

## **Effect of Risk Management on the Financial Performance of Listed Consumer Goods Firms in Nigeria**

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### **Abstract**

*The inability of the consumer goods industry to manage their risk and capital on all valuable investment opportunities make it impossible for them to meet up with their obligation to shareholders. Thus, the study examined the effect of risk management on the performance of listed consumer goods firms in Nigeria. Longitudinal panel research design was adopted in this study. The population of the study consists of all the twenty-seven (27) listed consumer goods firms on the Nigeria Stock Exchange as at 31<sup>st</sup> December 2021. In order to arrive at the sample size, the purposeful sampling technique was employed. As a result of the criterion ten (10) firms meet the requirement to form the sample size of the study. The study ranges from 2012 to 2021 a period of ten years. The secondary data adopted in this study were gathered from financial statements published on the Nigeria Exchange Group Plc and the individual company's financial statements. The study employed descriptive statistics and panel regression with the help of STATA version 13. The study found that operational risk (OR) and liquidity risk (LR) has no significant effect on financial performance of listed consumer goods firm in Nigeria. The researcher concludes that risk management indicators used doesn't have significant effect on financial performance indicator of listed consumer goods firms in Nigeria. The study recommends that the CBN and other regulatory bodies should encourage risk identification, assessment, measurement and control strategies to avoid financial crisis and also improve on consumer goods firm's performance in Nigeria.*

Keywords: Risk Management, Operational Risk, Liquidity Risk, Return on Assets, Financial Performance and Consumer Goods.

### **INTRODUCTION**

Risks are uncertainties which affect a company's ability to achieve its objectives and may result in many interdependent outcomes either negatively or positively (Yinka, Taibat & Bamidele, 2018). Some risks are necessarily encountered in order to take advantage of strategic opportunities and also, risks that impede success must be mitigated. Antonius (2015) posits that increased attention is being placed on the subject of risk management. Therefore, uncertainties have inevitably shifted organizations' attention towards a new paradigm from a "silo-based perspective" to a more "holistically risk management": hence, the evolution of Enterprise Risk Management (Connair, 2013). The Nigeria business environment is examined to be unfriendly with reference to uncertainties in political regimes, cyber security risks, the demographic structure, the economic situation, falling oil and gas prices and geopolitical conflicts. In view of this, management of companies cannot afford to manage risks casually, especially in this era of constantly changing innovation and technological developments. Consequently, Enterprise Risk Management (ERM) is adopted as a strategic tool structured to help management to respond to impending risks and management uncertainties using an integrated and all-inclusive approach. According to George and Anthony (2013), enterprise risk management is linked to corporate governance so that it can assist organizations to better understand, improve and assess risk in an appropriate manner. In the year 2017, there has been an appreciable attention on enterprise risk management as a strategic tool for effective corporate governance. Nigerian government, through its capital market regulators introduced code of corporate governance where risk management was clearly stated and viewed as one of the principal responsibilities of management. Management is required to recognise principal risks of all aspects of the business, define their company's risk policy, risk appetite, risk limits and form an opinion on the efficacy of the entire risk management process.

Risk management links to conformity which leads to performance. Performance leads to sustainable profitability and growth. Hence, there is a direct linkage between Risk Management and performance

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(Ugwuanyi & Imo, 2012). Profit is a major way to measure financial performance of a company. Profit is the difference between revenues and expenses over some time usually one year, and it is regarded as the final output of a company's operation. Profit maximization is one of the objectives of any business venture is to maximize profit, which determines the short-term survival (Mbu-Ogar, Effiong & Abang, 2017). Profit is vital, but management decisions should not only be profit-oriented at the detriment of wealth maximization. A company without sufficient profit would have no future. In this study, financial performance is in terms of return on assets, return on equity and return on sales (Effiong, Akpan & Oti, 2012). The inability of the consumer goods industry to manage their risk and capital on all valuable investment opportunities make it impossible for them to meet up with their obligation to shareholders. Given the controversy on whether general or specialized knowledge is required for improved performance, this study examined the effect of risk management using return on assets, return of equity and return on sales as proxy of performance. The methodology adopted by this study distinguishes it from earlier studies as it was able to test for panel effect in the data series and whether the existence of it is fixed or random. Without testing for this and selecting the appropriate regression analysis, the result of the findings could be misleading or porous. Besides, the study is an extension of earlier ones as it covers the period up to 2020. No study on the consumer goods firms has covered up to this period. Therefore, it is against this background that this study seeks to determine the extent to which risk management affects firm performance in the consumer goods industries in Nigeria. The major hypothesis underling this study is stated thus:

**Ho<sub>1</sub>:** Operational risk has no significant effect on return on assets (ROA) of consumer goods sector in Nigeria

**Ho<sub>2</sub>:** Liquidity risk has no significant relationship with return on assets (ROA) of consumer goods sector in Nigeria.

### **LITERATURE REVIEW**

#### **Conceptual Framework**

##### **Risk Management**

Risk can be described as the potential result of an organization's dangerous acts that have not been removed (Mwangi, 2014). As an effect of unregulated risks, it can even be used more frequently as future uncertainties. If the hazards require management skill sets, a different kind of risk can result in the same situation (Mwangi, 2014). The loss can be taken into account in many respects. This could be the firm's direct loss, or it can be the firm tragedy and a company loss of assets. Risk management consist of a set of well-developed measures with a key purpose to recognize, resolve and remove risk item before they are lethal to the organizational profitability.

##### **Operational Risk**

Operational risk is the risk of loss resulting from ineffective or failed internal processes, people, systems, or external events that can disrupt the flow of business operations. The losses can be directly or indirectly financial (Luy 2010). For example, a poorly trained employee may lose a sales opportunity, or indirectly a company's reputation can suffer from poor customer service. Operational risk can refer to both the risk in operating an organization and the processes management uses when implementing, training, and enforcing policies (Luy 2010). Operational risk can be viewed as part of a chain reaction: overlooked issues and control failures, whether small or big lead to greater risk materialization, which may result in an organizational failure that can harm a company's bottom line and reputation. While operational risk management is considered a subset of enterprise risk management, it excludes strategic, reputational, and financial risk. Operational risk as one of the explanatory variables in this study is proxied by the cost to income ratio which is operating expenses as a proportion of gross earnings (Luy 2010)

### **Liquidity Risk**

This is referred to as investment marketability and if it can be sold or bought quickly is enough to meet debt obligations. Liquidity risk is equally defined as the risk of a finance crisis, according to Adeusi (2013), such as an unexpected occurrence in form of a major charge off, lack of confidence or may be crisis in the nation such as a crisis of life. Risk management here focuses on liquidity services and the composition of portfolios. This study used total deposit to loans as a proxy for liquidity (Adeusi, 2013). The liquidity and survival of companies in the consumer goods industry are very critical, since their products are for direct consumption, and are required across all stakeholders' groups. Consequent upon this, there could be high interest from participating stakeholders, especially shareholders whose capital constitutes a major source of funding, and as such expect a high return from their investment. Considering the demand for dividends and interest from equity and debt holders, and the intense competition in the industry, companies strive more to ensure that adequate liquidity is maintained so as to facilitate the discharge of obligations. The problem now is more on how to select the best alternative or position at which the company can manage its assets for the realization of corporate objectives of wealth creation for stakeholders' satisfaction because the capital acquired from different sources has a diverse influence on the level of profitability.

### **Financial Performance**

Financial performance is a measure of how efficient a firm uses its assets to generate revenue from its operating activities. It can be said to be a term that is used to measure the financial health and growth of a firm over a period of time (Dsunday&Ejabu (2020). It can also be used to compare different firms in the same industry. There are different measures of financial performance and since there are many stakeholders in a company, each group has its own interest in tracking the financial performance of that company. The trade creditors will be interested in the liquidity of the company, the bond holders will be interested in the solvency of the company, the shareholders will be interested knowing how well their investment will yield return and the management will be interested in knowing how well the firm perform in the market (Aamir & Sajid 2012). Financial performance is commonly used as an indicator of a firm's financial health over a given period of time. The financial performance of a firm can be defined or measured in various different ways including profitability, gauge return, market share growth, return on investment, return on equity and liquidity. Financial performance was measured by the development of revenues and profits (Magara, Aming& Momanyi, 2015). In order to assess the financial performance of consumer goods in Nigeria, this analysis employed return on assets (ROA)

### **Return on Assets (ROA)**

In the management literature for accounting-based metrics, return on asset is also a metric of performance frequently used (Weir & Laing 2001). It is a metric that assesses the efficacy of the assets used (Bonn, Yoshikawa & Phan 2004) and demonstrates to investors the earnings produced by the company from its capital asset expenditure (Epps &Cereola 2008). Effective utilization of the funds of a corporation is better expressed by the return rate on its funds. Since managers are responsible for the business activity and utilization of the assets of the organization, return on assets is a metric that helps users to determine how well the corporate governance structure of a company performs in protecting and encouraging the management performance of the company (Epps &Cereola 2008). Oki (2015), Matanda, Oyuji and Lisiolo (2015), Tukur and Abubakar (2014) and Bilal, Muhammad, Muhammad, Hafiz and Arshad (2013) have successfully used asset returns.

### **Empirical Review**

Banjo and Oloyede (2021) examined risk management strategies and the financial performance of Nigerian manufacturing firms. The objective of this study is to directly connect risk management strategies used by Nigerian manufacturing companies to financial performance. The cross-sectional

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research design was used in the study, along with a quantitative research strategy. In order to analyze the data gathered, the study used descriptive and inferential tools. To test the hypotheses, the regression analysis was used at the 0.05 or 5% level of significance. This study found that risk awareness has a significant impact on manufacturing company performance, and risk management practices improve manufacturing company performance substantially. Arising from the findings of this study, the study concludes that risk management has a significant effect on the Performance of manufacturing companies. The study recommended that management of manufacturing industry should ensure that their risk awareness is efficient and effective because risk awareness affect performance of manufacturing companies. In order to ensure increase in performance of Manufacturing industry, management of manufacturing companies should ensure that effective risk management practice such as prompt risk identification, risk assessment, and efficient risk Control/Reduction system in order to enhance the performance of manufacturing companies. Ishaq, Abir and Khadra (2021) analyze the impact of liquidity risk management on the financial performance of selected conventional banks in Saudi Arabia for the period of 2002-2019. Liquidity risk is measured with the loan to deposit ratio (LTD) and cash to deposit ratio (CTD). Financial performance is measured by the Return on Equity (ROE). Equity to total asset ratio (ETA) is used as the control variable. The study uses the panel data method (Pool, Fixed-effects and Random-effects) for testing the study hypothesis. This research presents several findings. The loan to deposit ratio has a negative effect on the financial performance of Saudi Arabian banks. The results also revealed that the cash to deposit ratio negatively affects the banks' financial performance. The study concludes that liquidity risk has a significant negative impact on the financial performance measured by Saudi Arabian banks. The study recommended that bank should take advantage of the excess liquidity available during granting loans and increase its investment. Saudi Arabian banks must invest the excess liquidity to increase the banks' profitability. Saudi Arabian banks also need to adopt creative policies to manage their liquidity efficiently for avoiding risks.

Nurudeen, Enebi and Kanwai (2020) the study examined the impact of board characteristics and risk management on financial performance of listed insurance firms in Nigeria for the period of 2012-2017. The study adopted correlational research design. The study used data extracted from annual reports of listed insurance firms in Nigeria. The study was anchored on the risk management theory and resources dependence theory to establish conceptual relationship between the variable. The population of the study comprised of the 30 listed insurance firms in Nigeria and 26 adjusted populations was gotten based on availability of data. The data collected were analyzed with the aid of paneled regression. The findings revealed that solvency risk and underwriting risk have negative and significant relationship with financial performance of listed insurance firms. Based on the findings, the study concludes that there is negative and significant relationship between solvency risk and underwriting risk. However, positive relationship between board size, board independence and financial performance is not significant. The study recommends that Insurance firms should offer adequate diversification of insurance policy portfolio to have better premium earning that can compensate other loss when it occurred. Hence, insurance companies should give due attention on these areas to reduce the effect of underwriting risk for their performance and should also strive to attract more customers and boost their income through provision of enhanced estimation technique on insurance policy premium price to maximize their net premium earning and net asset. Since the country is growing and transforming into the age of industry with the existing paid-up capital, it will be likely for insurance companies to face solvency risk.

Akporien and Nsima (2020) examines the effect of credit policy management on financial performance of listed consumer goods companies in Nigeria. The study adopted the ex post facto research design and used content analysis of corporate financial statements to extract relevant data from sampled firms for the period 2016 to 2019. The population of the study consisted of all listed consumer goods companies in Nigeria. Findings of the study indicate that cash conversion cycle has a negative but not significant association with financial performance. The study further revealed that average collection period has a positive and significant association with financial performance while debt equity ratio has a positive but

insignificant relationship with financial performance. The study concludes that good credit management policy enhances financial performance of listed consumer goods companies in Nigeria and recommends that companies particularly the consumer goods companies should establish credit management policies that clearly outline the management's view of organization priorities on profitability. In line with the findings of this study, it recommended that companies particularly the consumer goods companies should establish credit management policies that clearly outline the management's view of organization priorities on profitability. The credit policies should be continuously updated to reflect changes in the economic outlook of the customers to ascertain their adherence to payment. Augustin, Wilson and Meshack (2020) examined the effect of market risks on the financial performance of oil and gas firms in Nigeria. This study has chosen to investigate one of the components of the risks (market risk) and to ascertain how the risks affect the activities of firms in Nigeria. Four hypotheses were formulated in line with the objectives of the study. The study employed causal research design and used secondary data. The research covers the twelve (12) firms listed under Oil and Gas sector on the Nigerian Stock Exchange. Secondary data were collected from Central Bank of Nigeria Statistical Bulletin and the financial statements of the firms which spanned from 2014 to 2018. The data were analysed with descriptive statistics, correlation and multiple regression analysis. The results therefore indicate that exchange rate has significant effect on both ROA and ROE of Oil and Gas firms. Additionally, interest rate has significant effect on ROE and insignificant effect on ROA. More results show that commodity price change has no significant effect on both ROA and ROE, also equity price change has no significant effect on ROA and ROE of firms in Oil and Gas sector in Nigeria. The study concludes that market risks really have a dominant role in determining the financial performance of Oil and Gas sector in Nigeria. The study recommends among other things that the firms should adopt the use of hedging to control exchange rate changes and government should maintain a low interest rate that will aid firms increase their profitability.

In the works of Chukwunulu, Ezeabasili and Igbodika (2019), the contingent variables were two bank performance metrics (ROE and ROA), the independent variables on the other hand were unsystematic risk control mechanisms, including credit risk, operating risk, liquidity risk and capital adequacy risk. NDIC annual statement was collected from the data for the analysis covering 23yrs from 1994 to 2016. The SPSS was used to do regression analysis of OLS. VIF and Durbin Watson statistical results for multicollinearity and autocorrelation demonstrated the suitability of the models and the reliability of the results, respectively. The coefficient of determination found that 41% and 23% of improvements in ROE and ROA were clarified by RM variables. In addition, credit risk has a significant negative impact on ROE and a negative influence on ROA; management of liquidity does not have a significant impact on bank performance; operational risk does not have a significant impact on bank performance in Nigeria; while capital adequacy has a significant positive effect on ROE but a negative impact on return on ROE. The study concluded that the practice of RM in Nigerian banks is weak. The researcher suggested, among other items, that the CBN should strive to implement risk recognition, estimation, evaluation and control mechanisms in accordance with other global best practices to deter financial crises and also enhance the efficiency of commercial banks.

## **Theoretical Review**

### **Modern Portfolio Theory (MPT)**

The hypothesis of Modern Portfolio Theory (MPT) is a speculation set forth by Harry Markowitz in his paper. The hypothesis was distributed in 1952 by the Journal of Finance. The venture hypothesis depended on the possibility that risks disinclined financial specialists in the business can build portfolios to expand expected stock returns based on the level of market risks in a speculation, understanding that risks is an inborn and huge piece of higher reward in venture. The hypothesis came to be among the most critical and noteworthy financial speculations in the realm of fund and venture. The hypothesis is additionally alluded to as portfolio hypothesis and proposes that it is workable for financial specialists to build a proficient bleeding edge of ideal portfolios, which offers the most extreme and conceivable expected returns for a particular given level of risk. It encourages and recommends that, for speculators it

is not sufficiently just to center at the normal risks and stock return of one particular stock. By putting resources into numerous stocks, a financial specialist can win in case of broadening, by diminishing the risks in the portfolio given. This hypothesis consequently tries to measure the advantages of enhancement.

For most investors, the risk part is that any return from an investment might be lower than the expected returns or put in other words, the variations from the expected stock returns. According to the theory, each stock has its own deviation from the stock mean. This standard deviation from the mean is called risk, (Markowitz, 1952); cited in the work of Charles Matuku (2016). The hypothesis likewise clarifies on capital assets pricing model (CAPM). As per CAPM, every single sane financial specialist ought to put the market portfolio, utilized or deleveraged with positions in the risk-free resource. Notwithstanding this, CAPM likewise thought of beta which relates an advantage's normal return. Portfolio hypothesis in this way gives a plain setting for comprehension the connections results of orderly risks and rewards. It has extensively formed how monetary institutional portfolios are overseen and persuaded the utilization of dishonorable and aloof speculation methods in the commercial banks. The comprehension of portfolio hypothesis and CAPM is utilized as a part of money related risks administration systems. In connection to this hypothesis, Commercial banks have a commitment to investigate all venture exercises by figuring the normal returns.

### **Moral Hazard Theory**

This theory has been widely used in Economics world. The theory argues that one party takes more risks because other parties elsewhere bear the costs for those risks. This may occur where the actions of someone may change to the detriment of another party participating in an active role in economic or financial transactions (Krugman, 2009). The theory explains that, moral hazard occurs under a situation of information asymmetry where party taking the risk in a financial transaction knows more about the transactions, its intentions than the other party paying for the problems as a result of the risk incurred in the transaction Economist Krugman (2009) described moral hazard as a situation where one party comes up with decisions about how and when to take the risks because another party will bear the costs in the risks. The theory can be seen/perceived in a standard case where an agency setting in a bank or Insurance companies. The company has less information about the principal and the insured person can serve as the agent. In the Automobile insurance companies, the theory applies to for drivers; the theory creates an additional incentive for risky and careless driving since other parties will cater a part of the costs of the agent's careless driving and the accidents caused. In addition, a similar case is in the presence of unemployment insurance cover, an unemployed people have an additional incentive reluctantly look for employment because other parties will cater for his expenses. This study will be underpinning on this theory.

### **METHODOLOGY**

Longitudinal panel research design was adopted in this study as it provides the support needed for collection of information on the existing nature of the phenomenon under study so as to provide and describe the nature of the relationship between the study variables. The population of the study consists of all the twenty-seven (27) listed consumer goods firms on the Nigeria Stock Exchange as at 31<sup>st</sup> December 2021. In order to arrive at the sample size, the purposeful sampling technique was employed. As a result of the above criterion ten (10) firms meet the requirement to form the sample size of the study. The secondary data adopted in this study will be gathered from financial statements published on the Exchange Group Plc and the individual company's financial statements. The data for this research will consist of annual observations between 2012 and 2021 of ten years (10) Nigerian consumer goods firms. Longitudinal panel data estimation methodology is implemented as the data provides cross sectional data over a period of time. The secondary data which will be collected for the dependent and independent variables will be analyzed using descriptive statistics and panel regression using statistical package STATA version 13. The descriptive statistics will detect whether there are errors in the data set by

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determining mean, maximum and minimum values for each of the variable measures. Pearson correlation analysis will test the association among the variables, while panel regression will examine the effect of the independent variables on the dependent variable. Panel regression analysis for fixed effect model and random effect model will also be conducted. Thereafter, Hausman specification test to determine whether the fixed effect or random effect is most appropriate for the study. This research adopted approach of Naïmy (2011) to determine performance indicators. The model takes the form:

**Model One**

$$ROA = \beta_0 + \beta_1OR + \beta_2LR + \beta_3FS + e_{it} \dots\dots\dots (i)$$

**Where;**

- ROA = Return on Assets
- OR = Operational Risk
- LR = Liquidity Risk
- FS = Firm Size

**Definition of Variables**

S/N	PROXY	TYPE	MEASUREMENT
<b>Variable of Interest</b>			
1.	Return on Assets (ROA)	Dependent	Measured by dividing profit after tax over total assets
<b>Explanatory Variables</b>			
2.	Operational risk	Independent	Measured by the cost to income ratio which is operating expenses as a proportion of gross earnings
3.	Liquidity risk	Independent	Measured by dividing current assets by current liability.
4.	Firm Size	Control	Measure by natural log of total assets

*Source: Author’s compilation (2021)*

**RESULT AND DISCUSSION**

**Descriptive Statistics**

The descriptive statistics of the dataset from the sampled consumer goods companies are presented in Table 4.1 where the mean, standard deviation, minimum and maximum values of the data for the variables used in the study are described.

**Table 1: Descriptive Statistics**

. summarize ROA OR LR FS

Variable	Obs	Mean	Std. Dev.	Min	Max
ROA	100	4.314183	11.71664	-44.16	42.85
OR	100	1.153353	.1736321	.6853027	1.724448
LR	100	.595772	.3529793	.2564	3.5545
FS	100	7.5011	.8183463	5.25	8.68

**Sources: STATA 13 Output**

The Table above shows the detail account of the descriptive statistics for the explained and explanatory variables. Return on assets (ROA) which is the dependent variable of the study has a minimum value of -

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44.16 and a maximum value of 42.85. The average value of the ROA is 4.314183 which represent 4%, with standard deviation of 11.71664, signifying that the data deviate from the mean value by 12%. This implies that there is no variation across the sample firms because the standard deviation is not close to the mean.

The result also indicates that operating risk (OR) has minimum and maximum value of 0.68 and 1.72 respectively. The average value of the liquidity risk (LR) is 0.595772 and a standard deviation of 0.3529793. The high average is an indication that more than 59% of the firm are liable to liquidity risk. Firm size as a control variable has an average of 7.5011 and a standard deviation of 0.8183463 showing large variations across the sample firms.

**Table 1: Correlation Matrix of the Study Variables**

. spearman ROA OR LR FS, star(0.05)  
(obs=100)

	ROA	OR	LR	FS
ROA	1.0000			
OR	0.0849	1.0000		
LR	0.1623	0.2863*	1.0000	
FS	0.1695	0.3328*	0.1144	1.0000

**Sources: STATA 13 Output**

Table 2 shows the correlation of the variables under study which are return on assets (ROA) and risk management variables (operating risk and liquidity risk) in the listed consumer goods firms in Nigeria. The result shows that there is a significant positive relationship between return on assets (ROA) and liquidity risk (LR) as shown by the correlation coefficient of 0.1623, significant at 0.01 level of significance. The result implies that return on assets increases with an increase in the services of liquidity risk. Considering the control variables, the result shows a positive relationship between return on assets and firm size (FS) as shown by the correlation coefficient of 0.1695.

### **Test of Research Hypothesis**

**H<sub>01</sub>.** Audit tenure have no significant effects on earnings quality of listed consumer goods firm in Nigeria. In this section, the regression results of audit firm attribute variables and earnings quality are presented and analyzed. In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results.

### **Hausman Specification Test**

**H<sub>01</sub>:** Operational risk has no significant effect on return on assets (ROA) of consumer goods sector in Nigeria

**H<sub>02</sub>:** Liquidity risk has no significant relationship with return on assets (ROA) of consumer goods sector in Nigeria.

In this section, the regression results of risk management variables and financial performance are presented and analyzed. In view of the nature of the data, both fixed effect and random effect models were tested. Hausman specification test was then used to decide between the two results.

**Table 3: Hausman Specification Test**



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values, the parameter estimate for operating risk (OR) and liquidity risk (LR) are statistically insignificant, given that the individual probabilities are 0.586 and 0.972 respectively. When taken collectively the value of F-statistics is 5.35. The value of the probability is 0.1482. This result implies that the overall regression is both positive and statistically insignificant at 5%. The coefficient of operating risk (OR) is -3.64, while that of liquidity risk (LR) is -0.11. This shows that ROA is negatively related to operating risk and liquidity risk such that a unit increase in operating risk (OR) and liquidity risk (LR) will have a substantial negative effect on ROA respectively. But looking at the individual probabilities of the control variable firm size (FS) it was found to be statistically significant (0.024) with a positive coefficient of (4.13). Consequently, when taken collectively and based on the F-statistics value of 5.35 and the probability value of 0.1482, which is greater than 0.05, the two null hypotheses of the study are hereby accepted.

### **Discussion of Findings**

The study found that operational risk (OR) has no significant effect on financial performance of listed consumer goods firm in Nigeria. operational risk threatens firm's financial viability and long-term sustainability. However, the result support the finding of Chukwunulu, Ezeabasili and Igbodika (2019) who found out that operational risk does not have a significant impact on bank performance in Nigeria. The study found that liquidity risk (LR) has negative and insignificant effect on financial performance of listed consumer goods firms in Nigeria. This could be due to CBN policy, the statutory liquidity requirement in Nigeria stood at thirty percent which all consumer goods firms were to strictly adhere to. However, this research contradicts the study of Ishaq, Abir and Khadra (2021) who found that liquidity risk has a significant negative impact on the financial performance measured by Saudi Arabian banks. On the other hand, the study is in line with the study of Ugwuanyi and Imo (2012). From the table also firm size (FS) has positive but significant effect on financial performance of listed consumer goods firms in Nigeria. This contradicts with the a priori expectation that larger firms have a lot of pressure by regulators to ensure credibility in their financial report and that makes it difficult for them to manage risk. However, it concurs the postulate of Jensen and Meckling (1976) which says that when the firm's size increases, the agency costs are expected to increase and this allows for greater managerial discretion and opportunism.

### **CONCLUSION AND RECOMMENDATIONS**

In line with the research hypothesis of this study, the following conclusion were made; the null hypothesis of hypothesis one to the study is accepted. The study concluded that liquidity risk has no significant effect on financial performance of listed consumer goods firms in Nigeria. In line with the research question, objective and research hypothesis of this study, the following conclusion were made; the null hypothesis of hypothesis one to the study is rejected. The study also found out that liquidity risk management has no significant relationship with return on assets of listed consumer goods. This confirms that the lower the ability of consumer firms to withstand liquidity risk in the short term and the risk from the presence of large non-liquid assets, the lower the performance. At the end, the researcher concludes that listed consumer goods firms in Nigeria can raise the level of performance by improving their ability to face risk from liquidity shocks, risk from high demand for short-term liquidity and the risk from the presence of the large non-liquid assets. In line with the findings and the conclusions of this study, the following recommendations are made:

- i. Firms managers should apply more of a quick snapshot of a firm's operational risk, rather than a figure that can be worked over for a long period of time.
- ii. The study recommends that consumer goods firms should establish the required cash in each product segment and maintain the optional level which will help in reducing the cash balance level and increase their customer deposit base through making the product accessible to more customers especially the low-income earners
- iii. The study recommends that the CBN and other regulatory bodies should encourage risk identification, assessment, measurement and control strategies to avoid financial crisis and also improve on consumer goods firm's performance in Nigeria.

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