

CREDIT RISK MANAGEMENT AND MARKET PERFORMANCE OF LISTED MICROFINANCE BANKS IN NIGERIA

¹Okoughenu, Sunday Azeita, ²Aiworo, Doris Esohe and ³Olasupo, Irorunola Olawale

¹Department of Accounting and Finance, , Ajayi Crowther University, Oyo, Oyo State, Nigeria.

²Department of Accounting, Edo State Polytechnic, Usen, Edo State, Nigeria.

³Federal College of Education (Special), Oyo, Oyo State, Nigeria.

Corresponding Author's email: azetasunny@gmail.com



Abstract

This study investigated credit risk management and market performance of listed microfinance banks in Nigeria. Credit risk management was proxied in the paper with non-performing loans-to-total loans ratio, capital adequacy ratio, total loans and advances-to-total assets ratio, loan to deposit ratio, while market performance was proxied with price to earnings ratio. The paper analysed data collected from the audited annual reports and accounts of Nigeria Police Force (NPF) microfinance bank between 2012 and 2021 which was the only listed microfinance bank in Nigeria as at 31st December, 2021. Ordinary least square regression statistical analysis technique was employed to analyse the data. Result revealed that non-performing loans-to-total loans ratio, capital adequacy ratio, total loans and advances-to-total assets ratio and loan to deposit ratio had no significant effect on market performance of listed microfinance banks in Nigeria. The study recommended to the management of listed microfinance banks in Nigeria that they should always pay particular attention to their credit risk management policies in order to minimise the occurrence of loan loss, enhance their capital and assets value recorded that will lead to long-term effect on the market viability and financial sustainability of the banks. Also, the paper recommended that the management should improve on the credit risk control system that will help them to reduce loan loss which will have long run effect on the market performance of the banks.

Keywords: Credit risk management; Listed microfinance banks in Nigeria; Market performance.