CHRISTINA SERVICE UNIVERSITY COLLEGE

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING AND FINANCE

RISK MANAGEMENT PRACTICES AND PROFITABILITY OF BANKS: CASE STUDY OF ECOBANK AND FIDELITY BANK

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DECLARATION

We hereby declare that this project work is the result of our own original work and that no part of it has been presented for another degree in this University or elsewhere

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Supervisor Declaration

I hereby declare that the preparation and presentation of the dissertation thesis was supervised in accordance with the guidelines on supervision of dissertation/thesis laid down by the Christian Service University College

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ABSTRACT

The main objective of the study is to examine practices risk management and the profitability of banks using Ecobank and Fidelity as case study. The study employed a descriptive research design for analyzing the data. A non-probability convenience sampling method was used to select employees from Ecobank and Fidelity Bank. This method enabled the researchers to choose specifically respondents who are most relevant as far as the research problem is concerned. Questionnaires were administered to the respondents to elicit information related to the study. The study found out that risk management play a significant role in influencing profitability of banks. Risk identification can be said to be the key starting point of any risk management as banks cannot manage what is unknown. On the other hand, once identified, risks must be mitigated so that the impact on the firm is reduced. The study also revealed that all the five risk management practices which include; Risk identification, Risk Analysis and Evaluation, Risk Assessment and Risk monitoring significant in influencing profitability .Banks need to adopt a multifaceted approach in their risk management effort. It is recommended that the banks should asses their risk management practices to see if they are still practical in the face of a continuously changing operating environment.

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DEDICATION

This thesis is dedicated to God Almighty for helping us to complete this work. However, a very special dedication goes to Dr. Mrs. Joyce Ama Quartey who supported us as a supervisor and a mother in the course of doing the work, we say God richly bless her.

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INTRODUCTION

1.0 Background to Study

Financial institutions are profit seeking institutions that serve as financial intermediaries between borrowers and lenders in an economy (Breuer, 2016). The level of growth and development in any economy is positively affected by the operations of financial institutions. Banks as well as other financial institutions, in playing their intermediation role deal with various forms of risk. Amidu and Hinson (2016) asserted that, risks are inevitable in the operations of banks, and as such effective risk management should form part of their daily business. Das and Ghosh (2017) stated that, the health of the financial system has important role in the country as its failure can disrupt economic development of the country. Financial performance is country's ability to generate new resources, from day-to-day operation over a given period of time and it is gauged by net income and cash from operation. To be able to manage the different types of risk one has to define them before one can manage them.

Tsorhe, Aboagye and Kyereboah- Coleman (2011) described banks as being in the business of managing risks. The risks that banks face cover a broad spectrum. These risks have been divided into three categories by Greunig and Bratanovic (2013); operational, environmental and financial. Operational risk is the risk embodied in the policies, processes and procedures the bank goes through in its daily business endeavours. Environmental risk encompasses the risk that exists in the environment of the bank, which is a product of macroeconomic concerns, regulatory factors, payment system and financial sector infrastructure. The environmental risks also include events that the bank has no control over that could lead to failure of the bank. Financial risk that a bank is exposed to comes in the form of credit risk, interest rate fluctuations, currency or exchange rate risk, market price risk and solvency risk. These financial risks are either speculative or pure. The speculative forms of risk could either benefit or harm the bank depending on the bank's position (Greunig and Bratanovic, 2013). Pure risk that banks face on the other hand is always detrimental to the bank.

The risk banks face affects the efficiency of the banks in the provision of banking services, banks' operations and particularly banks' profitability. It is therefore imperative that there are systems in place to handle their risk exposures since bank crisis always arise from an inappropriate identification, measurement, pricing or control of risk (Resti and Sironi, 2017). Although banks have always been leaders in the implementation of the most extensive and efficient risk management models, numerous weaknesses of risk management were exposed during the 2007-2009 financial crisis.

A global survey conducted by KPMG (2009) depicts that lack of discipline in risk management was a contributory factor to the financial crisis. The failure of banks during the crisis has also been attributed to inefficient regulation. This has drawn huge attention to risks management and the minimum capital required to cushion banks in times of distress. Consequently, regulatory changes have become the main driver and influence on risk management practices. KPMG's (2009) global survey indicates that about 92% of banks had carried out or were about to change the way they manage risk. The Basel Committee on Banking Supervision also introduced the Basel III Accord to make provisions for new standards of risk management (Amediku, 2013).

Amissah-Arthur (2010) also stated that the safeness of the Ghanaian banking system hinges partly on a robust risk management system. In the recognition of these, the Bank of Ghana introduced risk-based supervision in its oversight of banks. The financial turmoil has further illustrated that bank performance has the ability to influence efficient capital allocation, company growth, and economic growth in general (Fiordelisi and Molyneux, 2010a). A sound and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system. To increase shareholders value, the first key tool is an effective risk management system: the bank must be able to identify, measure, control and above all price all the risks taken aboard, more or less consciously, in and off its balance sheet (Resti and Sironi, 2007). According to Fatemi and Fooladi (2006), banks should only exercise risk management practices if they help to increase shareholder value.

1.1 Problem Statement

Banks are in the core business of managing risk. They manage the risks of both their clients and their own risks. This requires an integration of risk management into the companies' systems, processes and culture. Various stakeholders pressure their organizations to effectively manage their risks and to transparently report their performance across such risk management initiatives. Banks (2014) argues that some risks can and should be retained as part of the core business operations and actively managed to create value for stakeholders, while others should be transferred elsewhere, as long as it is cost effective to do so. With 64% of Ghanaian bank directors declaring that risk management is their priority after the financial crisis, this research seeks to shed light on the way banks have positioned themselves to better handle their risk exposures (Lartey, 2012).

Most stakeholders are concerned whether the banks they transact business with will face the same fate as the other seven banks. The insolvency of Ghana's indigenous banks has been attributed to inadequate risk management systems and poor corporate governance (Ghanaweb, 2018). The question is, as a number of indigenous banks are exposed to poor risk management systems, is it possible that some foreign banks (Ecobank) in Ghana have questionable risk management systems?

This is a very disturbing phenomenon because if the high level of non-performing assets in the bank's portfolio is not brought under control, it may erode the capital base of the bank and reduce its profitability. The worst case can happen where liquidation or bankruptcy may occur due to the banks inability to manage its credit risk efficiently. These systems are very sensitive such that, any unchecked procedures or practices could be detrimental to both the overall health of the financial institution and its stakeholders (Judge, 2016). It is for this reason that this research seeks to assess the impact of risk management on the profitability of banks.

1.2 Objectives of the Study

The main objective of the study is to examine the impact of risk management on the profitability of banks using Ecobank and Fidelity Bank as case study. Specifically, the study seeks to;

1. Identify the risk management practices at the bank.
2. Assess the effectiveness of risk management practices at the bank.

3. Identify the relationship that exist between risk management practices and bank profitability of the banks.

1.3 Research Questions

The study was guided by the following questions.

1. What are the risk management practices used at the bank?
2. How effective are the risk management practices at the bank?
3. Identify the relationship that exist between risk management and bank profitability.

1.4 Significance of the Study

This study will serve as a guideline for managers and decision makers in these banks and other financial institutions concerning the issues of risk management and find appropriate solutions to them. New entrants of the financial sector would probably refer to this research when deciding on their risk management policies. Bank of Ghana which is a regulating body in the country will be enabled to formulate required and appropriate risk management strategies to curb the rate of risk in the industry. The study intends to serve as a reference material and guide for upcoming researchers in risk management and provides important information and will be useful to students, academicians, banks, etc.

1.5 Scope of the Study

This study revolved around risk management and bank profitability. Ecobank and Fidelity Bank, in Ghana was the financial institution chosen for the study. Moreover, the study would largely look at how the bank manages its credit risk. Hence, the other forms of risks such as market risk, economic risk, and political risk would not be the areas of interest in this study.

1.6 Limitation of the Study

The study would put in place the necessary precautionary measures in order to make the study results valid and reliable nevertheless, there are other aspects of the study that the researcher will have little or no control over and likely to affect the outcome of the study. For instance, a study of many more banks would have ensured a more representative study sample. Therefore, the results would not be able to be generalized for other banks in the country.

1.7 Organization of the Study

The work is organized into five chapters. Chapter one presents the general introductions, problem statement, objectives, research questions, significance, scope and limitation of the study. Chapter two outlines a review of literature relating to the subject matter of the study. Chapter three spelt out the research methodology used to gather, analyze and present information from both primary and secondary sources, whiles chapter four deals with the data presentation and analysis. Chapter five handles the summary, conclusions and recommendations of the study.

CHAPTER TWO

LITERATURE REVIEW ON RISK MANAGEMENT AND PROFITABILITY

2.0 .Introduction

This chapter critically looks at the available literature on risk management and banks profitability. It reviews some theories related to what risk is about and the types of risk, accessing moral hazard in terms of risk, an overview of risk management with its important and risk management strategies and processes and profitability of financial institution is been access in this chapter and then an overview of empirical literature. We are going to talk about what moral hazard is about and the finding on Risk Management its importance and strategic involves in risk management process. And how profitable is measured through the use of various performance Ratios.

2.1 Definition of Risk

There is no single definition of risk. According to Khan and Ahmed (2001) risk is an unexpected and un-clear future event that could prevent an organization from achieving its objectives and goals. Banks do face risk everyday in their work, according to Medici (2015), there are about eight (8) risk banks do face in their daily work and these are discussed below.

2.1.1 Credit risk

Saunders (2008) argues that Credit risk is the potential that a borrower or counterparty may fail to make payment on time as agreed in the contract or not even pay at all. In simple words, if a person borrows loan from a bank and is not able to repay the loan on time as agreed in the contract due to inadequate income, loss in business, death, unwillingness or any other reasons, the bank faces credit risk.

In other to minimize the credit risk of banks, the rate of interest should be higher for borrowers if they are associated with high credit risk.

2.1.2 Market risk

According to Market Business news (2019) **Market risk** refers to the risk that an investment may face due to fluctuations in the market. The risk is that the investment's value will decrease. Also known as **systematic risk**, the term may also refer to a specific currency or commodity.

McKinsey defines market risk as the risk of losses in the bank's trading book due to changes in equity prices, interest rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. Bank for International Settlements (BIS) also defines market risk as the risk of losses in on- or off-balance sheet positions that arise from movement in market prices. Market risk is prevalent mostly amongst banks who are into investment banking since they are active in capital markets. Investment banks include Goldman Sachs, Bank of America, JPMorgan, Morgan Stanley and many others.

Market risk can be better understood by dividing it into 4 types depending on the potential cause of the risk:

- Interest rate risk: Potential losses due to fluctuations in interest rate
- Equity risk: Potential losses due to fluctuations in stock price

- Currency risk: Potential losses due to international currency exchange rates (closely associated with settlement risk)
- Commodity risk: Potential losses due to fluctuations in prices of agricultural, industrial and energy commodities like wheat, copper and natural gas respectively

2.1.3 Operational risk

According to the Bank for International Settlements (BIS), operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputation risk. Operational risk can widely occur in banks due to human errors or mistakes. Examples of operational risk may be incorrect information filled in during clearing a check or confidential information leaked due to system failure.

Operational risk can be categorized in the following way for a better understanding:

- Human risk: Potential losses due to a human error, done willingly or unconsciously
- IT/System risk: Potential losses due to system failures and programming errors
- Processes risk: Potential losses due to improper information processing, leaking or hacking of information and inaccuracy of data processing

Operational risk may not sound as bad but it is. Operational risk caused the decline of Britain’s oldest banks, Barings in 1995. Since banks are becoming more and more digital and shifting towards information technology to automate their processes, operational risk is an important risk to be taken into consideration by the banks.

Security breaches in which data is compromised could be classified as an operational risk, and recent instances in this area have underlined the need for constant technology investments to mitigate the exposure to such attacks.

2.1.4 Liquidity risk

Investopedia (2020) defines liquidity risk as the risk stemming from the lack of marketability of an investment that cannot be bought or sold quickly enough to prevent or minimize a loss. However if you find this definition complex, the term ‘liquidity risk’ speaks for itself. It is the risk that may disable a bank from carrying out day-to-day cash transactions.

Look at this risk like person A going to a bank to withdraw money. Imagine the bank saying that it doesn’t have cash temporarily! That is the liquidity risk a bank has to save itself from. And this is not just a theoretical example. A small bank in Northern England and Ireland was taken over by the government because of its inability to repay the investors during the 2007-08 global crisis.

2.1.5 Reputational risk

The Financial Times Lexicon defines reputation risk as the possible loss of the organisation’s reputational capital. The Federal Reserve Board in the US defines reputational risk as the potential loss in reputational capital based on either real or perceived losses in reputational capital. Just like any other institution or brand, a bank faces reputational risk which may be triggered by bank’s activities, rumors about the bank, willing or unconscious non-compliance with regulations, data manipulation, bad customer service, bad customer experience inside bank branches and decisions taken by banks during critical situations. Every step taken by a bank is judged by its customers, investors, opinion leaders and other stakeholders who mould a bank's brand image.

2.1.6 Business risk

In general, Investopedia (2020) defines business risk as the possibility that a company will have lower than anticipated profits, or that it will experience a loss rather than a profit. In the context of a bank, business risk is the risk associated with the failure of a bank's long term strategy, estimated forecasts of revenue and number of other things related to profitability. To be avoided, business risk demands flexibility and adaptability to market conditions. Long term strategies are good for banks but they should be subject to change. The entire banking industry is unpredictable. Long term strategies must have backup plans to avoid business risks. During the 2007-08 global crisis, many banks collapsed while many made way out it. The ones that collapsed didn't have a business risk management strategy.

Systemic risk and moral hazard are two types of risks faced by banks that do not causes losses quite often. But if they cause losses, they can cause the downfall of the entire financial system in a country or globally.

2.1.7 Systemic risk

The global crisis of 2008 is the best example of a loss to all the financial institutions that occurred due to systemic risk. Systemic risk is the risk that doesn't affect a single bank or financial institution but it affects the whole industry. Systemic risks are associated with cascading failures where the failure of a big entity can cause the failure of all the others in the industry.

2.1.8 Moral hazard

Moral hazard is a risk that occurs when a big bank or large financial institution takes risks, knowing that someone else will have to face the burden of those risks. Economist Paul Krugman described moral hazard as "any situation in which one person makes the decision about how much risk to take, while someone else bears the cost if things go badly. Economist Mark Zandi of Moody's Analytics described moral hazard as a root cause of the subprime mortgage crisis of 2008-09

2.2 Risk Management

The Economic Times (2020) asserted that, in the world of finance, risk management refers to the practice of identifying potential risks in advance, analyzing them and taking precautionary steps to reduce or curb the risk.

Techtarget (2020) argues that risk management is the process of identifying, assessing and controlling threats to an organization's capital and earnings. These threats or risks, could stem from a wide variety of sources, including financial uncertainty, legal liabilities, strategic management errors, accidents and natural disasters. Information Technology security threats and data-related risks, and the risk management strategies to alleviate them, have become a top priority for digitized companies. As a result, a risk management plan increasingly includes companies' processes for identifying and controlling threats to its digital assets, including proprietary corporate data, a customer's personally identifiable information (PII) and intellectual property.

Every business and organization faces the risk of unexpected, harmful events that can cost the company money or cause it to permanently close. Risk management allows organizations to attempt to prepare for the unexpected by minimizing risks and extra costs before they happen.

2.2.1 Importance of Risk Management

Risk management is an important process because it empowers a business with the necessary tools so that it can adequately identify potential risks. Once a risk is identified, it is easy to control. Moreover, risk management provides a business with a basis upon which it can undertake sound decision-making.

Implementing a risk management plan and considering the various potential risks or events before they occur, an organization can save money and protect their future. This is because a robust risk management plan will help a company establish procedures to avoid potential threats, minimize their impact should they occur and cope with the results. This ability to understand and control risk enables organizations to be more confident in their business decisions. Also, strong corporate governance principles that focus specifically on risk management can help a company reach their goals.

Other important benefits of risk management include:

- Creates a safe and secure work environment for all staff and customers.
- Increases the stability of business operations while also decreasing legal liability.
- Provides protection from events that are detrimental to both the company and the environment.
- Protects all involved people and assets from potential harm.
- Helps establish the organization's insurance needs in order to save on unnecessary premiums.

2.2.2 Risk management strategies and processes

All risk management plans follow the same steps that combine to make up the overall risk management process:

- **Establish context.** Understand the circumstances in which the rest of the process will take place. The criteria that will be used to evaluate risk should also be established and the structure of the analysis should be defined.
- **Risk identification.** The company identifies and defines potential risks that may negatively influence a specific company process or project.
- **Risk analysis.** Once specific types of risk are identified, the company then determines the odds of them occurring, as well as their consequences. The goal of risk analysis is to further understand each specific instance of risk, and how it could influence the company's projects and objectives.
- **Risk assessment and evaluation.** The risk is then further evaluated after determining the risk's overall likelihood of occurrence combined with its overall consequence. The company can then make decisions on whether the risk is acceptable and whether the company is willing to take it on based on its risk appetite.
- **Risk mitigation**. During this step, companies assess their highest-ranked risks and develop a plan to alleviate them using specific risk controls. These plans include risk mitigation processes, risk prevention tactics and contingency plans in the event the risk comes to fruition.
- **Risk monitoring**. Part of the mitigation plan includes following up on both the risks and the overall plan to continuously monitor and track new and existing risks. The overall risk management process should also be reviewed and updated accordingly.

- **Communicate and consult.** Internal and external shareholders should be included in communication and consultation at each appropriate step of the risk management process and in regards to the process as a whole.(Kolomiyets,2017).

The 5 Step Risk Management Process

According to Rowe (2018) Implementing a risk management process is vital for any organization. Good risk management doesn't have to be resource intensive or difficult for organizations to undertake or insurance brokers to provide to their clients. With a little formalization, structure, and a strong understanding of the organization, the risk management process can be rewarding.

Risk management does require some investment of time and money but it does not need to be substantial to be effective. In fact, it will be more likely to be employed and maintained if it is implemented gradually over time.

The key is to have a basic understanding of the process and to move towards its implementation.

The 5 Step Risk Management Process are explained below:

Identify potential risks

What can possibly go wrong?

The four main risk categories of risk are *hazard risks*, such as fires or injuries; *operational risks*, including turnover and supplier failure; *financial risks*, such as economic recession; and *strategic risks*, which include new competitors and brand reputation. Being able to identify what types of risk you have is vital to the risk management process.

An organization can identify their risks through experience and internal history, consulting with industry professionals, and external research. They may also try interviews or group brainstorming.

It's important to remember that the risk environment is always changing, so this step should be revisited regularly.(Rowe, 2018)

Measure frequency and severity

What is the likelihood of a risk occurring and if it did, what would be the impact?

Many organizations use a heat map to measure their risks on this scale. A risk map is a visual tool that details which risks are frequent and which are severe (and thus require the most resources). This will help you identify which are very unlikely or would have low impact, and which are very likely and would have a significant impact.

Knowing the frequency and severity of your risks will show you where to spend your time and money, and allow your team to prioritize their resources.(Rowe, 2018)

Examine alternative solutions

What are the potential ways to treat the risk and of these, which strikes the best balance between being affordable and effective? Organizations usually have the options to accept, avoid, control, or transfer a risk.

Accepting the risk means deciding that some risks are inherent in doing business and that the benefits of an activity outweigh the potential risks.

To *avoid a risk,* the organization simply has to not participate in that activity.

Risk control involves prevention (reducing the likelihood that the risk will occur) or mitigation, which is reducing the impact it will have if it does occur.

Risk transfer involves giving responsibility for any negative outcomes to another party, as is the case when an organization purchases insurance.

Decide which solution to use and implement it

Once all reasonable potential solutions are listed, pick the one that is most likely to achieve desired outcomes.

Find the needed resources, such as personnel and funding, and get the necessary buy-in. Senior management will likely have to approve the plan, and team members will have to be informed and trained if necessary. Set up a formal process to implement the solution logically and consistently across the organization, and encourage employees every step of the way.

Monitor Results

Risk management is a process, not a project that can be "finished" and then forgotten about. The organization, its environment, and its risks are constantly changing, so the process should be consistently revisited.

Determine whether the initiatives are effective and whether changes or updates are required. Sometimes, the team may have to start over with a new process if the implemented strategy is not effective.

If an organization gradually formalizes its risk management process and develops a risk culture, it will become more resilient and adaptable in the face of change. This will also mean making more informed decisions based on a complete picture of the organization's operating environment and creating a stronger bottom line over the long-term.

Clear Risk's cloud-based Claims, Incident, and Risk management system allows organizations to better control their risk management activities. We are proud to help our customers introduce new risk management initiatives and lower the cost of risk. Interested? (Rowe, 2018).

simply the capacity to make a profit, and a profit is what is left over from income earned after you have deducted all costs and expenses related to earning the income.

Kenton (2020) noted that Profitability ratios are a class of financial metrics that are used to assess a business's ability to generate earnings relative to its revenue, operating costs, balance sheet assets, and shareholders' equity over time, using data from a specific point in time.

According to **Vitez (2020) Profitability** is a key metric in business as companies need to know how much they make from their activities. A few different measures used by businesses include the income statement, **gross margin ratio**, and return on **investment analysis**. Each method is proper for measuring financial returns, although a company can only use one if it desires. Profitability is both an internal metric and a benchmark. High profits often indicate a strong ability to reinvest earnings and compete heavily for **market share** in the business environment.

Profitability is the primary goal of all business ventures. Without profitability the business will not survive in the long run. So measuring current and past profitability and projecting future profitability is very important.

2.2.4 Measuring Profitability Through the Use of Various Performance Ratios

Muller (2020) asserted that, profitability ratios measure the efficiency with which your company turns business activity into profits. Profit margins assess your ability to turn revenue into profits. Return on assets measures your ability to use assets to produce net income. Return on equity compares your net income to shareholder equity. Ratios are important indicators in business's financial success. Investors are interested in these ratios as they demonstrate the performance and growth potential of the business. As far as performance ratios that matter most to small business owners are concerned.

Some of the ratios are:

- Gross Profit Margin Ratio
- Net Profit Margin or Net Profit Percentage
- Operating Profit Percentage

- Return on Assets
- Return on Equity

2.2.5 Gross Profit Margin

Gross profit margin is one of three common margin ratios derived from your income statement. However, The Business Owner indicates that it is not only the most important margin ratio but one of the most important financial analysis tools you have. Gross margin is gross profit divided by revenue. Essentially, it shows your ability to make good money on materials or products when your cost of goods sold are taken out. A gross margin higher than industry norms and consistently increasing typically means you are in good financial health. High gross profits increase your bottom-line earnings potential.

If gross profit margin is declining over time, it may mean inventory management needs to be improved, or that selling prices are not rising as fast as the costs of the goods you sell.

If you are a manufacturer, for example, a decline may mean that your costs of production are rising faster than your prices, and adjustments on either side (or both) are necessary.

2.2.6 Operating and Net Profit Margins

The other two common profit margin ratios are operating margin and net margin. These are calculated by dividing operating profit by revenue and net profit by revenue. Operating profit equals gross profit minus fixed costs. Net profit is your final pre-tax earnings once irregular revenue and expenses are included. High operating profits compared to your industry means you are efficient in earning profits on core business activities. High net profit margins over time means you are earning efficient profits from your business.

2.2.7 Return on Assets

Return on assets measures your ability to use your assets to earn profits. Assets include cash and cash equivalents, as well as physical items of tangible value, such as buildings, equipment and inventory, that you own. You take the net income number on your income statement and divide it by the total assets number on your balance sheet to compute return on assets. If you have $100,000 in net income and $500,000 in assets, for instance, you have a 20 percent return on assets. A high return on assets is important, because assets often are purchased with debt financing.

Return on assets is the ratio of net income to total assets. It is basically a measure of how well your business is using its assets to produce more income. It can be viewed as a combination of two other ratios.

2.2.8 Return on Equity

Return on equity is an important measurement for shareholders in a business, because it shows how efficiently the company uses investments to earn profits. You take your net income and divide it by the shareholder equity, or owners' equity, amount on your balance sheet. A high return on equity means you are optimizing shareholder investment, which increases the value of ownership in the company. Another perspective is to compare high return on equity to high pay for a particular job.

2.2.9 Review of Empirical Literature on Risk Management band Profitability of Bank

Ogilo (2012) carried out a study that sought to establish the impact of risk management on financial performance of commercial banks in Kenya and to find out if there exists a relationship between the credit risk management determinants by use of CAMEL indicators and financial performance of these banks. The study used secondary data from the CBK publications. The study found a strong impact between the CAMEL components on the financial performance of commercial banks. The study also established that capital adequacy, asset quality, management efficiency and liquidity had a weak relationship with financial performance whereas earnings had a strong relationship with financial performance.

Siba (2012) carried out a study on the relationship between financial risk management practices and financial performance of commercial banks in Kenya. The objective of the study was to find out if there was any relationship between financial risk management practices and financial performance of commercial banks in Kenya performance. The subject of the study were 40 commercial banks operating in Kenya and the study employed questionnaire method for the primary data collection, while secondary data was obtained from the CBK annual supervision reports. The findings showed that all banks had a formal risk management system in place and that all the banks had similar risk management environment, policies and procedures. Similarly, the banks used very efficient levels of risk monitoring and management information systems and internal controls. They, however, had various mixes of risk monitoring schedules and there was a disparity between the various banks in the responsibility for identifying, managing and controlling risks as well as back up of system and data files. The overall finding was that banks have highly effective risk management practices and there was a strong relationship between bank performance and efficiency of the bank's risk management practices.

Hameeda and Al Ajmi (2012) carried out a study on conventional and Islamic banks in Bahrain. The objective of the study was to find out the risk management practices of these banks. Their study found out that banks in Bahrain had a clear understanding of risk and risk management and also had efficient risk identification, risk assessment analysis, risk monitoring and credit risk analysis. In addition, they established that credit, liquidity and operational risk were the most important risks facing both conventional and Islamic banks in Bahrain. The risk management practices were determined by the extent to which managers understood risk and risk management, efficient risk identification, risk assessment analysis, risk monitoring and credit risk analysis. From the study, Islamic banks were found to be significantly different from their conventional counterparts in understanding risk and risk management. Islamic banks were found to have significantly higher risks than conventional banks.

Kithinji (2010) studied credit risk management and profitability of commercial banks in Kenya to assess the degree to which the credit risk management in practice had significantly contribute to high profits in commercial banks of Kenya. Data on the amount of credit, level of non-performing loans and profits were collected for the period 2004 to 2008. The results of the study showed that, there was no relationship between profits, amount of credit and the level of nonperforming loans. A regression model was used to elaborate the results which showed that there was no significance relationship between the banks profit and credit risk management proxied by level of Nonperforming Loans and Loans and Advances/Total assets.

Aebi et al. (2012) investigates whether risk management-related corporate governance mechanisms, such as the presence of a chief risk officer (CRO) in a bank's executive board and whether the CRO reports to the CEO or directly to the board of directors, are associated with a better bank performance during the financial crisis of 2007/2008. Results indicate that banks, in which the CRO directly reports to the board of directors and not to the CEO (or other corporate entities), exhibited significantly higher (i.e., less negative) stock returns and ROE during the crisis.

CHAPTER THREE

RESEARCH METHODOLOGY

4.0.Introduction

This chapter presents the research method used for the study. It includes research design, population, sample and sampling procedure. It also presents the research instrument, data collection procedure and data analysis.

4.1. Research Design

Research design is the plan or blue print which specifies how data relating to a given problem should be collected and analyzed or the procedural outline for the conduct of any given investigation (Emery & Couper, 2003). It is also the researcher's plan of action concerning the study, compressed into few paragraphs (Emery & Couper, 2003). A broad research of this nature would require an approach bearing in mind the population hence a descriptive survey process of collecting data was used in testing the research questions (Ohaja, 2003). Descriptive surveys ensure complete description of the situation thus ensuring there is minimum bias during the collection of data and reduce errors when interpreting the collected data (Ohaja, 2003). For the purpose of the study, this approach was considered suitable as a method of eliciting information needed in drawing useful conclusions from the research study. The study used descriptive research design.

3.3 Sources of Data

There are two main sources from which data was collected. These are primary sources and secondary sources. Primary data was obtained from employees through the administration of questionnaires during the field work. The questionnaire used in this study was the self-completion type. Self-completed questionnaires are the ones which are handed directly to the respondent who completes it and hands it back to the researcher. Secondary data was also obtained from journals, articles, books, reports, publications, electronic books and from the internet. Secondary data is crucial for any researcher because it allows the researcher to know what has been done in the area of interest and the procedures that were used to come out with those findings.

3.3 Population of the Study

The population of a research is the study of a large group of interest for which a research is relevant and applicable. The target population for this study comprised mainly of employees of Ecobank (Bantama and Adum branches) and Fidelity Bank. The total number of employees at the bank was 35.

3.4 Sampling and Sampling Technique

A sample is a small part or quantity intended to show what the whole is like. Out of the entire population, thirty (30) employees were used as the sample of the study. Employees who had first-hand knowledge of the research topic were chosen for this study. Sampling technique is the process by which relatively small number of individuals or measures of individuals, objects or events is chosen and analyzed in order to find out something about the entire population from which it was chosen. The sampling method that was used is the non-probability sampling which enables the researcher to choose specifically which people are most relevant and interesting for him to use as far as the research problem is concerned. Within the frame of the non-probability sampling, a purposive sampling was used. Purposive sampling (also known as judgment sampling) is any procedure where a researcher consciously selects a sample that he considers to be most appropriate for the study (Wilson, 2003).

3.9 Research Strategy and Instrument

Having considered the nature and purpose of the research, the researcher deemed it appropriate to employ the use of a questionnaire. The questionnaire was designed by the researcher in line with the objectives of the study. The questionnaires were sent to the organization and collected within a period of five working days.

3.10 Data Analysis Method

The raw data obtained from a research is useless unless it is transformed into information for the purpose of decision making (Emery & Couper, 2003). The following steps were taken to analyze the data for the study. The data was edited to detect and correct, possible errors and omissions that are likely to occur, to ensure consistency across respondents. This was to enable data gathered to be presented into tables, graphs and charts for quantitative explanations and to give a good visual impression and clarity of information. Statistical Package for Social Sciences (SPSS v.22) was used for the study.

3.11Ethical Considerations

The researcher adhered to, some research ethics and protocol issues. The researcher sought the consent of participants and authorities involved. Participants were granted the choice to opt out if anyone desired to do so. Confidentiality of participants was also assured. Before the questionnaire was given out, participants were also briefed about the objectives of the research before it commenced. It was also stated that confidentiality of respondents will not be ignored. Consent of members was sort at all fronts.

3.8 Profile of Ecobank

EBG is a member of the Pan-African Ecobank chain which operates in thirty two (32) countries. The stock of Ecobank Ghana is listed on the Ghana Stock Exchange, where its shares are traded under the symbol: EBG. The bank is a fully networked commercial bank in Ghana with branches in almost all regions of the nation. The bank was formed in 1990. In December 2011, Bank of Ghana, the central bank of the country, which also functions as the national banking regulator, gave approval for Ecobank Transnational to acquire 100% interest in The Trust Bank (TTB), another licensed commercial bank. At the time, the total asset valuation of TTB was approximately US$119 million (GHS: 220 million). Ecobank has successfully merged TTB and EBG. The new bank is known as Ecobank Ghana.

3.12 Profile of Fidelity Bank

Fidelity Bank is a commercial bank in Ghana which was issued with its Universal Banking License on June 28, 2006, making it the 22nd bank to be licensed by the Bank of Ghana. It is one of the twenty-seven licensed commercial banks in the country.

Fidelity Bank is headquartered in Accra, at Ridge Towers. As of January 2013, the bank operates 75 networked branches and 120 VISA enabled ATMs at various locations.

Fidelity commenced business in October 1998 as a Discount House. Fidelity Discount House attracted a rich client base and was noted for its innovative and attractive investment product offerings, making her the discount house of choice. With the quality of services offered, our customers requested for a deeper and richer business relationship, making it logical to move into the banking sector. On the 28th of June 2006, we obtained a universal banking license.

We have since become a household name in Ghana by delivering on our promise to make a difference in the lives of our stakeholders (shareholders, employees, customers, regulators, and community as a whole).

Fidelity Bank is contributing its quota to the development of the banking industry and by extension the Ghanaian economy.

Fidelity Bank has assets of over US$ 250 Million (GH¢1,436,036,000.00) and was adjudged the best growing bank in Ghana in 2007 by Corporate Initiative Ghana.

CHAPTER FOUR

FINDINGS AND ANALYSIS OF DATA

4.0. Introduction

This chapter looks at the presentation of data collected from the field. It gives information on the responses obtained from the various questions posed to the respondents via the questionnaires. It also presents the analysis and discussion of the data obtained.

4.1. Demographic Data of Respondents

4.1.1. Gender of Respondents

The gender composition of the respondents is shown in Table 1 below. The table provides the gender information which shows that 54% of the respondents were female while 46% of them were male. The survey shows that the majority of the respondents were female.

Table 1: Gender Composition

Gender	Frequency	Percentage
Male	23	46%
Female	27	54%
Total	**50**	**100%**

Source: Field Survey, 2020

4.1.2. Age Group of Respondents

Table 2 below shows the age distribution of the respondents. Out of the total respondents, 42% representing the majority were between the ages of 26-30 years, 40% representing 20 persons were 31-40 years whilst 16% representing 8 persons were between the ages of 41-50 years. On the other hand, 2% of the respondents representing one person was over 50 years.

Table 2: Age Group of Respondents

Age Group	Frequency	Percentage
26-30 years	21	42%
31-40 years	20	40%
41-50 years	8	16%
50 and over	1	2%
Total	**50**	**100%**

Source: Field Survey, 2020

4.1.3 Working Years

Table 3 below reveals the number of years the respondents have worked with the banks. 34% of the respondents representing 17 persons have worked at the bank for two years whiles 32% of the respondents said they have worked at the bank for three years. Also, 20% of the respondents said they have worked at the bank for a period of

6 months to a year whiles 14% representing the minority said they have worked with the bank for over four years.

Table 3 Working Years

Response	Frequency	Percentage
6months to a year	10	20%
Two years	17	34%
Three years	16	32%
Above four years	7	14%
Total	**50**	**100%**

Source: Field Survey, 2020

4.2. Risk Management Practices

4.2.1. Existence of Risk Management Practices

When asked whether there were risk management practices in place at the bank, 96% of the respondents said yes whiles 4% said no.

Table 4: Existence of Risk Management Practices

Response	Frequency	Percentage
Yes	48	96%
No	2	4%
Total	**50**	**100%**

Source: Field Survey, 2020

4.2.2. Risk Management Processes in Place

Out of 50 respondents, 36% said risk monitoring and review is the risk management process in place at the bank whiles 20% said risk analysis is the risk management process in place at the bank. Also, another 20% said risk evaluation is the risk management processes in place at their bank whiles 8% of the respondents said risk identification is the risk management process in place at the bank. The minority representing 6% said risk implementation is the risk management process in place at the bank.

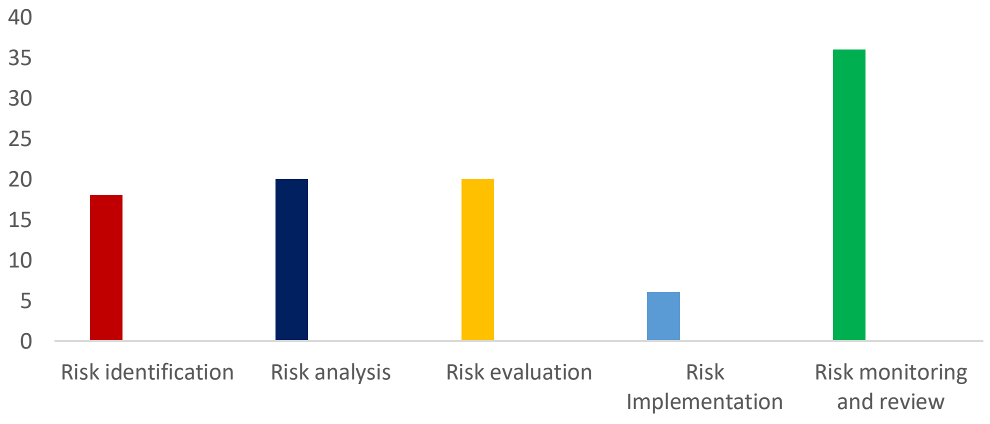

Figure 1: Risk Management Processes

Source: Field Survey, 2020

4.2.3. Major Risks Faced by Banks

From Figure 2 below, the respondents were asked the major risks the bank faces. Majority of the respondents representing 48% said credit risk was the major risk the bank faces whiles 22% said liquidity risk. Also, 18% said interest risk whiles 12% said market risk is the major risks the bank faces.

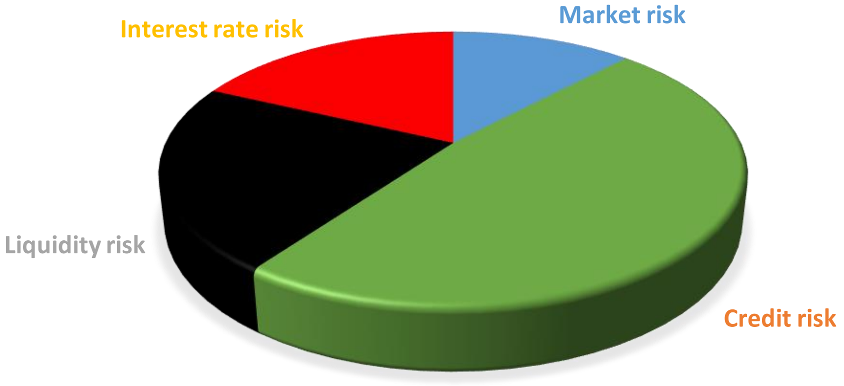

Figure 2: Major Risks Faced by Banks

Source: Field Survey, 2020

4.2.4. Effectiveness of Risk Management

Out of the total respondents, 98% representing 49 persons said the risk management practices in place at the bank are quite effective whiles 2% representing the minority said the risk management practices in place at the bank were not effective.

Table 5: Effectiveness of Risk Management

Response	Frequency	Percentage
Yes	49	98%
No	1	2%
Total	**50**	**100%**

Source: Field Survey, 2020

4.2.5. Responsible for Drafting and Finalizing Policies

In Table 6 below, majority (50%) of the respondents asserted that the firm's risk policy manual is drafted and finalized by management whiles 40% said the Board of Directors are responsible for drafting and finalizing of the risk policy manual of the firm. Also, 8% said it is the responsibility of the Shareholders whiles 2% representing the minority said outside experts were responsible for the drafting and finalizing of the risk policy manual of the firm.

Table 6: Responsible for Drafting and Finalizing Policies

Response	Frequency	Percentage
Board of Directors	20	40%
Shareholders	4	8%
Outside experts	1	2%
Management	25	50%
Total	**50**	**100%**

Source: Field Survey, 2020

4.2.6. Risk Management Procedures

In Table 7 below, majority of the respondents representing 52% said they agree that there are risk management procedures at the bank whiles 38% said they strongly agree that there are risk management procedures. Also, 8% remained neutral, i.e. they neither agreed nor disagreed whiles 2% said they strongly disagreed that there are risk management procedures at the bank.

Table 7: Risk Management Procedures

Response	Frequency	Percentage
Strongly disagree	1	2%
Neutral	4	8%
Agree	26	52%
Strongly agree	19	38%
Total	**50**	**100%**

Source: Field Survey, 2020

4.2.7. Effective Practices

Out of 50 respondents, majority representing 56% said they strongly agree that the risk management practices are effective whiles 32% said they simply agree. Also, 8% remained neutral whiles 2% said they disagree. Another 2% said they strongly disagreed that the risk management practices at the bank are effective.

Table 8: Effective Practices

Response	Frequency	Percentage
Strongly disagree	1	2%
Disagree	1	2%
Neutral	4	8%
Agree	16	32%
Strongly agree	28	56%
Total	**50**	**100%**

Source: Field Survey, 2020

4.2.8. Processes during Risk Management Identification

Out of 50 respondents, majority representing 46% said they strongly agree that the bank goes through all the required processes during risk management identification whiles 40% said they simply agree. On the other hand, 10% remained neutral whiles 2% disagreed. Another 2% strongly disagreed with that assertion.

Table 9: Processes during Risk Management Identification

Response	Frequency	Percentage
Strongly disagree	1	2%
Disagree	1	2%
Neutral	5	10%
Agree	20	40%
Strongly agree	23	46%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3. Effectiveness of Risk Management Practices

4.3.1. Risk Inspection

Out of 50 respondents, 54% said they agree that risk inspections are done by managers whiles 26% strongly agreed. Also, 8% remained neutral whiles another 8% disagreed that risk inspection is done by managers. The minority representing 4% strongly disagreed.

Table 10: Risk Inspection

Response	Frequency	Percentage
Strongly disagree	2	4%
Disagree	4	8%
Neutral	4	8%
Agree	27	54%
Strongly agree	13	26%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.2. Roles and Responsibilities for Risk Identification

Out of 50 respondents, majority representing 62% agreed that the roles and responsibilities for risk management are clearly defined whiles 26% said they strongly agree. On the other hand, 6% remained neutral whiles 4% said they disagree. Also, 2% representing the minority said they strongly disagree.

Table 11: Roles and Responsibilities for Risk Identification

Response	Frequency	Percentage
Strongly disagree	1	2%
Disagree	2	4%
Neutral	3	6%
Agree	31	62%
Strongly agree	13	26%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.3. Establishing Standards

Out of 50 respondents, majority representing 58% said they agree that establishing standards enhances risk identification whiles 26% said they strongly agree. On the other hand, 8% remained neutral, that is they neither agreed nor disagreed whiles 6% disagreed that establishing standards enhances risk identification. Also, 2% representing the minority said they strongly disagree to that.

Table 12: Establishing Standards

Response	Frequency	Percentage
Strongly disagree	1	2%
Disagree	3	6%
Neutral	4	8%
Agree	29	58%
Strongly agree	13	26%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.4. Assumptions and Uncertainties

Out of 50 respondents, majority representing 54% said they agree that assumptions and uncertainties are clearly considered and presented when evaluating risks whiles 28% said they strongly agree to that assertion. Also, 10% of the respondents said they disagree with that assertion whiles 8% remained neutral to that assertion.

Table 13: Assumptions and Uncertainties

Response	Frequency	Percentage
Disagree	5	10%
Neutral	4	8%
Agree	27	54%
Strongly agree	14	28%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.5. Qualitative and Quantitative Evaluation of Risk

Out of 50 respondents, majority representing 56% said they agree that the risks are valued both qualitatively and quantitatively whiles 30% said they strongly agree to that. Also, 8% remained neutral whiles 6% said they disagree that the risks are valued both qualitatively and quantitatively.

Table 14: Qualitative and Quantitative Evaluation of Risk

Response	Frequency	Percentage
Disagree	3	6%
Neutral	4	8%
Agree	28	56%
Strongly agree	15	30%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.6. High Potential Loss and Low Probability

When asked whether risk with high potential loss and low probability of occurring is treated differently from one with a low potential loss and high likelihood of occurring, 42% of the respondents agreed whiles 34% said they strongly agree. Also, 18% remained neutral whiles 4% said they disagreed to that assertion. The minority representing 2% strongly disagreed to that assertion.

Table 15: High Potential Loss and Low Probability

Response	Frequency	Percentage
Strongly disagree	1	2%
Disagree	2	4%
Neutral	9	18%
Agree	21	42%
Strongly agree	17	34%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.7. Documented Management Program

Out of 50 respondents, majority representing 64% said they agree that the risk management programs are well documented whiles 28% said they strongly agree. On the other hand, 6% remained neutral i.e. they neither agreed nor disagreed whiles 2% said they disagreed that risk management programs were well documented.

Table 16: Documented Management Program

Response	Frequency	Percentage
Disagree	1	2%
Neutral	3	6%
Agree	32	64%
Strongly agree	14	28%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.8. Senior Management Support

Out of 50 respondents, majority representing 50% said they agree that the risk management effort is supported by senior management whiles 38% said they strongly agree to that. Also, 8% said they disagree that senior management supports risk management efforts whiles 6% remained neutral, i.e. they neither agreed nor disagreed.

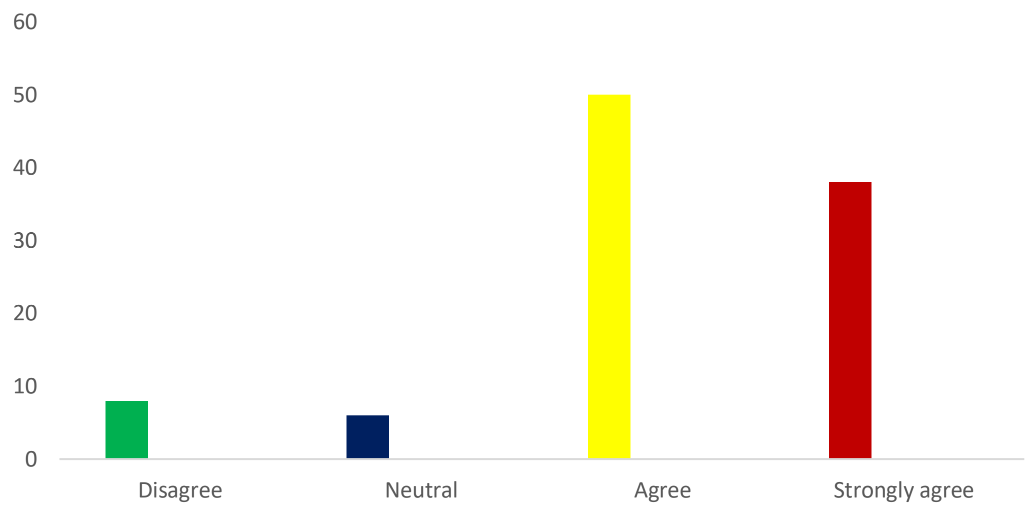

Figure 3: Senior Management Support

Source: Field Survey, 2020

4.3.9. Well Trained Employees

Out of 50 respondents, when asked whether employees of the bank are well trained on risk management policies, majority representing 52% agreed with that assertion whiles 40% strongly agreed to that assertion. Also, 4% remained neutral whiles 2% said they disagreed. Another 2% strongly disagreed with that assertion.

Table 17: Well Trained Employees

Response	Frequency	Percentage
Strongly disagree	1	2%
Disagree	1	2%
Neutral	2	4%

Agree	26	52%
Strongly agree	20	40%
Total	**50**	**100%**

Source: Field Survey, 2020

4.3.10. Efficiency of Risk Management Program

When asked whether there are controls in place to evaluate the efficiency of the risk management program, 52% agreed to that assertion whiles 38% strongly agreed. Also, 6% of the respondents remained neutral to that assertion whiles 2% strongly disagreed that there were controls in place to evaluate the efficiency of the program.

Table 18: Efficiency of Risk Management Program

Response	Frequency	Percentage
Strongly disagree	1	2%
Neutral	3	6%
Agree	27	52%
Strongly agree	19	38%
Total	**50**	**100%**

Source: Field Survey, 2020

4.4. Risk Management and Bank Profitability

4.4.1. Positive Effect on Profitability

Out of 50 respondents, 56% representing the majority said they agree to the assertion that the risk management program of the bank has a positive effect on the bank whiles 26% said they strongly agree to that assertion. On the other hand, 8% said disagreed to that assertion whiles 6% remained neutral. Also, 4% of the respondents strongly disagreed to the assertion that the banks risk management program has a positive effect on the bank.

Table 19: Positive Effect on Profitability

Response	Frequency	Percentage
Strongly disagree	2	4%
Disagree	4	8%
Neutral	3	6%
Agree	28	56%
Strongly agree	13	26%
Total	**50**	**100%**

Source: Field Survey, 2020

4.4.2. Increment in Market Shares

When asked whether the banks risk management program helps to increase the banks market share, 36% said they agree with that assertion whiles 30% said they strongly agree. On the other hand, 16% said they disagreed with that assertion whiles 12% remained neutral, i.e. they neither agreed nor disagreed. Also, 6% strongly disagreed with the assertion that the banks risk management program helps to increase its market shares.

Table 20: Increment in Market Shares

Response	Frequency	Percentage
Strongly disagree	3	6%
Disagree	8	16%

Neutral	6	12%
Agree	18	36%
Strongly agree	15	30%
Total	**50**	**100%**

Source: Field Survey, 2020

4.4.3. Increment in Return on Assets

Out of 50 respondents, 42% said they agree with the assertion that the banks risk management program helps to increase the banks return on assets whiles 30% said they strongly agree. On the other hand, 12% said they disagreed to that assertion whiles 10% remained neutral, i.e. they neither agreed nor disagreed. Also, 6% of the respondents strongly disagreed with the assertion that the banks risk management program helps to increase the banks return on assets.

Table 21: Increment in Return on Assets

Response	Frequency	Percentage
Strongly disagree	3	6%
Disagree	6	12%
Neutral	5	10%
Agree	21	42%
Strongly agree	15	30%
Total	**50**	**100%**

Source: Field Survey, 2020

4.4.4. Increment in Return on Investments

When asked whether the banks risk management program helps to increase the banks return on investment, 38% agreed with that assertion whiles 36% said they strongly agree. On the other hand, 24% said they disagreed with that assertion whiles 10%

remained neutral, i.e. they neither agreed nor disagreed. Also, 4% representing the minority said they strongly disagreed with the assertion that the banks risk management program helps to increase the banks return on investment.

Table 22: Increment in Return on Investments

Response	Frequency	Percentage
Strongly disagree	2	4%
Disagree	12	24%
Neutral	5	10%
Agree	19	38%
Strongly agree	18	36%
Total	**50**	**100%**

Source: Field Survey, 2020

4.6 Discussion of Findings

The first objective of the study sought to identify the risk management practices at the bank. The study revealed that, risk identification, risk analysis, risk evaluation risk implementation, risk monitoring and review are the risk management practices in place at the bank respectively. Similarly, Hameeda and Al Ajmi (2012) carried out a study on conventional and Islamic banks in Bahrain. The objective of the study was to find out the risk management practices of these banks. Their study found out that banks in Bahrain had a clear understanding of risk and risk management and also had efficient risk identification, risk assessment analysis, risk monitoring and credit risk analysis.

The second objective sought to assess the effectiveness of risk management practices at the bank. Out of 50 respondents, 54% said they agree that risk inspections are done by managers whiles 26% strongly agreed. Also, 8% remained neutral whiles another 8% disagree that risk inspection is done by managers. The minority representing 45% strongly disagreed.

The third and final objective sought to identify the relationship that exist between risk management and bank profitability. Out of 50 respondents , 56% representing the majority said they agree to the assertion that the risk management program of the bank has a positive effect on the bank whiles 26% said the strongly agree to that assertion. On the other hand, 8% disagreed to that assertion whiles 6% remained neutral. Also 4% of the respondents strongly disagreed to the assertion that the banks risk management program has a positive effect on the bank. On the contrary.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the summary, conclusions and recommendations for the study. It starts by presenting a general summary of the study, addressing the research hypotheses followed by conclusion and then proposed recommendations based on the analysis of the results.

5.1 Summary of Findings

The main objective of the study is to examine the impact of risk management on the profitability of banks using Ecobank and Fidelity Bank as case study. Specifically, the study seeks to;

4. Identify the risk management practices at the bank.
5. Assess the effectiveness of risk management practices at the bank.
6. Identify the relationship that exist between risk management and bank profitability.

The study adopted descriptive survey approach of collecting data, because the study is based on the use of questionnaire to elicit information based on people's opinion to generate data for the analysis of the research topic. The target population for this study comprised mainly of employees of Ecobank (Bantama and Adum branches) and Fidelity Bank. The total number of employees at each bank was 35. Out of the entire population, thirty (30) employees were used as the sample of the study. Within the frame of the non-probability sampling, a purposive sampling was used. A questionnaire was chosen as the data collection instrument. The Statistical Package for Social Sciences (SPSS.v.22) software was used for this analysis.

The first objective of the study sought to identify the risk management practices at the bank. The study revealed that, risk identification, risk analysis, risk evaluation, risk implementation, risk monitoring and review were the risk management practices in place at the bank respectively. The second objective sought to assess the effectiveness of risk management practices at the bank. The study revealed that, the risk management practices at the bank were effective. The third and final objective sought to identify the relationship that exist between risk management and bank profitability. The study revealed a positive relationship between risk management and bank profitability.

The finding of the demographic data of respondent which shows the gender information of 54% to be female and 46% are male. As the age group respondent proves that out of the total respondents, 42% representing the majority were between the ages of 26-30years, 40% representing 20% person were 31-40years whilst 16% representing 8 persons where between the ages of 41-50years.On the other hand, 2% of the respondents representing one person was over 50.

The working years of the respondent shows that 34% of the respondent representing 17 person have worked at the banks for two years whiles 32% of the respondent said they have worked at the bank for three years. Also 20% of the respondent said they have worked at the bank for a period of 6months to a year whiles 14% representing the minority said they have worked with the banks for over four years. With our research, we find out that there was existing risk management practices at the banks.

5.2 Conclusion

The study concludes that risk management play the most significant role in influencing profitability's of banks. Risk identification can essentially be said to be the key starting point of any risk management program as companies cannot manage what is unknown. On the other hand, once identified, risks must be mitigated so that the impact on the firm is reduced. The study results, however, also show that all the five risk management practices which include; Risk identification, Risk Analysis and Evaluation, Risk Assessment and Risk monitoring were of some significance in influencing profitability and hence the conclusion of this study is that banks need to adopt a multifaceted approach in their risk management efforts. The study, therefore, concludes that there is a strong positive relationship between adoption of risk management practices, profitability of banks specifically Ecobank and Fidelity Bank out of 50 respondents, majority representing 56% said they strongly agree that the risk management practices are effective whiles 32% said they simply agree. Also, 8% remained neutral whiles 2% said they disagree. Another 2% said they strongly disagreed that the risk management practices at the bank are effective.

5.3 Recommendations

The following recommendations are made:

1. Bank management should put in place cost-effective measures for timely risk identification and effective risk mitigation so as to ensure that their financial performance is not impacted negatively.
2. The bank should assess their risk management practices to see if they are still practical in the face of a continuously changing operating environment.
3. The management should leverage information technology in risk management by installing information systems that can carry out risk assessment and

measurement more accurately and for monitoring their risk management programs for effectiveness. This should further be complimented by training of employees on risk management policies of the firm, with clearly defined roles and responsibilities for risk management.

4. There is also need for the bank to address corporate governance issues in their risk management programs. Risk management programs that are supported by senior company officials are more likely to succeed, thereby enhancing financial performance and profitability.
5. Banks should put in place risk management frameworks that conform to international best practice. This will ensure that the bank achieves international standards and, therefore, become globally competitive.

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APPENDIX

CHRISTIAN SERVICE UNIVERSITY COLLEGE

THE IMPACT OF RISK MANAGEMENT ON PROFITABILITY OF BANKS

This is a questionnaire designed to examine **"**the impact of risk management on the profitability of banks using Ecobank as case study.**"**. You are assured that all information provided will be used for only academic purposes and will be kept strictly confidential. Please your cooperation and honesty will be deeply appreciated. Thank you.

Section A: Personal Data

i. Gender

[ ] Male [ ] Female

ii. Age

[ ] 26-30 [ ] 31-40 [ ] 41-50 [ ] 50 and over

iii. How long have you been with Ecobank?

[ ] 6mnths to a year [ ] two years [ ] three years [ ] above four years

Section B: Risk Management Practices

1. Are there risk management practices in place at the bank?

   [ ] Yes [ ] No

2. What are some of the risk management processes in place at the bank?

   [ ] Risk Identification [ ] Risk Analysis [ ] Risk Evaluation

   [ ] Risk Implementation [ ] Risk Monitoring and Review

3. What is the major risk the bank faces?

   [ ] Market Risk [ ] Credit Risk [ ] Liquidity Risk [ ] Interest Rate Risk

4. How would you rate the effectiveness of risk management at the bank?

   [ ] Bad [ ] Good [ ] Excellent

5. Who are responsible for the drafting and finalizing of the firm's risk policy manual?

   [ ] Senior [ ] Board of Directors [ ] Shareholders

   [ ] Outside Experts [ ] Management

Please indicate to what extent you agree or disagree with the following statements

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
6	There are risk management procedures at Ecobank	1	2	3	4	5
7	The risk management practices at Ecobank are effective	1	2	3	4	5
8	Ecobank goes through all the processes during risk management identification	1	2	3	4	5

Section C: Effectiveness of Risk Management Practices

Please indicate to what extent you agree or disagree with the following statements

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
9	Risk inspection is done by managers	1	2	3	4	5
10	Roles and responsibilities for risk identification are clearly defined	1	2	3	4	5
11	Establishing standards enhances risk identification	1	2	3	4	5
12	Risk are evaluated with assumptions and uncertainties being clearly considered and presented	1	2	3	4	5
13	Risk is evaluated in both qualitative and quantitative value	1	2	3	4	5
14	Risk with high potential loss and low probability of occurring is often treated differently from	1	2	3	4	5

	one with a low potential loss and high likelihood of occurring.					
15	Risk management program is well documented	1	2	3	4	5
16	Risk management effort is supported by senior management	1	2	3	4	5
17	Employees are well trained on risk management policies of the bank	1	2	3	4	5
18	Controls are in place to evaluate the efficiency of the risk management program	1	2	3	4	5
19	Positive effect on banks profitability	1	2	3	4	5

Section C: E Risk Management and Bank Profitability

Please indicate to what extent you agree or disagree with the following statements

No	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
20	Risk management increases market share	1	2	3	4	5
21	Risk management increases return on assets	1	2	3	4	5
22	Risk management increases return on investments	1	2	3	4	5

THANK YOU