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IMPACT OF RISK MANAGEMENT PRACTICES ON THE COMPETITIVE ADVANTAGE OF DEPOSIT MONEY BANKSIN LAGOS

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OGUNDEKO SODIQ TEMITAYO
Dept. of Accounting/Faculty of Management Sciences, Lagos State University, Nigeria

LAWAL YUSUF ADEDAYO
Dept. of Management Technology, Faculty of Management Sciences, Lagos State University Nigeria

AJEMUNIGBOHUN SUNDAY STEPHEN
Dept. of Insurance, Faculty of Management Sciences, Lagos State University, Nigeria

Abstract *Businesses operate in a dynamic and competitive world; therefore, survival and sustainability are both functions of effective and efficient risk management practices. This study examined the impact of risk management practices on the competitive advantage of deposit money banks in Lagos, Nigeria. The survey research design was purposively used to gather responses from 150 respondents of fifteen carefully selected staff of 10 commercial banks staff having the requisite knowledge and experiences on the subject matter of the study. With the aid of simple regression analyses, the two stated hypotheses were tested. The results show that Risk mitigation strategies have significant influence on the innovation of deposit money banks in Lagos State and Risk identification has significant impact on the brand reputation of Deposit Money Banksin Lagos State. The study therefore recommends among others that Deposit Money Banks should prioritize the development and implementation of robust risk mitigation strategies and adopt proactive risk identification practices to maintain and enhance their brand reputation.*

Keywords Risk management, competitive advantage, Deposit Money Banks, operational efficiency

1.1 Introduction

In the dynamic and competitive landscape of commercial banks, effective risk management has emerged as a vital component for ensuring sustainable growth and securing a competitive edge. Financial institutions are exposed to a myriad of risks, including market volatility, credit risks, operational inefficiencies, and regulatory changes (Feyen, 2021). The ability to manage these risks effectively can

differentiate successful institutions from those struggling to maintain stability. In Lagos, Nigeria's commercial hub, the financial services sector is crucial to the country's economic growth and development. The city's financial institutions face heightened risks due to the ever-changing economic, regulatory, and technological environments (Ozili, 2024).

However, risk management in banks involves identifying, assessing, mitigating, and monitoring potential risks that could negatively impact an institution's operations, profitability, and stability. Key elements include risk identification, risk assessment, risk mitigation, risk monitoring, and compliance with regulations. Risk identification involves recognizing different types of risks, such as fraud, market fluctuations, customer defaults, cybersecurity threats, or regulatory changes (Abubakar, 2022). Risk assessment measures the likelihood and impact of these risks on the institution's financial health, prioritizing them based on potential harm. Risk mitigation involves developing strategies to minimize the likelihood or impact of these risks, such as diversifying investment portfolios, establishing strong internal controls, purchasing insurance, or setting aside capital reserves. Risk monitoring involves continuously tracking and reviewing the risk landscape to ensure the strategies remain effective. Compliance with regulations, such as the Basel Accords or Dodd-Frank Act, is essential for financial institutions to manage risks effectively.

On the other hand, Competitive advantage refers to the unique position an organization, business, or entity has over its competitors, which allows it to perform better in the marketplace. It can result from various factors, such as lower costs, higher-quality products, superior customer service, innovation, or more efficient operations (Farida, 2022). A company with a competitive advantage is able to attract more customers, sustain profitability, and often maintain its market position over time.

Similarly, banks have a competitive advantage due to their unique strengths and attributes. These include offering innovative products and services, operating at lower costs, using cutting-edge technology, providing excellent customer service, maintaining a trustworthy brand reputation, effectively managing financial risks, and adhering to regulations. These factors help them outperform competitors, offer superior value to customers, and maintain a strong market position (Thomran, 2022).

The increasing complexity of financial transactions and globalization has heightened the significance of risk management practices. These practices encompass identifying, assessing, monitoring, and mitigating risks to ensure institutions can capitalize on opportunities while protecting their assets and reputation (Houwayji, 2024).

In Lagos, financial service providers, including banks, insurance companies, and investment firms, operate in a highly competitive environment where the need to balance profitability with risk management has become crucial. This study examines how risk management practices impact the competitive advantage of these financial institutions, exploring the relationship between risk management, operational efficiency, and long-term sustainability.

1.2 Statement of the Problem

Despite the crucial role of risk management in sustaining the growth and performance of financial institutions, many financial service providers in Lagos have faced significant challenges in maintaining a competitive edge (Abubakar, 2022). These challenges often arise from ineffective or inadequate risk management frameworks that fail to respond to market changes and emerging risks, such as cyber threats, economic downturns, and regulatory shifts.

In the modern financial institutions, effective risk management practices are critical for maintaining stability, fostering growth, and achieving a competitive edge. Globally, financial institutions are expected to implement robust risk management frameworks that proactively mitigate operational, credit, market, and liquidity risks (Agbana, 2023). According to international benchmarks such as the Basel Accords, financial institutions are encouraged to adopt risk management systems that ensure sustainability and enhance their competitive advantage (Scott, 2024). Research shows that institutions with sound risk management practices can outperform their peers by enhancing profitability, reducing the cost of operations, and increasing market share.

However, in Lagos, many banks struggle with inadequate risk management systems, leading to exposure to unforeseen financial losses, increased operational costs, and loss of competitive advantage. For instance, recent reports from the Nigerian financial institutions indicate that risk management failures have contributed to the collapse of several institutions and a decline in consumer trust (Athari, 2023). According to a 2022 report by the Central Bank of Nigeria, 60% of the financial institutions in Lagos reported operational challenges linked to inefficient risk management, resulting in a decline in competitive positioning compared to international counterparts. The gaps in implementing effective risk control mechanisms have led to poor financial performance, which in turn has weakened the ability of these institutions to innovate and remain competitive.

Despite various scholarly efforts to address these challenges, most interventions have focused on general financial stability rather than how risk management directly impacts competitive advantage (Kedarya, 2023). While research has explored the role of risk management in preventing financial crises, limited studies have been conducted on how effective risk management strategies could be leveraged to improve competitiveness in Lagos' dynamic financial sector. Therefore, this study seeks to fill this gap by examining how risk management practices influence the competitive advantage of financial institutions in Lagos, with the aim of identifying key strategies for enhancing their market positioning.

As a result, this study seeks to investigate the impact of risk management practices on the competitive advantage of banks in Lagos, with a view to understanding how these practices influence performance, customer satisfaction, and operational efficiency.

1.3 Research Objectives

The primary objective of this study is to examine the impact of risk management

practices on the competitive advantage of financial institutions in Lagos state. The specific objectives aims to:

- Assess the extent to which risk mitigation strategies influences innovation of Deposit Money Banks in Lagos State
- Investigate the impact of Risk identification on brand reputation of Deposit Money Banksin Lagos State

1.4 Research Questions

- To what extent do risk mitigation strategies influence the innovation of Deposit Money Banks in Lagos State?
- What is the impact of risk identification on the brand reputation of Deposit Money Banks in Lagos State?

1.5 Research Hypotheses

Hypothesis One

H_0: Risk mitigation strategies have no significant influence on the innovation of Deposit Money Banks in Lagos State.

Hypothesis Two

H_0: Risk identification has no significant impact on the brand reputation of Deposit Money Banks in Lagos State.

1.6 Significance of the Study

This study is significant for several reasons. First, it will provide valuable insights into the role of risk management in enhancing the competitive advantage of financial institutions in Lagos, offering practical recommendations for improving risk management frameworks. Second, the study will contribute to the existing body of knowledge on risk management practices, particularly within the Nigerian context, by examining their influence on customer satisfaction, operational efficiency, and overall competitiveness.

Furthermore, the findings will be beneficial to financial institutions providers, policymakers, and regulators in Lagos and beyond, as it will highlight the importance of a proactive approach to risk management in maintaining market stability and promoting economic growth. Lastly, the study will offer recommendations for financial institutions seeking to enhance their competitive edge by adopting robust risk management strategies.

1.7 Scope of the Study

This study focuses on Deposit Money Banks operating in Lagos, Nigeria. The financial institutions under consideration include commercial banks, insurance companies, and investment firms. The study will explore the risk management practices employed by these institutions and their impact on competitive advantage. The period under review spans from 2018 to 2023, during which significant regulatory and economic changes have occurred, impacting the financial sector in Lagos.

1.8 Limitations of the Study

The study on risk management practices in financial institutions primarily Deposit Money Banksin Lagos, Nigeria, has limitations such as limited data availability,

generalizability of findings to other institutions, and time constraints. Financial institutions may be hesitant to share detailed information about their risk management practices, and the findings may not be applicable to other financial institutions outside Lagos or Nigeria.

2.1 Conceptual Review

2.1.1 Risk Management

Risk management is the process of identifying, assessing, and controlling potential risks that could negatively impact an organization's capital, earnings, or operations. Financial service providers face various risks, including market, credit, operational, liquidity, and reputational risks (Evrin, 2021). The main goal is to minimize the adverse effects while maximizing the benefits of risk-taking, which is crucial for innovation and competitive advantage. The process is divided into several stages: Risk Identification, Risk Assessment, Risk Control/Mitigation, and Risk Monitoring. Risk Identification involves recognizing the types of risks an organization may face, such as market fluctuations and operational failures (Pascarella, 2021). Risk Assessment evaluates the potential impact and likelihood of these risks using quantitative and qualitative measures. Risk Control/Mitigation involves developing strategies to avoid, reduce, transfer, or accept risks. Risk Monitoring ensures the effectiveness of risk management strategies in response to market conditions or organizational changes.

2.1.2 Competitive Advantage

Competitive advantage refers to an organization's ability to outperform its competitors by offering superior products, services, or cost structures. In the financial services sector, it can be achieved through superior financial performance, innovative products, customer loyalty, or operational efficiency (Farida, 2022). Porter (1985) identified three strategies for achieving competitive advantage: cost leadership, differentiation, and focus strategy. Cost leadership involves offering the lowest operating costs, differentiation offers unique products or services, and focus strategy targets specific niche markets. For financial service providers, competitive advantage may also be gained through customer trust, brand reputation, and regulatory compliance, ensuring long-term sustainability.

2.1.3 Risk Management and Competitive Advantage in Financial Institutions

Risk management is crucial in todays regulated and volatile financial environment, as it helps financial institutions avoid unexpected losses, maintain liquidity, and maintain customer confidence. By controlling risk exposure, institutions can focus on core competencies and invest in innovation, improving their competitive positioning (Atichasari, 2023). In Lagos, financial service providers adopting comprehensive risk management frameworks are more likely to achieve stability and gain a competitive edge, especially in the face of macroeconomic instability, regulatory uncertainties, and technological disruptions. Successfully mitigating risks helps retain clients, comply

with regulatory requirements, and enhance market share (Pernell, 2024).

2.2 Theoretical Review

2.2.1 Agency Theory

Agency theory, developed by Jensen and Meckling (1976), is one of the most commonly used theories to explain the relationship between risk management and organizational performance. The theory addresses the conflicts that may arise between managers (agents) and shareholders (principals) in organizations. In financial institutions, managers may pursue strategies that prioritize short-term gains or personal interests, which could expose the firm to higher levels of risk. Risk management systems are seen as mechanisms for aligning the interests of managers and shareholders, ensuring that decisions made at the managerial level are consistent with the long-term objectives of the organization.From the perspective of agency theory, financial service providers in Lagos benefit from risk management practices because they reduce the agency costs associated with excessive risk-taking. For example, risk management frameworks ensure that credit decisions are made within the institution's risk appetite, safeguarding the firm's capital base and profitability.

2.2.2 Resource-Based View (RBV)

The Resource-Based View (RBV) theory, pioneered by Barney (1991), posits that organizations gain a competitive advantage by leveraging their internal resources, which are valuable, rare, inimitable, and non-substitutable (VRIN). In the context of financial institutions, risk management capabilities are viewed as critical internal resources that can provide long-term competitive advantage.Effective risk management systems are valuable because they protect the organization from costly financial losses and regulatory penalties. They are rare because not all institutions invest equally in sophisticated risk management frameworks. They are inimitable because the knowledge and expertise required to manage risks effectively are difficult to replicate. Finally, they are non-substitutable because, without robust risk management, financial institutions expose themselves to potentially catastrophic losses.

In Lagos, financial institutions that have developed advanced risk management capabilities can better withstand economic shocks, regulatory changes, and competitive pressures, thus gaining a sustained competitive edge over their peers.

2.2.3 Contingency Theory

Contingency theory suggests that there is no single best way to manage an organization. Instead, the effectiveness of management practices, including risk management, depends on the fit between the organization's internal and external environments. This theory implies that financial service providers must tailor their risk management practices to suit their specific context, including the types of risks they face, their size, market conditions, and regulatory environment.

For Deposit Money Banks in Lagos, the dynamic and often volatile financial environment requires flexible and adaptive risk management practices. Institutions that

adopt a contingency approach are more likely to remain competitive by quickly responding to new risks and opportunities, such as technological advancements, changes in consumer behaviour, or shifts in government policy.

2.3 Empirical Review

Fali, Philomena, Ibrahim, and Amos (2020) explored the increasing need for a dedicated committee, separate from the board, to focus on setting and implementing a company's risk policies, risk appetite, and limits, especially in light of the continuous collapse of many organizations. This study examined the impact of risk management committee size, independence, and expertise on the financial performance of listed insurance companies in Nigeria from 2012 to 2018. Using a sample of 24 insurance companies from a population of 27, the study relied on secondary data obtained from the firms' annual reports. Financial performance was measured by return on assets (ROA). A Random Effect regression model was used for analysis, and the findings revealed that while risk management committee expertise had a negative and significant impact on financial performance, the size and independence of the committee did not influence performance. The study concluded that excessive constraints imposed by risk management committees could lead to poor financial performance in insurance firms. It recommended that the effectiveness of these committees be enhanced by including more members with backgrounds in finance and actuarial sciences.

Olowofeso (2021) explored how businesses in a dynamic environment can develop strategies to gain a competitive advantage over their rivals. The study specifically examined the impact of entrepreneurial orientation (EO) dimensions on the competitive advantage of selected small and medium enterprises (SMEs) in Lagos, Nigeria. The research targeted SMEs across eight sectors, selecting sixty (60) SMEs from each sector, resulting in a total sample size of 480 SMEs. A simple random sampling technique was used to distribute questionnaires, with 392 completed responses retrieved for analysis. SPSS version 25 was used to analyze the data, and multiple regression analysis was applied to assess the effect of each EO dimension on SME competitiveness. The findings showed that three EO dimensions—innovativeness, proactiveness, and autonomy—were linked to competitive advantage. The study recommended that business strategies focus on these variables to enhance competitiveness.

Obanor (2021) examined the institutional factors influencing enterprise risk management (ERM) practices in microfinance banks in Nigeria, as well as the impact of ERM on organizational sustainability. The study used a survey research design, collecting data through structured questionnaires from senior accounting and finance staff of 170 microfinance banks in Lagos State. Analysis of responses from 104 microfinance banks, using structural equation modeling (SEM) and least square regression, revealed that customers have the greatest influence on ERM practices, followed by shareholders. Other factors, such as government regulations, financial institutions, competitors, multinational organizations, and recommendations from consultants or

professional bodies, were found to have no significant impact on ERM practices (research objective one). The study also showed that the impact of ERM on organizational sustainability is negligible and negative, but not statistically significant, indicating that ERM practices do not significantly affect the sustainability of microfinance banks in Nigeria (research objective two). The paper highlights that the limited effect of ERM on sustainability may be due to the generally shallow implementation of ERM. The study recommends that microfinance banks enhance the depth and rigor of their ERM implementation to achieve its potential benefits and suggests that organizations should focus on managing risks related to their core competencies proactively.

Agama and Akanegbu (2022) used a Vector Autoregression (VAR) model and a Quantile Regression technique to examine the relationship between bitcoin prices and key macroeconomic variables in Nigeria. The findings from the multivariate VAR, along with impulse response and variance decomposition, revealed no statistically significant response of interest rates, inflation, and exchange rates to changes in bitcoin prices. However, the study identified a positive relationship between bitcoin prices and both the stock market index and money supply. The Quantile Regression results showed that bitcoin prices are positively related to money supply and exchange rates across all quantiles. Additionally, at higher quantiles, bitcoin was found to have a positive relationship with inflation. The study also highlighted that bitcoin influences interest rates at low and high quantiles. It concluded that cryptocurrencies have an impact on macroeconomic variables such as exchange rates, money supply, interest rates, and inflation in Nigeria. As a result, the study recommends regulatory clarity to address the potential effects of cryptocurrencies on these macroeconomic factors.

3.1 Research Methods

The research design adopted for this study was descriptive survey method. Quantitative research methods emphasize objective measurements and the statistical, mathematical, or numerical analysis of data collected through questionnaires, and surveys, or by manipulating pre-existing statistical data using computational techniques (Pandey 2021). Survey research design will be adopted for this study. In this study, questionnaires and interview are research instruments that will be used. Questionnaire is the main research instrument used for the study to gather necessary data from the sample respondents. The questionnaire was a self-structured type and provides answers to the research questions. The tabulated data were analysed by using statistical tool SPSS and Microscope excel. Various descriptive statistical measures such as mean, standard deviation (SD) was used for categorization and describing the variables. Frequency and percentage of the respondents on various questions were shown in table and column chart

3.2 Population and Sample Size

The population of the study comprised of all 22Deposit Money Banksinvolved in banking operations listed on the Nigeria Group Exchange with both international and local banking licencesas at 31st December

2024. (http://ngxgroup.com/exchange/trade/equities/listed-companies/). For the purpose of having a quality and solid research work, ten (10) out of all commercial banks listed on the Nigeria Group Exchangewere selected as the sample size for the study. Purposive sampling was used to select the ten (10) out of all deposit money banks adopted in this study as one with most consistent and accurate data set subject to availability and easy accessibility. The Study's sample include 15 questionnaires distributed across these banks among staff in the finance, operations and audit departments of the selected banks.

S/N	Selected Deposit Money Banks Firms	Questionnaire shared
1	First Bank	15
2	Access Bank	15
3	GT Bank	15
4	Zenith Bank	15
5	Eco Bank	15
6	United Bank of Africa	15
7	First city Monument Bank	15
8	Wema Bank	15
9	Sterling Bank	15
10	Fidelity Bank	15
	TOTAL	**150**

3.3 Validity and Reliability of the Instrument

The study's validity was assessed through a self-designed and administered questionnaire, which was adapted and modified to align with the Deposit Money Banks. The anonymity of the distributed questionnaire was guaranteed by not eliciting the personal details of the respondents. Content validity was verified through expert discussions and a combination of observations and remarks from respondents. Reliability is concerned with the consistency of the instrument, which was measured using Cronbach's Alpha statistics. The reliability of the research scales was tested in a small portion of the study before the main instrument's administration. This ensures that the

instrument accurately measures what it is intended to measure. The study's reliability is crucial for ensuring the validity of the study's findings.

Table 3.1

Reliability Statistics		
Reliability	**Validity (AVE)**	Nos of Items
0.713	0.692	16

Source: Authors (2024)

The results above indicate strong reliability and validity has the used constructs had Cronbach's alpha value of 0.713 which is an indication of internal consistency. AVEs were 0.692 which is more than 0.5 and discriminant validity was confirmed via Fornell-Larcker criterion. Therefore, it can be concluded that the measurement model is both reliable and valid in addressing the stated hypotheses.

4.0 DATA PRESENTATION, ANALYSIS, AND INTERPRETATION OF RESULT

4.1 Distribution of the Data instruments.

Table 4.1.1-: Descriptive Statistics of the Distribution of the Questionnaire

Description	Frequency
Copies of questionnaire correctly filled	150
Copies of questionnaires poorly filled	0
Total Copies of Questionnaire filled	150

Source: *Field Survey, 2024*

Table 4.1.1 above presents the frequency distribution of the copies of the questionnaire filled by respondents. A total of 316 questionnaire was filled, No copies of the questionnaire were not used because it was obtained through google form questionnaire. First 150 copies of the questionnaire were correctly filled and used for this study.

Test of Relevant Hypotheses

Analysis of Research Hypothesis One

$H0_1$: Risk mitigation strategies have no significant influence on the innovation of Deposit Money Banksin Lagos State.

To test the hypothesis, linear regression analysis was used as specified in the regression model. Innovation of Deposit Money Banks(DMBs) Risk mitigation (RM) formed the dependent variable while Risk mitigation (RM) formed the independent

variable. The regression test results are presented in Table below.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.844[a]	.712	.711	.55306

a. Predictors: (Constant), innovation of financial service providers

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.790	7.787		2.482	.013
	innovation of DMBs	.354	4.325	.844	30.775	.000

a. Dependent Variable: Risk mitigation

Source: Researcher's Computation (2024)

The model summary table above shows that there is a moderate positive relationship between Risk mitigation (RM) and innovation of Deposit Money Banks (DMBs) (R = 0.844). The model further shows the extent to which Risk mitigation affects innovation of Deposit Money Banks (DMBs). The coefficient of determination (R2 = 0.712) indicates that Risk mitigation influences innovation of Deposit Money Banks (DMBs) with a given value of 71.2%. This result is statistically significant because the p-value of the result (0.000) is less than 0.01 level of significance used for the study. It is also observed from the table above that an evaluation of the unstandardized coefficient in the coefficient table, and its associated p-value shows that product strategy (βRM = 0.354, p < 0.01) is statistically significant and can be used in predicting innovation of Deposit Money Banks (DMBs). Therefore, the research null hypothesis was rejected.

DMBs = 1.790 + 0.354RM

Analysis of Research Hypothesis Two

H_0: Risk identification has no significant impact on the brand reputation of Deposit Money Banks (DMBs) in Lagos State.

To test the hypothesis, linear regression analysis was used as specified in the regression model. Risk identification (RI) formed the independent variable while brand reputation of Deposit Money Banks (BRDMBs) formed the dependent variable. The regression test results are presented in Table 4.13.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.962[a]	.925	.925	.27654

a. Predictors: (Constant), Risk identification

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.456	4.290		-2.482	.013
	Risk Identification	.545	5.089	.962	68.680	.000

a. Dependent Variable: Brand Reputation of Financial Service Providers

Source: Researcher's Computation (2024)

The model summary table above shows that there is a moderate positive relationship between Risk identification and Brand Reputation of Deposit Money Banks (DMBs) (R = 0.962). The model further shows the extent to which Risk identification affects Brand Reputation of Deposit Money Banks (DMBs). The coefficient of determination (R2 = 0.925) indicates that Risk identification influences Brand Reputation of Deposit Money Banks (DMBs)with a given value of 92.5%. This result is statistically significant because the p-value of the result (0.000) is less than 0.01 level of significance used for the study. It is also observed from the table above that an evaluation of the unstandardized coefficient of the Risk identification in the coefficient table, and its associated p-value shows that Risk identification (βRI= 0.545, $p < 0.01$) is statistically significant and can be used in predicting Brand Reputation of Deposit Money Banks (DMBs). Therefore, the research Null hypothesis is rejected.

BRDMBs = 1.456 + 0.545RI

4.5 Discussion of Findings

The study explores the impact of risk management practices on the competitive advantage of Deposit Money Banks (DMBs) in Lagos. It focuses on two hypotheses: the influence of risk mitigation strategies on innovation and the impact of risk identification on brand reputation. The results show that risk mitigation strategies significantly influence innovation, with a strong positive relationship between risk mitigation and innovation. Risk mitigation strategies account for 71.2% of changes in innovation, highlighting the critical role of effective risk mitigation in fostering innovation within the financial services sector. This can manifest in the development of new financial products, enhanced service delivery, and adoption of technology, all contributing to maintaining a competitive edge in a dynamic market.

On the other hand, risk identification is highly correlated with brand reputation, with an R-value of 0.962. This indicates that proactively identifying risks is essential for protecting and enhancing the reputation of financial institutions. Risk identification explains 92.5% of the variance in brand reputation, suggesting that financial service providers that excel in identifying risks are more likely to build and maintain strong

brand reputations. The findings suggest that Deposit Money Banks (DMBs) who actively identify risks are better positioned to avoid crises, respond to market changes, and maintain customer trust, which is essential for long-term success and competitive advantage.

The study demonstrates that risk management practices, particularly risk mitigation and risk identification, play a pivotal role in enhancing the competitive advantage of Deposit Money Banks (DMBs) in Lagos. By fostering innovation and safeguarding brand reputation, these practices ensure financial institutions remain resilient and competitive in a rapidly changing business environment.

5.1 Conclusion

This study set out to explore the impact of risk management practices on the competitive advantage of Deposit Money Banks (DMBs) in Lagos State. Specifically, it examined two key aspects of risk management: risk mitigation strategies and risk identification, and how these practices influence innovation and brand reputation, respectively. Through a series of hypothesis tests using linear regression analysis, the study has provided substantial evidence of the significant role risk management practices play in driving the competitive edge of Deposit Money Banks (DMBs).

The findings revealed that risk mitigation strategies have a strong positive effect on innovation within financial institutions. This shows that institutions that prioritize effective risk mitigation are more likely to foster innovation, leading to the development of new products, services, and technologies. In a competitive industry such as financial services, innovation is crucial for adapting to market changes, meeting customer needs, and enhancing operational efficiency. The study found that risk mitigation strategies explain 71.2% of the variance in innovation, highlighting their critical importance in promoting a forward-thinking and adaptive organizational culture.

Similarly, the study established that risk identification significantly impacts the brand reputation of Deposit Money Banks (DMBs). Institutions that are proactive in identifying potential risks are more likely to protect their reputation by preventing crises, ensuring operational continuity, and maintaining customer trust. This strong relationship between risk identification and brand reputation is evidenced by the coefficient of determination ($R^2 = 0.925$), indicating that 92.5% of the variance in brand reputation can be attributed to effective risk identification practices. A solid brand reputation not only builds customer loyalty but also positions financial institutions as reliable and trustworthy in a highly competitive market.

The rejection of the two null hypotheses further confirms that both risk mitigation and risk identification are key drivers of competitive advantage. This indicates that Deposit Money Banks (DMBs)in Lagos who invest in and implement robust risk management strategies are better positioned to innovate, build a strong reputation, and ultimately maintain a competitive advantage.

The study underscores the importance of risk management as a critical tool for ensuring the long-term success and

sustainability of Deposit Money Banks (DMBs) in Lagos State. As the financial industry continues to face evolving risks and uncertainties, institutions must prioritize and continuously improve their risk management practices. By doing so, they will not only safeguard their operations but also enhance their ability to innovate and strengthen their market position, thereby ensuring sustained growth and profitability in the competitive Deposit Money Banks (DMBs).

5.2 Recommendations

Based on the findings of the study on the impact of risk management practices on the competitive advantage of Deposit Money Banks (DMBs) in Lagos, the following recommendations are proposed:

- Deposit Money Banks (DMBs)should prioritize the development and implementation of robust risk mitigation strategies. By doing so, they can foster an environment that encourages innovation. Management should invest in risk assessment tools, continuous training for employees, and technology that identifies potential threats early, enabling the institution to innovate safely and efficiently.
- Deposit Money Banks (DMBs) must adopt proactive risk identification practices to maintain and enhance their brand reputation. Since effective risk identification has been shown to significantly influence brand reputation, institutions should develop comprehensive risk monitoring systems that detect and address issues before they escalate.
- The adoption of advanced technological solutions, such as artificial intelligence (AI) and machine learning (ML), can greatly enhance both risk mitigation and risk identification. These technologies can help financial institutions predict potential risks and identify patterns that human analysis may overlook.

5.3 Contribution to Knowledge

This study contributes to the body of knowledge in several significant ways, particularly in the field of risk management and its relationship to competitive advantage within the financial services sector. The following are the key contributions:

- The study provides empirical evidence demonstrating how risk management practices, specifically risk mitigation and risk identification, directly influence critical aspects of competitive advantage in Deposit Money Banks (DMBs), such as innovation and brand reputation.
- The study establishes a clear link between risk mitigation strategies and innovation. It shows that financial institutions that invest in effective risk mitigation are more likely to innovate, thus providing a fresh perspective on how risk management can be leveraged not only to protect assets but also to stimulate creativity and adaptability.
- By examining the relationship between risk identification and brand reputation, the study contributes new insights into how proactive risk management practices safeguard and enhance a financial institution's reputation.

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Data Availability

The data supporting the findings of this study are available upon request from the corresponding author. Due to privacy concerns related to the sensitive nature of financial service data, access may be granted on a case-by-case basis for legitimate research purposes.

Conflict of Interest

The authors declare that there is no conflict of interest regarding the publication of this paper.

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Authors' Contributions

Author-1: Researched literature and conceived the study.