpolor (2010), including erosion of shareholders' funds, an explosion in banks' assets and attendant increase in loan/advances, and poor loan documentation. The CBN release of 14th August 2009 showed that the vast non-performing credits in the banks arising from over exposure to the capital market and that the Oil and Gas sector is a significant reason for their liquidity problems. It noted that poor risk management practices in the eight troubled banks eroded the extent of the bank's capital due to loan provisioning for non-performing credit from the annual reports. Accounts of bad loans acquired by Oceanic Bank and Intercontinental Banks amounted to N489.1b. At the same time, their equity holders' fund stood at N369.8b, automatically wiping off the investment of equity holders. Weak risk management practices will lead to bloated asset size, increasing loan advancement. The size of the book value of assets of the troubled banks increased as some of them recorded explosive growth, with some of the statistics like Intercontinental bank assets grew from a modest size of N369.2b by December 2006 to N704.4b by December 2007 recording about 90.79%increase; Oceanic bank book value of assets grew from N372 billion within the same period to a whooping sum of N1,030.4b in December 2007 an increase of 176.99% and so did the other banks grew. Basking in the euphoria of these feats, many of these banks tremendously increased their loan portfolio. For instance, a bank like Intercontinental Bank had a loans and advances balance of N277b. The bubble, however, busted when the crisis in the capital market, during which most of the loans and advances were advanced, and loan recovery became a problem.According to CBN reports, most loans were poorly documented, with most collaterals ranging from domiciliation of payment, legal mortgage, deed of

assignment, stock hypothecation, and personal guarantees. The report also reveals that some of the credits were not collateralized or the value of collaterals fell short of the amount of credit facility granted.

The Capital Asset Pricing Model (CAPM)represents an extension and better simplification of the model put forward by Markowitz (1952), which was at the foremost of theorizing a model on the relationship between return and risk. The Capital Asset Pricing Model states that all investors will hold the same efficient portfolio (the market portfolio) regardless of their individual risk preferences. In drawing a relationship between risk management and performance, Glossy (2008) further confirms that CAPM can determine the market price for risk and appropriate risk measures for a single asset (Nyagah, 2014). Value relevance is the ability of earnings to predict future dividends, future cash flows, future earnings, or future book values (Francis & Schipper, 1999), cited in Onodi and Utuk (2023). Value relevance is a favorable characteristic of accounting information as it addresses relevance and reliability, the primary criteria for standard setters to choose among accounting alternatives (Barth et al., 2001) cited in Onodi and Utuk (2023). Risk, growth and interest rate affect earnings response, which are referred to as economic determinants of earning response.

The economic determinant of accounting amount is not a major concern because investors are concerned about whether it contains valuable information for market participants, but risk, growth, and interest rate are major economic determinants of earnings response. If the investor is risk-averse, a higher risk for expected future return will have a lower value than a low-risk sequence of future returns, all things being equal. In a similar development, earnings response will be higher in firms with the opportunity for growth potential in certain investments expected to give above the average rate of return. In the interest rate, the risk-free interest rate of return and the risk premium constitute the discount rate, which is used to discount the revisions in expectations of future earnings innovations. Any increase in the interest rate would then cause an increase in the discount rate and, therefore, lower the discounted value of earnings innovations, all things being equal. Onodi and Utuk (2023) observed that International Financial Reporting Standard; IFRS (2007) stated that the primary objective of financial statements is to provide financial information about the financial position, performance, and changes in the financial position of an entity, that is, useful to a wide range of users in making economic decisions. Basically, the provision of financial information is concerned with the disclosure in the financial statements; discussing the concept of disclosure about value relevance is paramount.To be effective, financial reporting must contain relevant and credible information. Financial reporting standards guide how accounting information should be recorded, reported, and interpreted. Levitt (1996) stated that educated investors need useful information to make investment decisions. Differences in the quality of accounting standards play a role in differences in the value relevance of accounting numbers Babalyan (2001); Bartov *et al.* (2002).

METHODOLOGY

This study adopted a descriptive study design. This was adopted since it best describes specific behaviour in the environment. The target population for this study comprised all fifteen (15) listed deposit money banks that had submitted audited financial statements to the Nigerian Stock Exchange (NSE). The researchers judgmentally selected five (5) banking firms based on data availability. The annual report of these firms ranged from 2011 to 2016 (Six (6) years) respectively. The sample size of this study is thirty (30). That is the summation of all the Six years' annual reports of the five (5) selected banking firms. The data for this research was mainly sourced through secondary data, which is the most suitable for this work. Since the work is based on the impact of ERM on the sustainable financial performance of listed deposit money banks in Nigeria, secondary data are already existing data or information extracted from the selected area or population of the study. For this work, the annual report published by the selected deposit money banks will significantly assist the researchers. Inferential statistics was used to test the hypothesis, while multiple regression analysis was employed to show the degree of relationship between the independent variable (ERM) and one or more dependent variables (Sustainable financial performance). The F-test was employed to determine whether to accept or reject the null hypotheses formulated.

Model Specification

Based on the hypotheses of this study, the following models were derived to conduct the multiple regression analysis.

$$TQ = (ERM t) \quad (1)$$

$$EPSt = (ERM t) \quad (2)$$

The dependent variables (TQ & EPS) for financial performance and two independent variables (FS, L) are FS (firms' size) and L (leverage). The proxies for ERM (firm size, Leverage) were adapted from the works of Nyagah (2014) and Mukhtarand Soliman (2017).

$$TQ = \beta_0 + \beta_1 FS + \beta_2 L + E_i \quad (3)$$

$$EPS = \beta_0 + \beta_1 FS + \beta_2 L + E_i \quad (4)$$

Where,
TQ =Tobin Q
EPS = Earnings per Share
FS = Firms' Size
L = Leverage
β_1 = Regression coefficient of variable FS
β_2 = Regression coefficient of variable L
β_0 = Constant
E_i = Error term

RESULTS AND DISCUSSIONS

Table 1: Regression results on the effect of ERM on EPS

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-3.029	1.325		-2.286	.030
	FS	.383	.113	.549	3.399	.002
	LEV	.029	.073	.064	.394	.697

a. Dependent Variable: EPS

R	=	.548
R-Square	=	.300
Adjusted R-Square	=	.248
F – Statistic (df1= 2 & df2= 27)	=	5.789 (.008)
Durbin Watson Statistic	=	.1.397

Source: Researcher's Estimation, 2018

Table 2: Regression results on the effect of ERM on TQ

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.103	.069		1.493	.147
	FS	-.001	.006	-.042	-.255	.801
	LEV	-.012	.004	-.529	-3.229	.003

a. Dependent Variable: TQ

R	=	.528
R-Square	=	.279
Adjusted R-Square	=	.225
F – Statistic (df1=2 & df2=27)	=	5.215 (.012)
Durbin Watson Statistic	=	1.337

Source: Researcher's Estimation, 2018

RESULTS

Table 1 shows the major variables of ERM and Sustainable financial performance for six years obtained from five deposit money banks' annual reports from 2011 to 2016. Table 2 shows the regression results between ERM (FS, LEV) and earnings per share (EPS). The regression results showed that the estimated coefficient of the regression parameter has a positive sign and thus conforms to the a-priori expectation. This

sign implies that the dependent variable earnings per share (EPS) is positively affected by ERM (FS, LEV). The coefficient of determination R-square of 0.300 implied that 30% of the sample variation in the dependent variable earnings per share (EPS) is explained or caused by the explanatory variable, while 70% is unexplained. This remaining 70% could be caused by other factors or variables not built into the model. The fairly low R-square value indicates a poor fair relationship between the dependent variable earnings per share (EPS) and independent variables ERM (FS, LEV). The value of the adjusted R^2 is 0.248, showing that the regression line, which captures 24.8 percent of the total variation in earnings per share (EPS), is caused by variation in the explanatory variable specified in the model, with 75.2 percent accounting for the stochastic error term. The F-statistic was also used to test the overall significance of the model. The F-value of 5.789 indicates that the model is statistically significant at a 5 percent significance level at the degree of freedom df1= 2 and df2= 27. Finally, the test of autocorrelation using the DW test shows that the DW value of 1.397 falls within the conclusive region of the DW partition curve. Hence, there exists no degree of autocorrelation.

Table 2 shows the regression results between ERM (FS, LEV) and Tobin Q (TQ). The regression results showed that the estimated coefficient of the regression parameter has a positive sign and thus conforms to the a-priori expectation. This sign implies that the dependent variable Tobin Q (TQ) is positively affected by ERM (FS, LEV). The coefficient of determination R-square of 0.279 implied that 27.9% of the sample variation in the dependent variable Tobin Q (TQ) is explained or caused by the explanatory variable, while 72.1% is unexplained. This remaining 72.1% could be caused by other factors or variables not built into the model. The fairly low R-square value indicates a poor fair relationship between the dependent variable Tobin Q (TQ) and independent variables ERM (FS, LEV). The value of the adjusted R^2 is 0.225, showing that the regression line, which captures 22.5 percent of the total variation in Tobin Q (TQ), is caused by variation in the explanatory variable specified in the model, with 77.5 percent accounting for the stochastic error term. The F-statistic was also used to test the overall significance of the model. The F-value of 5.215 indicates that the model is statistically significant at a 5 percent significance level at the degree of freedom df1= 2 and df2= 27. Finally, the test of autocorrelation using the DW test shows that the DW value of 1.337 falls within the conclusive region of the DW partition curve. Hence, there exists no degree of autocorrelation.

Test of Hypotheses

Hypothesis one

H_o: Enterprise risk management has no significant effect on earnings per share.
H_1: Enterprise risk management has a significant effect on earnings per share.

With reference to Table 1, the calculated f-statistics of 5.789 with a probability value of 0.008 showed that the null hypothesis was rejected and the alternative accepted. This means that Enterprise risk management significantly affects Earnings per Share.

Hypothesis two

H_o: Enterprise risk management has no significant effect on Tobin's Q.
H_1: Enterprise risk management has a significant effect on Tobin's Q.

With reference to Table 2, the calculated f-statistics of 5.215 with a probability value of 0.012 showed that the null hypothesis is rejected and the alternative accepted. This means that Enterprise risk management significantly affects Tobin's Q.

Discussion of results

Based on the analysis and the empirical results, the study revealed the following findings:
i). Enterprise risk management (FS, LEV) positively and significantly affects earnings per share
This result is not in line with that of Laisasikorn and Rompho (2014), which concluded that there is a weak positive correlation between ERM and financial performance (EPS). However, Mukhtar and Soliman (2017) studied Enterprise Risk Management and firm performance: an integrated model for the banking sector. The research design adopted was descriptive. Ten listed commercial banks were selected with the Enterprise Risk Management index as the main independent variable, with Return on Average Equity (ROAE), Share Price Return (SPR), and Firm Value (FV) used as three separate dependent variables. The Ordinary Least Square (OLS) method was used to run the regression model. The result provided strong evidence of a positive relationship between Enterprise Risk Management implementation and performance in the Nigerian banking sector.

ii). Enterprise risk management (FS, LEV) positively and significantly affects Tobin Q
This result is in line with the work of Mukhtar and Soliman (2017) and Rakauskaite (2016), which also concluded a significant effect of ERM on firm value (using Tobin Q). Saiful (2017) studied Indonesian banks' contingency factors, risk management, and financial performance. The purposive technique was employed as an instrument for the 24 Indonesian public listed banks selected as the study sample for four years from 2010 until 2013. OLS regression and correlation analysis was employed in analysing the data. The findings revealed that ERM and CRM positively influence Indonesian's bank performance. They also reported that the influence of ERM on bank performance will be stronger for large banks that operate with higher environmental uncertainty, higher complexity, and lower independent board monitoring.

iii). The study also revealed that there is a poor fair relationship between ERM (FS, LEV) and earnings per share and Tobin Q. Similarly, Mucheru (2016) carried out the study on the Effect of Risk Management Strategies of Financial Performance of Insurance Companies in Kenya. A descriptive research design was adopted for the study, and both primary and secondary data were used. Primary data was collected through questionnaires, with 35 insurance companies responding. Secondary data was collected using desk research techniques from published reports and data from financial statements maintained by IRA for five years from 2010 to 2014. Content analysis was used to analyze qualitative data, whereas the quantitative data was analyzed using SPSS. Regression analysis was also used in the study. The result of the study established that the majority of insurance companies in Kenya had adopted risk management practices in their operations and, that this had a strong effect on their financial performance and also, that there is a positive relationship between the adoption of risk management strategies and the financial performance of insurance companies in Kenya.

CONCLUSION AND RECOMMENDATIONS

The study examined the effect of Enterprise Risk Management on the Financial Performance of Deposit Money Banks in Nigeria. Thus, the study concludes that Enterprise Risk Management has a positive significant relationship with the financial performance of Deposit Money Banks in Nigeria to a considerable extent, as revealed from the analysis and interpretation of findings. The study, therefore, recommends the following:

1) Financial institutions in Nigeria should employ robust Enterprise Risk Management Practices as these are likely to influence their financial performance in one way or another greatly;
2) In other to improve financial performance, financial institutions should focus more on improving how they assess their internal environment and work on control activities, as these are likely to enhance the financial performance of their firms and
3) Central Bank of Nigeria and other regulators should endeavour to strengthen the enforcement of risk control mechanisms to boost robust bank performance.

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Appendix
Table 1

BANKS	YEARS	EPS	TQ	FS	LEVERAGE	LOG (FS)
FBN	2011	1.45	0.03	2,770,674,000,000	5.55	12.44
	2012	-0.03	0.232	270,977,000,000	0.004	11.43
	2013	2.16	0.26	311,811,000,000	0.012	11.49
	2014	0.17	0.016	287,770,000,000	0.034	11.46
	2015	0.11	0.013	3,332,375,000,000	6.25	12.52
	2016	1.53	0.007	3,557,782,000,000	6.32	12.55
GTB	2011	1.69	0.0064	1,608,652,646,000	5.87	12.21
	2012	3.05	0.006	1,620,317,223,000	0.82	12.21
	2013	3.17	0.0049	1,904,365,795,000	4.77	12.28
	2014	2.91	0.0044	2,126,608,312,000	4.75	12.33
	2015	3.32	0.021	2,277,629,224,000	4.16	12.36
	2016	3.4	0.024	2,613,340,074,000	4.47	12.42
Access Bank	2011	1.02	0.012	949,382,097,000	4.08	11.98
	2012	1.57	0.0075	1,515,754,463,000	5.38	12.18
	2013	1.15	0.013	1,704,094,012,000	5.95	12.23
	2014	1.74	0.011	1,981,955,730,000	5.32	12.3
	2015	2.37	0.00021	2,411,944,061,000	5.69	12.38
	2016	2.21	0.00015	3,094,960,515,000	6.33	12.49
DIAMOND	2011	-1.58	0.01	714,063,959	7.49	8.85
	2012	1.59	0.01	1,059,137,257	8.87	9.02
	2013	1.77	0.0095	1,354,930,871	8.8	9.13
	2014	1.6	0.0016	1,750,270,423	7.51	9.24
	2015	0.17	0.0013	1,555,183,067	6.97	9.19
	2016	0.09	0.000063	1,662,508,825	6.37	9.22
FCMB	2011	0.71	0.0031	593,114,362,000	4.07	11.77
	2012	0.77	0.000053	890,313,606,000	5.8	11.95
	2013	0.66	0.039	131,482,189	4.9	8.12
	2014	0.7		131,570,290	6.06	8.12
	2015	0.13		129,378,261	0.008	8.11
	2016	0.19		131,366,185	0.009	8.12

Source: Annual Report of the above banks 2011-2016