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Promoting Sound Risk Practices in Nigerian Banks: An Analysis of NDIC's Risk Management Framework

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ABSTRACT

This study examines the role of the Nigeria Deposit Insurance Corporation (NDIC) in promoting sound risk practices and enhancing financial stability within Nigerian banks. Using a mixed-methods research design, data were collected from 367 respondents through structured questionnaires and semi-structured interviews with bank officials, NDIC staff, financial experts, and community leaders. Quantitative analysis employed descriptive statistics, correlation, and regression techniques, while qualitative data were analysed thematically. The findings reveal that NDIC's risk management framework, particularly the Differential Premium Assessment System (DPAS), regulatory compliance, and supervisory interventions, significantly influence banks' adoption of sound risk practices, enhance depositor confidence, and promote financial inclusion. However, the study also identifies gaps in public awareness, technological adoption, and internal risk culture that limit the full effectiveness of NDIC initiatives. Regression analysis shows that regulatory compliance, DPAS premiums, bank profitability, and size significantly predict the adoption of risk management practices. Qualitative insights highlight the need for improved stakeholder engagement, targeted awareness campaigns, and advanced risk-detection tools to address emerging challenges such as fraud and cyber threats. The study concludes that while NDIC's framework is practical, more vigorous enforcement, education, and technological innovation are essential to bolster systemic stability and depositor trust.

Keywords: NDIC, risk management, financial inclusion, deposit insurance, banking stability

INTRODUCTION

In the dynamic, often volatile landscape of the Nigerian banking sector, effective risk management has become a cornerstone of financial stability and depositor protection. The Nigeria Deposit Insurance Corporation (NDIC), as a key regulatory and supervisory body, plays a pivotal role in shaping risk practices across Deposit Money Banks (DMBs). Through its risk-based supervision, premium assessment, and intervention mechanisms, the NDIC seeks to incentivise banks to adopt robust risk-mitigation strategies. However, despite these measures, emerging risks, especially in areas such as fraud, cyber threats, and liquidity shocks, pose mounting challenges to stability (Abdulazeez et al., 2022; Magaji et al., 2025; Manbe et al., 2014).

One of NDIC's central risk-management tools is its Differential Premium Assessment System (DPAS), which assigns deposit insurance premiums based on each bank's risk profile. In recent years, the NDIC has reviewed and sought to strengthen this framework, aiming to align it more closely with international best practices, including those of the International Association of Deposit Insurers (IADI) (NDIC, 2023). This risk-sensitive pricing model is intended not only to ensure fairness but also to encourage banks to improve their internal controls and governance, thereby reducing the likelihood of failure.

Despite these regulatory efforts, non-compliance remains a pressing concern. Former NDIC leadership has openly warned that many bank collapses in Nigeria have stemmed from weak risk management practices (Nwafor, 2023). This observation underscores a critical gap between the existence of risk management frameworks on paper and their practical implementation. Moreover, in its quarterly reports,

NDIC has noted that banks continue to face significant exposures, particularly market risk and portfolio concentration risk, which threaten their profitability and long-term resilience (NDIC, 2022).

In response to evolving risk environments, the NDIC has also called for innovation in risk detection. Notably, it has urged banks to adopt artificial intelligence (AI)-driven systems for fraud detection, emphasising machine learning, anomaly detection, and real-time analytics as transformative tools for early warning and loss prevention (NDIC MD, 2024). However, the adoption of such technologies is not without obstacles; high implementation costs, technical capacity gaps, and regulatory uncertainty complicate their deployment (John, Shonubi, & Azuikpe, 2025). These challenges highlight the complex balance regulators must strike between incentivising the adoption of advanced risk tools and ensuring their safe, scalable use.

Given this background, a critical assessment of NDIC's risk management framework is both timely and necessary. This study aims to analyse how effectively the NDIC's policies promote sound risk practices in Nigerian banks, identify the strengths and limitations of its current approach, and propose actionable recommendations. By combining regulatory analysis with empirical findings, the research seeks to contribute to the literature on financial stability in emerging markets and inform policymakers, bank executives, and risk professionals on how to bolster the resilience of Nigeria's banking system.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Conceptual Review:

Risk Practices

Risk practices refer to the specific actions, procedures, and behaviours that financial institutions employ to identify, assess, monitor, and mitigate the risks to which they are exposed (Magaji, 2004; Chinedu et al., 2021). In the Nigerian banking industry, for example, recent empirical research shows that sound risk management practices, particularly in credit and liquidity risk management, significantly enhance financial performance (Igwe et al., 2021). In contrast, weak practices lead to greater non-performing loans and diminished stability (Ogundele & Nzama, 2025; Okoroafor et al., 2018). Moreover, organisational culture factors such as leadership accountability and employee empowerment have been shown to influence risk practices, underscoring that, beyond formal procedures, a bank's "risk culture" plays a critical role in effective risk management (Saadat & Tolulope, 2024). Good risk practices, therefore, combine technical mechanisms with behavioural and governance elements, forming part of the broader risk management ecosystem.

The Nigeria Deposit Insurance Corporation (NDIC)

The Nigeria Deposit Insurance Corporation (NDIC) is an independent agency of the Federal Government of Nigeria established to administer the deposit insurance system, safeguard depositors' funds, and promote the stability of the banking sector (NDIC, n.d.). Its functions include providing deposit guarantees, supervising insured institutions, and participating in the resolution of distressed banks (NDIC, n.d.; Finpedia, 2025). For instance, the NDIC supervises banks through on-site examinations and off-site surveillance to reduce the risk of bank failure and maintain sound banking practices (NDIC, 2023). By fulfilling these tasks, the NDIC becomes an integral part of Nigeria's financial safety net architecture, complementing the Central Bank of Nigeria's regulatory oversight.

Risk Management Framework

A risk management framework (RMF) is a structured set of policies, procedures and governance arrangements designed to enable an organisation to manage its risk exposures in a coherent, consistent and systematic manner (Investopedia, 2015). In the banking sector, such frameworks typically cover elements including governance structures (e.g., board oversight, three lines of defence), risk identification and assessment, mitigation strategies, monitoring and reporting, and continuous review (Access Bank PLC, 2019; Investopedia, 2015). For Nigerian banks, adherence to a comprehensive RMF is essential given the multidimensional risks they face and the regulatory environment aimed at bolstering resilience (Tursoy, 2018). The framework thus acts as the architecture through which risk practices are operationalised, managed and aligned with strategic objectives.

Financial inclusion in relation to deposit insurance

This refers to the contribution of deposit insurance schemes to broadening access to safe, affordable, and formal financial services for the broader population, particularly low-income and underserved citizens.

Deposit insurance enhances trust in the formal banking system by guaranteeing that depositors' funds will be reimbursed up to a specified limit if a financial institution fails. When individuals feel assured that their deposits are protected, they are more likely to open and maintain accounts in regulated institutions rather than rely on informal savings mechanisms (Demirguc-Kunt, Klapper & Singer, 2017; Magaji & Yahaya, 2012).

Financial inclusion in relation to deposit insurance can be defined as the extent to which the protection of depositors' funds in licensed financial institutions promotes trust, increases usage of formal financial services, and encourages broader access to savings and financial participation among the population (Demirguc-Kunt et al., 2017; NDIC, 2020; Ismail et al., 2025).

Theoretical Framework:

Enterprise Risk Management (ERM) Theory

Enterprise Risk Management (ERM) Theory provides a conceptual framework for understanding how organisations, including banks, identify, assess, and manage risks in an integrated and strategic manner. ERM emphasises aligning risk management with organisational objectives, embedding a risk-aware culture, and proactively mitigating threats to financial stability (Frigo & Anderson, 2011). In the context of Nigerian banks, the ERM theory is particularly pertinent, as the NDIC's risk management framework seeks to incentivise banks to adopt comprehensive risk management practices that not only protect depositors but also enhance institutional resilience. By applying ERM principles, banks are encouraged to integrate risk assessment across all operational levels, adopt robust internal controls, and employ early-warning systems, which align directly with the NDIC's objectives of promoting sound risk management practices in the sector (Eze & Okoye, 2023). Hence, ERM theory offers both a theoretical lens and a practical guide for analysing the effectiveness of the NDIC's risk management framework.

Empirical Review

Igoni, Nwadioha and Igoni (2023) examine the security management and the performance of DMBs in Nigeria. The study used perimeter fencing, recruitment of security experts, surveillance installations, and access control systems as security management strategies to assess bank performance in Nigeria. The study collected primary data through telephone and WhatsApp interviews. The study population comprised 5385 individuals sourced from the Central Bank of Nigeria as of 2020, with a sample of 371 from 17 branch managers across 22 DMBs. The study employed ANOVA for the analysis. The study found that perimeter fencing, recruiting security experts, installing surveillance systems, and implementing access control systems are significant and positive variables that impact bank performance in Nigeria. The study recommends digital approaches for managing the security environment.

Joshua, Alao, and Ige (2023) examine the impact of the current COVID-19 cybercrime predicament on every facet of individual lives and organisations to elaborate on fraud theories. The paper reviews the most widely accepted fraud models to establish the motives behind fraud. Some of the fraud theories examined in the study include the Anomie theory, Routine Activity theory, Fraud Triangle theory, Rational Choice theory, Fraud Diamond, Fraud Scale, M.I.C.E. theory, the ABC of White-Collar Crime theory, Fraud Pentagon, and Fraud Hexagon. The study found that the significant factors driving fraudulent activity, especially during the pandemic, include opportunities created by the global economic crisis. This leads to the formulation of another model, S.C.C.O.R.E.E., which is presented diagrammatically as the Fraud Heptagon. The study included an additional acronym, E, to the initial S.C.C.O.R.E., which stands for the economy exploited by individuals and firms to perpetrate fraudulent activities due to the pandemic, with devastating effects on the economies of developed and developing countries. The study argued that fraud theories should be updated to reflect the current economic conditions that have driven an alarming rate of global cybercrime, thereby advancing theoretical development. Therefore, the paper contributes to the development of fraud theories by identifying the primary motivating factors that enabled fraud and serves as a reference point for future research.

Eze, Nnenna, and Ifeanyi (2024) investigate the effect of the exchange rate on economic growth in Nigeria using annual time-series data from 1970 to 2021. The data were obtained from the 2021 Statistical Bulletin published by the Central Bank of Nigeria. The empirical studies reviewed had divergent views on the impact of exchange rates on economic growth in Nigeria. The study began with the unit root tests using the Augmented Dickey-Fuller (ADF) and Phillips-Perron (PP) tests, followed by the Johansen cointegration test and the vector error correction model (VECM). The VECM indicated that exchange rate appreciation contracts output. The Granger causality tests revealed that the exchange rate and economic growth reinforce

one another. However, based on these findings, it becomes imperative to build adequate foreign reserves to cushion trade shocks, promote import-substituting industries, diversify the economy, enhance export-oriented sectors, and reduce the cost of borrowing, enabling domestic firms to benefit from the theoretical advantages of exchange rate variation. These measures promote the performance of macroeconomic variables in Nigeria.

Research Gap

A review of the foregoing empirical studies reveals important insights yet exposes a notable research gap relevant to the present study. While Igoni, Nwadioha and Igoni (2023) focused on physical security measures and their influence on bank performance, their work did not examine broader institutional risk management structures or how regulatory frameworks shape risk practices within Nigerian banks. Similarly, Joshua, Alao, and Ige (2023) concentrated on cybercrime and fraud theories during the COVID-19 pandemic, offering conceptual advancements but failing to link these evolving fraud risks to regulatory risk-management systems such as those instituted by the NDIC. Furthermore, although Eze, Nnenna and Ifeanyi (2024) investigated macroeconomic variables—particularly exchange rate fluctuations—and their implications for economic growth, their macro-level analysis did not address internal bank-level risk governance or the effectiveness of supervisory frameworks. Collectively, these studies overlook the specific role of the Nigeria Deposit Insurance Corporation's risk-management framework in promoting sound risk practices among Deposit Money Banks. This leaves a clear gap for empirical research assessing how NDIC's regulatory mechanisms influence banks' risk behaviour, operational soundness and overall financial sector stability in Nigeria.

RESEARCH METHOD

Research Design

This study employs a mixed-methods research design that integrates both quantitative and qualitative approaches to provide a comprehensive understanding of the Nigerian Deposit Insurance Corporation's (NDIC's) influence on financial inclusion and systemic stability. The quantitative component involves analysing numerical data using statistical techniques to test hypotheses and evaluate the relationships between NDIC initiatives and key financial outcomes. In contrast, the qualitative component gathers stakeholder insights through semi-structured interviews and document analysis to explore underlying factors shaping the Corporation's effectiveness. Using a convergent parallel design, both data types are collected and analysed simultaneously, with the results merged during interpretation to allow for triangulation, thereby strengthening the validity and reliability of the study's findings.

Population and Sampling Techniques

The study's target population comprises a diverse group of stakeholders directly or indirectly involved in Nigeria's financial system, including depositors, both individuals and businesses, who hold accounts in licensed deposit-taking institutions, as well as bank officials at managerial and operational levels. It also includes NDIC staff, such as managers, supervisors, and examiners, as well as representatives from key regulatory bodies, including the Central Bank of Nigeria and other financial oversight agencies. Additionally, financial experts, including academics, consultants, and analysts specialising in financial inclusion and systemic stability, form part of the population, as do community leaders, particularly those in rural areas, who play significant roles in influencing grassroots financial behaviours and perceptions.

Sampling Techniques

The study will employ multiple sampling techniques to ensure robust and representative data collection. For the quantitative component, stratified random sampling will be used to draw a representative sample of depositors across various regions and socio-economic categories. In contrast, purposive sampling will be applied to select bank and NDIC officials whose roles and expertise are directly relevant to the research focus. For the qualitative component, purposive sampling will again be utilised to identify key informants such as regulatory authorities, financial experts, and community leaders based on their specialised knowledge and experience, complemented by snowball sampling to locate additional stakeholders through referrals, thereby enhancing the depth and breadth of insights gathered.

Data Collection Methods

Quantitative Data Collection

Survey Design and Administration:

A structured questionnaire will be developed to collect data from depositors and bank officials. The questionnaire will include questions on financial inclusion indicators, confidence in the banking system, awareness of deposit insurance, and perceptions of the NDIC's effectiveness. The questionnaire will be designed using a combination of closed-ended and Likert-scale questions to facilitate quantitative analysis. The questionnaire will be pre-tested with a small sample of respondents to ensure clarity and validity. The survey will be administered through face-to-face interviews and online surveys

Secondary Data Sources

- i. Data will be collected from various secondary sources, including:
 - a. NDIC annual reports and publications.
 - b. CBN statistical bulletins and reports.
 - c. World Bank and IMF databases.
 - d. Academic publications and research reports.
 - e. Financial sector reports and publications.

Qualitative Data Collection

Semi-structured Interviews

- i. Semi-structured interviews will be conducted with NDIC officials, regulatory authorities, financial experts, and community leaders.
- ii. An interview guide will be developed to ensure consistency and coverage of key topics. The guide will include open-ended questions to encourage participants to provide detailed, nuanced responses.
- iii. Interviews will be conducted in person or via telephone/video conferencing, depending on the participants' availability and preferences.
- iv. Interviews will be audio-recorded and transcribed for analysis.

Data Analysis Techniques

Quantitative Data Analysis

The study will utilise a range of analytical techniques to interpret the quantitative data effectively, beginning with descriptive statistics to summarise the dataset's key trends and characteristics. Correlation analysis will be employed to determine the strength and direction of relationships among the variables. In contrast, regression analysis will assess the specific impact of NDIC initiatives on financial inclusion and systemic stability. Additionally, factor analysis will be applied to uncover underlying dimensions that shape these financial outcomes. To ensure accuracy and robustness, the analyses will be conducted using statistical software such as SPSS, R, or similar analytical tools.

Qualitative Data Analysis:

Thematic Analysis: Used to identify key themes and patterns in the interview and document data.

Content Analysis: Used to analyse documents and reports.

Qualitative Data Analysis Software: NVivo or similar tools will be used for data analysis.

Data Integration

The quantitative and qualitative data analysis findings will be integrated to provide a comprehensive understanding of the research problem. Triangulation will be used to validate the research findings.

Regression Model

Model for DPAS Effectiveness:

We aim to assess the impact of DPAS on bank risk management.

$$\text{Risk_Management}_i = \alpha + \beta_1 * \text{DPAS_Premium}_i + \beta_2 * \text{Bank_Size}_i + \beta_3 * \text{Bank_Profitability}_i + \beta_4 * \text{Regulatory_Compliance}_i + \varepsilon_i$$

Where:

- Risk_Management_i: Measure of the adoption of risk management practices by bank *i*.
- DPAS_Premium_i: Premium rate under the DPAS for bank *i*.
- Bank_Size_i: Size of bank *i*.
- Bank_Profitability_i: Profitability of bank *i*.
- Regulatory_Compliance_i: Measure of the bank's compliance with regulations.
- α : Intercept.

- $\beta_1, \beta_2, \beta_3, \beta_4$: Coefficients representing the impact of the respective independent variables on risk management.
- ε_i : Error term.

Ethical Considerations

This study will strictly adhere to established ethical principles to ensure the protection and well-being of all participants. Informed consent will be obtained after clearly communicating the study's purpose, procedures and participants' rights, including their freedom to withdraw at any stage. Confidentiality and anonymity will be upheld by securely handling all data and removing identifiable information from reports or publications, while data security measures such as encryption for electronic files and locked storage for physical documents will safeguard sensitive information. Participation will be entirely voluntary, and efforts will be made to avoid harm by ensuring that questions do not cause discomfort or distress. Ethical approval will be sought from the University of Abuja Ethics Committee before data collection begins, and all procedures will be conducted transparently. Additionally, participants may request a summary of the study's findings, and a debriefing will be provided to allow them to ask questions or seek clarification.

Data Presentation, Analysis and Discussion of Findings

This section presents the results of the quantitative and qualitative analyses aimed at evaluating the impact of the Nigerian Deposit Insurance Corporation (NDIC) on enhancing financial inclusion and promoting systemic stability. Data from 367 respondents were successfully collected from the administered 500 questionnaires, along with interviews with NDIC officials, bank officers, financial experts, and community leaders. The analysis is segmented into socio-demographic characteristics, awareness and perception of NDIC, impact on financial inclusion, and implications for systemic stability. The findings are presented using frequency tables, percentages, and inferential statistics, complemented by thematic analysis from qualitative data.

Socio-Demographic Characteristics of Respondents

Table 4.1: Socio-Demographic Profile of Respondents

Variable	Category	Frequency	Percentage (%)
Age	18–30	108	29.4%
	31–45	149	40.6%
	46 and above	110	30.0%
Gender	Male	211	57.5%
	Female	156	42.5%
Education Level	Primary	34	9.3%
	Secondary	86	23.4%
	Tertiary	202	55.0%
	Postgraduate	45	12.3%
Occupation	Civil Servant	89	24.3%
	Private Sector	131	35.7%
	Trader/Entrepreneur	82	22.3%
	Others	65	17.7%
Location	Urban	249	67.9%
	Rural	118	32.1%

Source: Field Survey, 2025

Table 4.1 summarises the socio-demographic characteristics of the 367 respondents, revealing a balanced age distribution with the majority (40.6%) between 31–45 years, followed by 30.0% aged 46 and above, and 29.4% within 18–30 years, indicating a predominance of economically active adults likely engaged with the formal financial sector. Males constitute 57.5% of the sample, while females account for 42.5%, reflecting slight male dominance but sufficient female representation for gender-based analysis. In terms of education, most respondents are well educated, with 55.0% holding tertiary qualifications and 12.3% holding postgraduate qualifications, suggesting high financial literacy and awareness of institutions such as the

NDIC. Occupationally, respondents are diverse, including private-sector employees (35.7%), civil servants (24.3%), traders or entrepreneurs (22.3%), and others (17.7%), offering varied economic perspectives. Additionally, 67.9% of respondents live in urban areas, compared to 32.1% in rural areas, highlighting greater urban participation, possibly due to easier access to financial institutions and NDIC-related services; rural responses remain essential for understanding financial inclusion in less developed areas.

Awareness and Knowledge of NDIC

Table 4.2: Awareness and Understanding of NDIC

Indicator	Yes (%)	No (%)
Do you know the NDIC?	262	105
Do you understand the benefits of NDIC?	198	169
Heard about NDIC from Bank Staff	124	
Heard from Media	83	
Heard from Friends/Peers	55	

Source: Field Survey, 2025

The findings from Table 4.2 reveal that while awareness of the Nigerian Deposit Insurance Corporation (NDIC) is relatively high among respondents (71.4%), a significant portion (28.6%) remains unaware of its existence, indicating the need for more inclusive public sensitisation. However, despite this high awareness, only 54.0% of respondents understand the functions and benefits of the NDIC, highlighting a substantial gap between awareness and comprehension that may undermine confidence in formal financial systems. The primary source of information about NDIC is bank staff, followed by media outlets such as radio and television, while peer-to-peer information sharing remains low. This suggests that NDIC's outreach is still largely institutional rather than community-driven. Therefore, the corporation needs to strengthen grassroots-level education and communication strategies, especially in rural areas, to deepen understanding, enhance depositor confidence, and promote broader financial inclusion and systemic stability.

Bank Deposit Confidence and Perception of Safety

Table 4.3: Respondents' Confidence in Safety of Bank Deposits

Confidence Level in Bank Deposit Safety (1–5)	Frequency	Percentage (%)
1 – Not Confident	35	9.5%
2 – Slightly Confident	56	15.3%
3 – Moderately Confident	108	29.4%
4 – Confident	101	27.5%
5 – Very Confident	67	18.3%

Source: Field Survey, 2025

Table 4.3 illustrates respondents' confidence levels in the safety of their bank deposits, revealing a mixed perception of trust in Nigeria's banking system. The majority (29.4%) expressed moderate confidence, while 27.5% and 18.3% reported being confident and very confident, respectively, indicating that nearly half of the respondents maintain a generally positive outlook on deposit safety. However, 15.3% were only slightly confident and 9.5% not confident at all, reflecting lingering distrust that may stem from limited understanding of the NDIC's role, past financial crises, or weak transparency in the banking sector. These findings highlight that while overall confidence is relatively favourable, a notable proportion of depositors remain uncertain about the security of their funds. Therefore, beyond ensuring systemic stability, the NDIC and related institutions must intensify public education and awareness campaigns to strengthen depositor trust and foster greater participation in the formal financial system.

Experience with Bank Failures

Table 4.4: Past Experiences with Bank Instability

Indicator	Yes (%)	No (%)
Ever experienced a bank failure	69	298
Felt concern about deposit safety	187	180

Source: Field Survey, 2025

Table 4.4 highlights respondents' experiences and perceptions of instability in Nigeria's banking system, showing that only 18.8% had directly experienced a bank failure, while 81.2% had not. Despite the low rate of actual bank failures, 51.0% of respondents expressed concern about the safety of their deposits, indicating that fears about financial instability are often perception-driven rather than based on personal experience. This gap between experience and anxiety suggests that depositor confidence is heavily influenced by media reports, public sentiment, and a limited understanding of regulatory protections, such as those provided by the NDIC. The findings emphasise that public trust in the banking system relies not only on financial stability but also on effective communication and awareness of deposit insurance mechanisms. Consequently, the NDIC's role extends beyond insuring deposits; it must actively build public confidence and financial literacy to enhance inclusion and promote systemic stability.

Use of Financial Services and Barriers

Table 4.5: Use of Services and Perceived Barriers

Indicator	Frequency	Percentage (%)
Uses other formal financial services	153	41.7%
Main Barriers (Multiple Response)		
– Lack of Trust	135	36.8%
– Accessibility Issues	92	25.1%
– High Transaction Fees	78	21.3%
– Low Financial Literacy	110	30.0%

Source: Field Survey, 2025

Table 4.5 reveals that only 41.7% of the 367 respondents use additional formal financial services beyond basic banking, such as savings schemes, mobile banking, insurance, or loans, indicating limited engagement with the broader financial system. The most significant barrier to greater participation is a lack of trust, cited by 36.8% of respondents, reflecting persistent scepticism toward banks and financial institutions. Low financial literacy, identified by 30.0% of respondents, also hinders participation, as many individuals lack an adequate understanding of financial products and their benefits. Other notable challenges include poor accessibility (25.1%), especially in rural areas with limited infrastructure and high transaction fees (21.3%), which discourage low-income earners from using formal banking services. These findings underscore that financial exclusion arises from both psychological and structural barriers, emphasising the need for the NDIC, financial institutions, and policymakers to strengthen trust, enhance financial education, and improve affordability and accessibility to foster greater inclusion and systemic stability.

Regression and Correlation Analysis

The correlation and regression analyses demonstrate a significant, positive relationship among awareness of the Nigerian Deposit Insurance Corporation (NDIC), confidence in the banking system, and financial inclusion. The Pearson correlation coefficient ($r = 0.482$, $p < 0.01$) indicates a moderate positive relationship, showing that greater awareness of NDIC's role enhances depositor trust and confidence in banking stability. The multiple regression results, with an R^2 of 0.389 and an F-statistic of 5.78 ($p < 0.05$), further reveal that NDIC awareness and trust together explain about 39% of the variation in financial inclusion, confirming their strong predictive influence. Logistic regression results reinforce this link, showing that individuals aware of NDIC are 2.6 times more likely to use formal financial services than those unaware, underscoring the critical role of institutional awareness in shaping financial behaviour. Overall, these findings highlight that improving public understanding and trust in NDIC can significantly enhance participation in the formal financial sector and strengthen systemic stability through increased confidence and inclusion.

Qualitative Thematic Analysis

Theme 1: NDIC's Role in Financial Confidence

Respondents consistently emphasised the critical role of the NDIC in boosting public trust in the formal banking system, especially in the aftermath of past banking crises and collapses. Bank officials, in particular, acknowledged that NDIC's presence and oversight reassure customers of the safety of their deposits. One bank manager remarked that "NDIC audits help reassure customers that we are safe,"

indicating that the institution's regulatory role contributes to a sense of operational integrity and customer confidence. Several depositors also noted that knowing their funds are insured has increased their willingness to keep money in banks rather than informal savings channels.

Despite these contributions, many respondents also pointed out that awareness of NDIC's role remains limited, especially among rural populations and the less educated. While some urban bank customers were familiar with the term NDIC, they could not clearly explain what it does or how it protects their funds. Community leaders and bank officials noted that outreach efforts and public campaigns have been insufficient or poorly targeted. As a result, confidence in the banking system remains fragile among segments of the population unaware of the deposit insurance scheme or distrustful of financial institutions due to past negative experiences.

Estimated Models and Interpretation

Model: DPAS Effectiveness (Risk Management as DV) Regression Coefficients

Variable	B	Std. Error	Beta	t	Sig.
(Constant)	1.438	0.198	–	7.26	.000
DPAS_Premium	0.284	0.071	0.261	3.99	.000
Bank_Size	0.179	0.066	0.158	2.71	.007
Bank_Profitability	0.204	0.062	0.181	3.29	.001
Regulatory_Compliance	0.331	0.076	0.293	4.36	.000

Source: SPSS Output 2025

The results of Model 4 indicate that DPAS effectiveness, measured by risk management, is strongly driven by institutional and regulatory factors. The regression analysis shows that all four predictors are statistically significant. Regulatory compliance ($\beta = 0.293$, $p < 0.001$) emerges as the strongest determinant, suggesting that strict adherence to regulatory standards enhances the risk management role of the Deposit Protection and Assurance Scheme (DPAS). DPAS premium contributions ($\beta = 0.261$, $p < 0.001$) also have a significant positive effect, meaning that adequately funded deposit insurance improves system effectiveness. Additionally, bank profitability ($\beta = 0.181$, $p = 0.001$) and bank size ($\beta = 0.158$, $p = 0.007$) positively influence risk management capacity, implying that stronger and larger banks are better positioned to comply with DPAS requirements and reduce systemic risk. Overall, the findings highlight that the effectiveness of DPAS in safeguarding depositors and strengthening financial stability depends largely on regulatory compliance, sustainable premium funding, and the financial strength of banks.

Discussion of Findings

The findings of this study reveal that the NDIC's risk management framework, particularly its Differential Premium Assessment System (DPAS), supervisory activities, and risk-based monitoring, play a crucial role in shaping sound risk practices among Nigerian banks. The quantitative results show a significant positive relationship between awareness of NDIC mechanisms and depositor confidence, indicating that NDIC's regulatory presence enhances trust in the banking system. Furthermore, respondents demonstrated moderate to high confidence in the safety of their deposits, despite a relatively low number having directly experienced bank failure. This confidence correlates with NDIC's proactive interventions, including its supervision of DMBs, enforcement of regulatory compliance, and continuous refinement of the DPAS model to align with global best practices. Qualitative insights from interviews further show that bank officials acknowledge NDIC's influence in strengthening internal controls, improving governance, and reducing operational risks—findings that validate the NDIC's mandate to promote financial system stability through sound risk practices.

However, the results also highlight significant gaps that limit the full effectiveness of the NDIC's risk management framework. A considerable proportion of respondents lack an adequate understanding of NDIC's functions, suggesting that awareness does not necessarily translate into a deep comprehension of

deposit insurance protections. This issue undermines depositor confidence and financial inclusion. Additionally, barriers such as distrust, poor financial literacy, cyber threats, and weak organisational risk culture continue to expose banks to vulnerabilities despite existing regulatory frameworks. Interviews reveal that many banks struggle with emerging risks such as fraud and cybercrime, challenges that require advanced risk-detection technologies, such as AI, a direction NDIC encourages. However, banks have been slow to adopt due to high costs and technical limitations. These findings indicate that while the NDIC's framework is instrumental in promoting sound risk practices, achieving optimal effectiveness requires more vigorous enforcement, improved public sensitisation, enhanced technological adoption, and broader institutional alignment across the financial sector.

CONCLUSION AND RECOMMENDATIONS

The findings of this study demonstrate that the Nigeria Deposit Insurance Corporation (NDIC) plays a significant role in promoting sound risk practices and enhancing stability within the Nigerian banking sector. The analysis shows that while the NDIC's risk management framework, including its Differential Premium Assessment System (DPAS), risk-based supervision, and failure-resolution mechanisms, has encouraged banks to strengthen internal controls, adopt safer operational procedures, and improve compliance, implementation gaps remain. Many banks continue to face substantial risk exposure, particularly in cyber fraud, operational risk, and market volatility. The study further reveals that awareness and understanding of NDIC's functions among depositors and even some bank staff remain limited, thereby affecting confidence levels and constraining the full impact of regulatory interventions. Overall, the study concludes that the NDIC's framework is practical but requires deeper enforcement, wider technological adoption, and stronger stakeholder engagement to fully achieve its mandate of promoting stability and sound risk practices in Nigerian banks.

Based on the findings, the study recommends that the NDIC strengthen its supervisory and enforcement mechanisms to ensure full compliance with risk management guidelines across all Deposit Money Banks. The Corporation should intensify public awareness campaigns to improve depositor understanding of its mandate, thereby boosting trust and enhancing financial inclusion. Additionally, banks should be encouraged, through incentives and regulatory directives, to adopt advanced technologies, such as artificial intelligence, for fraud detection and risk monitoring. Collaboration between NDIC, the Central Bank of Nigeria, and other regulatory bodies should also be enhanced to ensure harmonised oversight and early detection of systemic threats. Finally, continuous capacity-building programs should be implemented for bank staff, examiners, and financial operators to address technical skill gaps and ensure effective risk governance in the evolving financial landscape.

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