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Financial Risk, Inflationary Trend and Financial Performance of Listed Deposit Money Banks in Nigeria: A Proposed Framework

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Abstract
The study proposed a framework on the moderating effect of inflationary trend on the relationship between financial risk and the financial performance of Nigeria listed deposit money banks. Literature has shown that financial risk parameters are very essential factors that adversely affect corporate firm financial performance. However, the main objective of this study is to propose a framework on the moderating effect of inflationary trends on the relationship between financial risk variables and financial performance of listed deposit money banks in Nigeria. The independent variable used in this study is financial risk proxy by credit risk, liquidity risk, market risk, operational risk and leverage risk. The moderating variable is inflationary trend measured as ratio of consumer price index (CPI) calculated as annual percentage changes in inflation rate and the dependent variable is financial performance measured by return on assets (ROA) and Tobin's q. Therefore, based on the reviewed literatures a moderator is introduced to propose a framework for the study resulting from inconsistency in findings of previous studies. The study proposed capital asset pricing model as underpinning theory. As such, the study recommended for empirical investigation on the proposed research framework.

Keywords: Camp Theory, Financial Performance, Financial Risk, Inflationary Trend, Research Framework.

1. Introduction

Deposit Money Banks (DMB's) are considered among the biggest contributors to global economic growth. DMBs play a vital role in any country's economic development by channeling savings from economic surplus units to economic deficit units for investments in commercial ventures (Aghion & Howitt, 2021; Mishkin, 2022). The DMBs provide entrepreneurs with capital required to start their businesses and government with direct loans. Also, they offer managerial and financial advice to small-scale businesses and facilitate payment services to their clients (Okeyo & Miroga, 2020). It's further argued that the economic wellbeing of any country is determined by the activities of their DMBs. Similarly, the contribution of deposit money banks toward Nigerian economic growth cannot be overemphasized, as it serves as a catalyst of improving economic development, through their financial services within and outside the country, provide capital to sectors of the economy, such as Agricultural, manufacturing, telecommunication and health sectors etc. DMBs cater for substantial job opportunities and well-being of the citizens as well as growth domestic product (GDP) (Arzova & Sahin, 2023). However, on the backdrop of these good performances of DMBs are volatilities that have expose the sector to various types of financial risks that adversely affect their financial performance.

Financial performance serves as a yardstick for measuring banks profitability there by improving share-holders wealth. It is very important for managers to know which factors influence an organization's performance to take proper steps and plan against such factors (Jokob, et al., 2022). It is a mechanism through which the efficiency of management in terms of shareholders wealth utilization is measure.

Banks performance can be seen as the reward to shareholders for taking the risk of investing their limited resources. Hacini, et al., (2021) argued that financial performance is the extent to which a bank's financial targets are achieved. In the present global business dynamic environment, banks managers must be able to manage with the growing unpredictability and instability of the macroeconomic uncertainties. Changes in the macroeconomic environment, therefore, can create risks to the financial performance reliability and sustainability of the banks.

In Nigeria, apart from banks financial intermediation functions, they help in creating jobs for a substantial number of youths which go a long way in reducing the rate of unemployment in the country. This, however, helps largely in curbing social vices among Nigerian youths that may hinder growth and development in the society. Therefore, performance of banking sector remains a major contentious issue for researchers, practitioners as well as policy makers (Abdul, et al., 2021). However, DMBs financial performance has been unimpressive for quite some years. For example, the financial stability reports showed that the financial performance of Nigerian DMBs is showing downward trends. This can be visualized from the NDIC as of December 2017 that the performance indicators of DMBs showed a downward trend in profitability. Pre-tax profit dropped from #440 billion in2016 to #150billion in 2017, a decrease of 65.90 percent. Operating Expenses increased by 15.79 percent from #380 billion in 2016 to #440 billion in 2017 (NDIC, 2017). In addition, the number of DMBs that were technically insolvent increased from 3 in 2016 to 4 in 2017 (such as, Sky bank, First bank, Diamond Bank and Union bank), (Saidu, et al., 2021). In 2018 operating expenses increased to #1708 billion from #440 billion in 2017 without corresponding increase in banks profitability. In the second quarter of 2019 profit before tax of DMBs decreased from #219.22 billion to #211.99 billion. This was attributed to 76.98 percent decrease in trading income and 7.82 percent increase in operating expenses from #1,708 billion in 2018 to #1,832 billion in 2019. Moreover, in 2020 PBT further, recorded decrease from #899.16billion in 2019 to 887.71billion in 2020, a decrease of 1.29 percent of DMBs PBT and the operating expenses also increased from #1,832billion to #1920 in 2020 (NDIC, 2020). The year 2023 recorded increase in PBT of DMBs to #756.02billion from #313.68billion (NDIC, 2023). But the National Bureau of Statistics in 2023 reported a decrease in the Gross Domestic Product (GDP), which represents the level of economic performance in yearly GDP growth rate from 3.40 percent, 3.10 percent and 2.74 percent in 2021, 2022 and 2023 respectively. This reduction in the level of economic activities erodes financial performance of many businesses and as a result affected their ability to repay loan from DMBs.

Odubuasi, et al., (2020) argues that risks are those uncertainties that hindered the accomplishment of certain predetermines objectives. Some of these risks consist of financial risks, operating risks and market risks among others. Financial risk is the probability that a chosen action will lead to a loss or undesirable outcome; it is the likelihood that the outcome from a process will not meet expectations. Traditionally, the concept of financial risk has been associated with uncertainty about events in the future. The higher the uncertainty of events, the higher the risk is. Because of the possibilities of risks in business and other economic undertakings, governments, businesses and individuals do not consider only the expected returns from their investment but also the degree of risk that is associated with that investment (Kurfi, 2021). Andrea, et al., (2022) argues risk as whatever thing that can limit against the way of attainment of design objectives. This can occur either from internal factors or external factors, depending on the nature of risk that exists within a particular situation and period. Financial risks in DMBs are quite challenging and different from other risks facing banks, as it is not only systemic in nature, but asymmetric, reducing banks' financial and nonfinancial performances leading to huge losses and losses of confidence on the side of banks stakeholders a decision relating to granting loans to customers (Olalere, et al. 2018).

However, financial performance of DMBs of most countries in the world, with reference to Nigeria, is relatively low and unimpressive because the literatures reveal that, from 2014 to 2023 the general financial performance of DMBs is decreasing and attributed to financial risks. Also, various studies were conducted in both developed and developing countries on different financial risk parameters, include: the work of Kumshe, et al., 2024; Theresa, et al., 2023; Olorunsola, et al., 2023; Kihuro, et al., 2023; Azura, et al., 2023; Arifaj and Buruti, 2023; Nathanael, et al., 2023; Verawati, et al., 2023; Natufe and Evbayiro-Osagie, 2023; Agbana, et al., 2023; Olulu-Briggs, 2022; Aliyu, et al., 2022; Dunyoh, et al., 2022; Rasyid and Kurniawati, 2021; Adesugba and Dotun, 2021; Hussain, et al., 2021; Cathering, 2020; Siddique, et al., 2020; Jackson and Tamuke, 2022; Al-Yatamai, et al., 2020; Olorunsola, et al., 2023; Mustapha and Jaffary, 2022; Weerasinghe and Ekanayake, 2023 and Ruto, (2022); showed an inconsistent findings some were found to be significant some were insignificant and weak relationship this create a gap.

However, different researchers focused on different aspects of financial risk parameters. There are limited studies focusing on the joint effect of financial risk factors i.e. credit risk, market risk, liquidity risk, operational risk and leverage risk on the financial performance of deposit money banks in Nigeria. Hence, the need to further examine the effect of financial risk on the financial performance of listed deposit money banks in Nigeria from a period of 2014-2023. In line with the inconsistencies of the above studies' findings, a need arises for the introduction of moderator. This is based on the suggestion of Baron and Kenny (1986); Hair, et al., (2020) that where inconsistencies of findings exist, a moderator can be introduced. However, inflationary trend is introduced as the moderating variable as suggested by Mustapha and Jeffrey (2021). While interest rate, exchange rate will be used as control variables. The inflationary trend can stand as moderator on the relationship between financial risk and financial performance of listed DMBs in view of the fact that, the reviewed empirical literature showed that, their empirical findings revealed significant effect existed between inflationary trends on firms' financial performance (Moyo & Tursoy, 2020; Borges & Tavares, 2020; Lemin et al., 2020; Uralor, 2020; Almonsoor, et al. 2021; Apou, 2022; Terstena, et al. 2023; Naja & Natsir, 2023; Bilalli & Sakidu, 2023; Ismail et al. 2023). Also, interest rate and exchange rate were used as control variables because paucity was detected in using economic variables as control variables.

In view of the foregoing, this study employed inflationary trend to moderate the relationship between financial risk and financial performance of listed DMBs in Nigeria. As studies affirmed the existence of direct relationship between inflationary trends and financial performance because inflation typically attracts higher interest rate, as central bank attempt to control rising prices. Higher borrowing cost can compress the interest margin that banks earn on loans, it also exposes banks to higher level loan repayment default (NPL) from the borrower's ability to repay their loans (Alnabulsi, et al., 2023; CBN, 2023; Ghosh, 2017). It is further argued that as inflation rise, consumer and businesses may reduce borrowing due to higher costs, leading to decreased loan demands, which in turn will reduce interest income for banks (Dilani & Turgut, 2020).

2. Literature Review and Hypotheses Development

Credit Risk and Financial Performance

Salsabila, and Octaviantika, (2021) assessed the effect of Non-Performing Loans (NPLs), education diversity, and Loan to Debt Ratio (LDR) on the performance of 41 listed banks in Indonesia between 2015 to 2019 and established a positive and significant relationship of LDR on performance. Similar result was obtained by Saleh and Winarso, (2021) on the influence of NPL and LDR on the performance of 29 banks in Bandung city of Indonesia from 2014 to 2019 and found a significant and positive effect of LDR on

profitability. Conversely, Siddique, et al., (2021) investigated the influence of credit risk management and bank-specific factors on the performance of commercial banks from 2009 to 2018 in Pakistan and India. The study found a significant negative relationship between the lending rate and performance. The findings of Siddique, et al., (2021) is in line with the findings of Adebayo, et al., (2020) on the effect of financial risks on performance of deposit money banks in Nigeria from 2007-2018. The study used credit risks, insolvency risks, liquidity risks and market risks as independent variables for measuring the dependent variable. The finding shows that credit risk was negative and statistically significant to deposit money banks' performance and the result also indicates that liquidity risk is negative and insignificantly related to banks' profitability; insolvency risk from the result shows negative signs that are statistically insignificant to banks profitability and market risk indicates insignificant and positive effect on Profitability. Consequently, credit risk was found to be negative and statistically significant at Economic Value Added (EVA), and liquidity risk and market risk were found to be positive and statistically insignificant on Economic Value Added. Using ROA credit risk shows negative significant effect; also, liquidity risk and insolvency risk were found positive and negative insignificant effect on return on assets respectively. These studies suffer a drawback of failing to capture their theoretical and conceptual framework. The present study proposed CAMP theory to explain the study variables. These studies also fail to showcase their variable measurement for further replication of the scientific study.

Liquidity Risk and Financial Performance

Gacheru (2021) assessed the effect of financial risks on the financial performance of investment firms listed in Nigerian Exchange Group. The study measure foreign exchange risk, liquidity risk, and interest rate risks on the financial performance of four investment firms listed at the Nigerian Exchange Group. The data used was obtained from the annual reports of the firms for the period 2011 to 2018. Descriptive research design was adopted and descriptive statistics, regression analysis, and diagnostic tests were employed with the help of statistical Packages for Social Sciences (SPSS) for data analysis. The study concludes that a decrease in liquidity risk results in increased financial performance. A decrease in foreign exchange risk exposure could lead to improved financial performance. The interest rate risk was found negative and significantly related to financial performance. Also, firm size was found to be positive and significantly related with financial performance of investment firms in Nigeria. The study uses four investment companies for a period of eight years. The present study will consider the entire listed DMBs for longer periods and STATA software will be used to achieve more robust results in analyzing secondary data compared to SPSS, because the data is cross sectional in nature. The findings of Gachero contrast with that of Hassan, et al., (2023) on the moderating effect of bank size on the relationship between interest rate, liquidity, and performance of the banks in Nigeria. Their Findings on the direct effects showed a significant negative relationship between deposit rate and performance, and both the lending rate and loan-to-deposit ratio have positive and significant relationships with banks performance. While the moderation effects revealed that the bank size has positively moderated effects between deposit rate and performance, whereas bank size has negatively moderated the relationship between loan-to-deposit ratios on banks performance.

Conversely, Jocob, et al., (2022) on their study titled liquidity risk management and financial performance of listed deposit money banks in Nigeria. Their findings revealed that both deposits to total assets (DTA) and total loan to total deposit (TLTD) have negative insignificance effects on returns on assets (ROA) of the selected banks. On the other hand, liquid assets to total assets (LATA) and short-term liabilities to liquid assets (STLLA) both have negative significant effects on ROA of the sample banks. In a contrary finding of Jocob, et al. (2022) and Amira, et al. (2023), Rasyid and Bangun (2023) surveyed 36 listed banking sectors on the Indonesian Stock Exchange (IDX) for the period 2019 to 2021 on the effect of

liquidity risk and income diversification on banking financial performance. The dependent variable in this study is financial performance proxies by return on assets (ROA). Liquidity risk and income diversification were the independent variables. Loan-to-deposit ratio (LDR) was used to measure liquidity risk. Three ratios namely Non-Interest-Income/Gross-Revenue-ratio (NII), Fee and commission income/revenue-ratio (NII1) and non-interest-income/total-Assets-ratio (NIITA) were used to measured income diversification. Multiple regression analyses were used to analyze the extracted panel. The results found that liquidity risk has a positive effect on bank financial performance. The fee and commission-income/revenue ratio (NIII) have significant positive effects on financial performance while the non-interest-income/gross revenue-ratio (NII) and Non-interest-income/total-assets-ratio (NIITA) do not have effect on financial performance of the listed bank in Indonesian Stock Exchange Market. Methodological deficiency of this study is the period it covers is very short and the variable measurement is missing in the study.

Market Risk and Financial Performance

The study of Obayagbona and Osagiede (2023) on the relationship between risk management and the performance of the Nigerian banking industry, credit risk, liquidity risk, market risk, interest rate risk and operational risk were used. The empirical findings revealed that credit risk and operational risk shows negative and insignificant relationship with the performance of the Nigerian banking industry while liquidity risk and market risk showed significant positive relationship with bank performance, interest rate risk was found significant and negative relationship with banks performance in Nigeria within the period of study. Conversely, Ruto (2022) examines the influence of risk exposure on the financial performance of manufacturing firms listed in Nairobi stock exchange. Credit risk, liquidity risk and market risk were employed as independent variable and ROA as the dependent variable. The finding showed that the entire variable influenced the performance of listed manufacturing firms in Kenya as measured by ROA. A Similar result was obtained by, Toufaili, (2021) studied the impact of risk management on financial performance of commercial banks in Thailand. The findings were viewed through the prism of regression analysis and Pearson correlations. The results obtained revealed a direct relationship between market risk, liquidity risk, credit risk, and solvency risk on financial performance. Since the nature of the data was cross sectional or time series, panel multiple regressions would have been employed to obtain more robust results.

Conversely, Mustapha and Jeffrey, (2021) examine the effects financial risks on the performance of deposit money banks in Nigeria. Credit risk, liquidity risk, market risk, operational risk and bank size were employed to measure the performance of the firms under study. The study result showed that financial risks influence banks' performance positively, but credit risk does not have any significant relationship with financial performance of deposit money banks in Nigeria. Liquidity risk showed significant effect on deposit money banks' financial performance in Nigeria within the period under investigation. The effect of market risk, interest rate risk and Operational risk insignificantly affect banks financial performance in Nigeria. A contrary result is obtained by, Adebayo, et al., (2020) on the study of the influence of financial risks on performance of deposit money banks (DMBs) in Nigeria. The study found that credit risk was negative and statistically significant on deposit money banks' performance. The result also shows that liquidity risk and insolvency risk were negative and insignificantly influence DMBs' profitability and market risk shows insignificant and positive effect on DMBs Profitability (ROA). On the other hand, credit risk was found to be negative and statistically significant at EVA; liquidity risk and market risk were found positive and statistically insignificant to EVA of the listed DMBs in Nigeria.

From the above studies, their findings reveal inconsistencies which open a gap for the introduction of moderator that the present study is to fill.

Operational Risk and Financial Performance

Oudat, et al., (2024) assessed the impact of financial risks on the financial performance of both commercial and Islamic banks of the United Arab Emirates ranging from 2015 to 2022. Their findings shows a statistically significant positive impact between capital risk and both return on assets (ROA) and return on equity (ROE). However, it was observed that both liquidity risk and operational risk showed significant impact on both financial performance metrics. Moreover, the size of a bank indicates significant impact on both return on assets (ROA) and return on equity (ROE). The study suffers setbacks of using three proxies of independent variable and only accounting performance measures were used, which the present study is in attempt to fill these gaps by employing market performance measure (Tobin's q). A Similar result was obtained by Jerono and Olweny (2023) on the effect financial risk management practices on financial performance of microfinance institutions in Kiambu County, Kenya. Their findings revealed that liquidity risk management practices, operational risk management practices, credit risk management practices, and market risk management practices positively and significantly affects financial performances of microfinance institutions in Kiambu County, Kenya. In contrast finding, Yousef, et al., (2023) studied the relationship between operational risk and financial performance of banks in the Middle East and North Africa (MENA), utilizing data from 135 banks spanning 14 countries from 2015 to 2019. The results show that operational risk negatively influenced banks' financial performance in the MENA region. The study used limited time frames, proxies of variables measurement and conceptual framework were missing, and pooled regression would have been employed for more robust result. This study is to address these drawbacks.

An inverse result is obtained by, Andrea, et al., (2022) on the effect of financial risk on performance of selected manufacturing firms in Nigeria; operational risk, credit risk and liquidity risk were used as independent variables on profitability. The study found that operational risk, credit risk and liquidity risk showed positive significant effect on performance of sampled manufacturing firms in Nigeria. The research framework that serves as a basis for further replication is missing. The findings of Andrea, et al., (2022), contrasted the finding of Olivia, et al., (2022) assess the effect of risk on financial performance moderating effect of bank size of commercial banks in Indonesia from 2015 to 2019. The finding revealed that liquidity and credit risk were insignificantly affects financial performance of Indonesia commercial banks. Market risk shows significant positive effect on financial performance of Indonesia commercial banks, while operational risk shows significant negative effect on Indonesia commercial banks. Bank size moderates the effect of liquidity and credit risk on financial performance but fails to moderate the effect of market and operational risk on financial performance Indonesia commercial banks.

Leverage Risk and Financial Performance

Matsoma (2022) studied the influence between the liquidity risk, financial leverage and firm financial performance of Johannesburg Stock Exchange (JSE) firms. The study employs ROA and ROE as proxies of the dependent variable whereas, financial leverage, liquidity, firm size and growth opportunities as independent variables. The findings revealed the negative effect between liquidity risk and financial leverage as represented by both DE and TDR. The study also shows that liquidity risk showed a negative significant effect on firm performance as measured by both ROA and ROE. A similar result was obtained by Umar, et al., (2022) on the association between financial leverage and financial performance of selected listed consumer-goods firms in Nigeria spanning the period 2010 to 2020. The study found that leverage has a negative influence on firm financial performance measured by ROA. Similarly, Ayeni and Emeka

(2021), explored the effect of financial risk on the performance of listed manufacturing firms in Nigeria from 2010 to 2020. Leverage risk, liquidity risk, firm size and age of firm were used on ROA. The findings indicated that leverage risk, liquidity risk, firm size has negative significant effect on ROA, while age of firm shows positive insignificant effect on ROA of listed manufacturing firms in Nigeria.

In their study Aregbesola, et al., (2024), surveyed the impact of leverage risk and liquidity risk on the financial performance of 15 listed deposit money banks (DMBs) in Nigeria from 2013 to 2022. They found that liquidity risk showed positive and significant impact on return on equity (ROE). Conversely, leverage risk was found to have a significant negative impact on ROE. The data were analyzed using various statistical analyses including descriptive analysis, correlation analysis, skewness and kurtosis tests for normality, multiple regression models for fixed-effects and random effects models, and the Hausman test to ensure robust findings. The study suggested that while liquidity risk can be effectively managed to enhance profitability, excessive leverage poses significant threats to financial performance. It also suggested exploring the impact of other determinants, such as market risk and operational risk, on the financial performance of DMBs. Additionally, extending the study period and including more banks could provide a more comprehensive understanding of the dynamics influencing bank performance. The present study is to fill these deficiencies.

However, from the reviewed literature inconsistencies of findings were identified, this creates a wide research vacuum that requires to be filled with the introduction of moderator as suggested by Baron and Kenny (1986), Hair, et al. (2020). Furthermore, to the base on the researcher knowledge no study was found to use the combination of these five (5) proxies of independent variable. Also, the period covered by the previous studies ended in 2021 and the time frames employed were short. Interest rate and exchange rate were also introduced in this study as control variables since the previous studies used firm specific characteristics neglecting the macro-economic variables that are very crucial in influencing the performance of economic sectors. A paucity was equally detected from the literature on the financial performance measures as previous studies concentrate more on accounting measure of performance (ROA, ROE, ROCE etc.) neglecting market performance measure (Tobins q etc.) as suggested by Otekukunrin, et al. (2021). As such, this study is to fill these identified gaps and more from the literature by bringing new model on the existing once.

Based on the review the following hypotheses were proposed in null form:

H01: Credit risk has no significant effect on the return on asset of listed deposit money banks in Nigeria.
H02: Liquidity risk does not significantly influence return on asset of listed deposit money banks in Nigeria.
H03: Market risk has no significant effect on the return on asset of listed deposit money banks in Nigeria.
H04: Operational risk does not significantly influence return on asset of listed deposit money banks in Nigeria.
H05: Leverage risk has no significant effect on return on asset of listed deposit money banks in Nigeria.
H06: Credit risk has no significant effect on Tobin's Q of listed deposit money banks in Nigeria.
H07: Liquidity risk does not significantly influence Tobin's Q of listed deposit money banks in Nigeria.
H08: Market risk has no significant effect on Tobin's Q of listed deposit money banks in Nigeria.
H09: Operational risk does not significantly influence Tobin's Q of listed deposit money banks in Nigeria.
H010: Leverage risk has no significant effect on Tobin's Q of listed deposit money banks in Nigeria.
H011: Inflationary trend does not significantly moderate the relationship between financial risk and financial performance of listed deposit money banks in Nigeria.

H012: Inflationary trend does not significantly moderate the relationship between financial risk and Tobins' q of listed deposit money banks in Nigeria.

Theoretical Review

The following theory is proposed to explain the moderating effect of inflationary trend on the relationship between financial risk and financial performance of listed DMBs in Nigeria.

Capital Assets Pricing Model (CAPM): The Capital Assets Pricing Model (CAPM) is a theory that aims to measure the relationship between the systematic risk of a security or portfolio and its expected return. The theory was propounded by Sharpe (1964) and Lintner (1965). Though it was a development on the portfolio model built by Markowtz (1959), by adding two assumptions which say that; one, investors are risk averse, two, when choosing among portfolios, investors care only about the mean and variance of their one period investment return. In CAPM, total risks associated with an asset can be split up into two components; systematic (non-diversifiable) and unsystematic (diversifiable) risk (Odubuasi, et al., 2020). Similarly, Hull (2015) posits that systematic risk is associated with asset price behavior in relation to market fluctuations and may be subdivided into stock price risk, foreign exchange risk, interest rate risk and commodity price risk. Pertinently, the CAPM shows that investors only get compensated for holding systematic risk, since the firm specific component of risk can be eliminated through diversification (Monda, et al. 2013). In other words, Sharpe (1964) and Lintner (1965) suggest that systematic risk, risk free rate and anticipated risk market quality play a much bigger role in determining the price or expected return on assets. Since the market risks are equivalent to un-diversifiable risk, the theory then presents a bases of ascertaining the ability of the DMBs to cut down these uncertainties, to remain profitable still in their operations.

CAMP theory can help DMBs assess the expected return on loans based on the risk associated with borrowers. By evaluating its risk premium, banks can set interest rates that reflect the credit risk of their lending portfolio. Moreover, the theory quantifies the systematic risk (beta) associated with market fluctuations. Understanding this relationship allows banks to hedge against market risks and adjusts their portfolio to mitigate potential losses during volatile market conditions. The theory further explains the liquidity risk by assessing the expected return against the risk involved in different investments, DMBs can make better decisions about which assets to hold to ensure adequate liquidity while maximizing returns. However, CAMP focuses on systematic risk can also be applied to assess operational risk by evaluating how external factors may impact the banks overall performance. This can guide operational risk mitigation strategies. Lastly, DMBs face regulatory requirements; CAMP helps determine the required return on equity in contrast to debt, influencing how bank's structure their capital to meet these requirements while managing associated leverage risks.

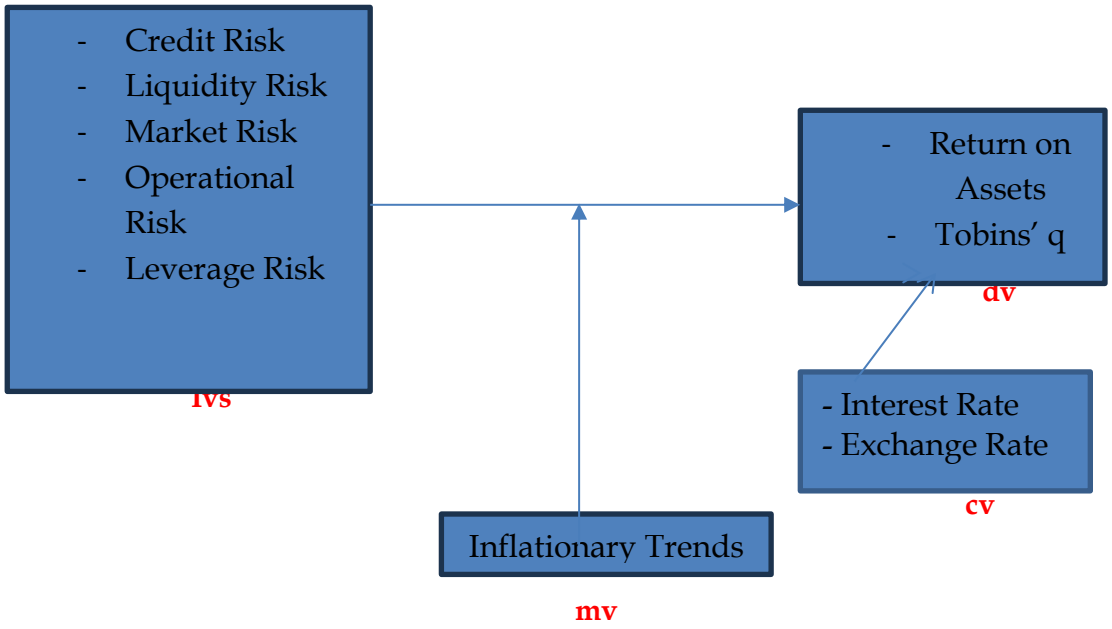
Literature Gaps

The reviewed empirical studies revealed an inconsistency in their findings. This necessitates the introduction of moderating variable as suggested by Baron and Kenny (1986), Hair, et al., (2020) and inflationary trends is introduced to moderate the relationship between financial risk and firm's financial performance as suggested by Mustapha and Jeffrey (2021). However, interest rate and exchange rate were also introduced in this study as control variables since the previous studies used firm specific characteristics neglecting the macro-economic variables that are very crucial in influencing the performance of economic sectors. A paucity was equally detected from the literature on the financial performance measures as previous studies concentrate more on accounting measure of performance

(ROA, ROE, ROCE etc.) neglecting market performance measure (Tobin's q etc.) as suggested by Otekukunrin, et al. (2021). As such, this study is to fill these identified gaps and more from the literature by bringing new model on the existing once.

Proposed Research Frameworks

The conceptual frameworks depicted the effect of the independent on the dependents, control variables and that of the interacting variable on the other angle. The financial risks parameters (independent) can either be positive or negative to the firm's performance (dependent), interest rate and exchange rate are the control variables and inflationary trend is the interacting variable. This effect may be beneficial to the firm's performance through high-risk high return or vice-versa. The effect on the variables can be diagrammatically depicted below:



Source: Adapted from (Ruto, 2022).

3. Methodology

The study was based on ex post facto research design since the data for the study will be extracted from historical annual reports and accounts of DMBs across the period of the study (Sekaren & Bougie, 2016). The study also adopts the quantitative research approach, which was mostly used in management sciences. The population of this study covers the entire listed DMBs in the floor of Nigerian Exchange Group (NGX) for a period of ten years (2014-2023). The sample can be drowned from the population using filtering criteria. The study will employ panel multiple regressions as method of data analysis after the application of regression assumptions, with help of STATA (18) as tool for analysis.

4. Results and Discussion

The theoretical contribution of this study comes from the framework based on the literature gap. The framework augments the body of knowledge in the existing literature in accounting and finance by confirming the applicability of these western concepts to a developing country such as Nigeria. In addition, the assessment of inflationary trend and financial risks as resources and capabilities from the

CAMP theory perspective will enable the examination of whether inflationary trend and each financial risk parameter affect the performance of DMBs in Nigeria.

Practically, the findings of this study will assist the DMBs and the regulatory authorities in formulation and the implementation of MPR during high inflation rate, to convert the risk associated with the inflation that can adversely affect the financial performance of DMBs in Nigeria.

5. Conclusion and Recommendations

This paper examined the moderating effect of inflationary trends on the relationship between financial risk and the financial performance of listed DMBs in Nigeria as shown in the above framework. It is expected that the framework if empirically tested will provide significant effect of financial risk in enhancing the financial performance of DMBs while taking into cognizance of the effect of inflationary trends of the banks as moderator.

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