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## **PORTFOLIO DIVERSIFICATION AND OPERATIONAL RESILIENCE OF BANKS IN NIGERIA.**

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**ABSTRACT:** *This study investigates how different portfolio diversification strategies affect the operational resilience of Nigerian banks between 2008 and 2022. The research addresses the problem of instability in the Nigerian banking sector, especially during economic crises like the 2008 financial crash and the COVID-19 downturn, and explores whether diversification can enhance banks' ability to withstand such shocks. Using time series data from the Central Bank of Nigeria and the NDIC, the study applied Ordinary Least Squares (OLS) regression to examine the effects of four diversification strategies: asset, deposit, investment, and product diversification. The dependent variable was operational resilience, measured by operational efficiency. Findings revealed that asset and deposit diversification significantly improve resilience, with deposit diversification having the strongest positive effect. However, investment diversification had no significant impact, and product diversification had a negative effect, suggesting that expanding into too many product lines may reduce efficiency and stability. The study concludes that Nigerian banks can boost their resilience through strategic asset and deposit diversification but should be cautious with product diversification to avoid operational strain.*

### **1.0 INTRODUCTION**

The Nigerian banking sector operates in a dynamic environment characterized by economic volatility, regulatory changes, foreign exchange volatility, and technological change risk. Banks being the major beneficiaries of economic boom are also at the receiving end during period of economic recession (Asemota & Ogedengbe, 2023). The demand for banking services during period of boom increases thus causing an increase in their profit margin. However, in times of recessions, they suffer the consequences of hostile economic policies. Operating in such hostile environment leads to decline in their revenue. Financial institutions therefore need strategies to mitigate risk encountered in the course of carrying out their operational activities in order to cushion the effect of the shocks arising from these changes. Portfolio diversification is the veritable tool needed by banks to manage financial risks to ensure stability in the banking sector.

In recent years, Nigeria went through a serious economic downturn due to the effects of COVID-19. However, the economy started to recover when restrictions were eased. According to a 2021 report by the World Bank, the Nigerian government introduced several important policy changes. These included unifying the exchange rate, removing fuel subsidies, and adjusting electricity prices to better reflect actual costs. The banking sector was also affected by these changes.

Banks play a key role in the growth of any country because they provide services like loans and savings that support business activities and the economy in general. According to Jibrin et al. (2022), the strength of a country's economy is closely linked to the health of its banking system. The 21<sup>st</sup> century banking sector operates in a fast-changing and competitive environment, which has pushed banks to look for new ways to grow and stay strong. (Erhijakpor & Eyamu, 2025).

One strategy banks use to deal with uncertainty is diversification. Osifo & Evbayiro-Osagie (2020) explained that diversification can help businesses perform better by spreading their resources across different projects or areas. This strategy allows banks to stay competitive, increase profits, and reduce risks. Banks can diversify in many ways by investing in different things like stocks, real estate, and bonds. Therefore, diversification of banks' portfolio is essential for the stability of the banking system. Arising from the financial crises of 2007/2008, emphasis is now placed on the need for banks to keenly measure and control their credit exposures to minimize the resultant effect of credit risk (Basel Committee on Banking Supervision, 2014). The regulatory bodies in this sector has made efforts towards mitigating risk experienced in the banking sector.

Following the global financial crisis of 2008/2009, the Federal Government of Nigeria, during the tenure of Sanusi Lamido Sanusi as CBN Governor established the Asset Management Corporation of Nigeria (AMCON) in July 2010 to help resolve the liquidity and solvency challenges faced by Nigerian banks. AMCON was charge with the responsibility of stabilizing the Nigerian banking sector by acquiring banks toxic assets (non-performing loans) from commercial banks to reduce the level of credit risk and rescuing distressed banks in Nigeria (Ungersboeck & Runkel, 2021).

Despite the efforts of the regulatory authorities to put measures in place to mitigate the financial risk in the banking sector in Nigeria, cases of bank failure are still being recorded in the sector. A most recent case is that of Heritage bank whose license to operate was revoked on June 3, 2024. As reported by The Sun Nigeria (2024), heritage bank had about ₦700 billion non-performing loan as of March, 2024. Also, the banks' tier 1 capital (reserves, equity and accumulated earnings) was in a deficit of over ₦1 trillion. It is therefore important for banks to put in place internal strategies to withstand shocks amidst challenges encountered. The call to action is for banks to maintain well diversified portfolios. It is on this basis we examined how portfolio diversification strategies affect operational resilience of banks in Nigeria. There is therefore the need for commercial banks diversify their portfolio to mitigate credit risks and enhance performance.

Many studies have been done in other countries to see how Portfolio diversification affects banks performance. Some studies have also looked at Nigerian banks and other businesses in Africa. In Sierra Leone (Kollie, 2024); Rwanda (Kamagoba & Irechukwu, 2023) and Serbia (Radojičić, & Marinković, 2023). Studies in the Nigerian banking sector are; Amahalu, et al. (2023); Ayodele, et al (2023); Obaro, et al. (2022); Omeni & George, (2021). Octavianus & Fachrudin (2022) conducted a study on internal banks; Omosa, et al. (2022) Tea factories in Kenya; Wegwu (2020) food and beverages firms in Rivers state; Abuh and Echukwu (2020) Dangote Group; and Njuguna, et al. (2018) Non-financial firms in Kenya. However, there are still gaps in the research, especially on Nigerian banks.

This study aims to fill that gap by examining portfolio diversification strategies and operational resilience of Nigerian banks over fifteen (15) years from 2008 to 2022. Specifically, the study examine how asset diversification enhances the operational resilience of Nigerian banks; ascertain how deposit diversification influences the operational resilience of Nigerian banks; investigate the extent to which investment diversification affect influences the operational resilience of Nigerian banks; and determine the degree to which product diversification affect influences the operational resilience of Nigerian banks

## **2. 0. REVIEW OF RELATED LITERATURE**

### **2.1. Conceptual Review**

#### **2.1.1. Portfolio Diversification Strategies**

Ihejirika and Aderigha (2021) defined portfolio diversification strategies as the spread of investor's resources (funds) to different investment opportunities. It is a situation whereby an investors does not rely on single investment opportunities. The essence is to minimize risks while maximizing returns by spreading funds across different investment avenues. It is measured by assets diversification, deposits diversification, investments diversification and products diversification

#### **2.1.2. Assets Diversification and Operational Resilience**

Asserts diversification involves spreading funds across different assets category like land, capital market instruments (stocks, shares and bonds), money market instruments (treasury bills, certificate of deposits, treasury certificates, etc.), land, buildings, etc. so as to manage risk. (Ayodele, et. al, 2023). A well-diversified portfolio of assets reduces the risk inherent in an investment. Obaro, et al (2022) surmised that asset diversification contributes positively to the ability of financial institutions to remain resilient especially during economic downturn.

#### **2.1.3. Deposits Diversification and Operational Resilience**

According to Rose and Hudgins (2016), deposit diversification is a way banks use their funds (deposits) to buy assets with varying level of risk elements and maturity period (long, medium or short term) depending on the account the funds are drawn from.. Diversification of deposits by financial institutions will help the organization to maximize the shareholders wealth (Omeni & George, 2021).

#### **2.1.4. Investments Diversification and Operational Resilience**

According to Obaro, et al (2022), putting all your investment funds in one basket is detrimental to an organization's health. Investment diversification is aimed at mitigating unexpected financial shocks and allowing operations to continue. When investments are properly diversified and risks are reduced, returns is guaranteed.

### **2.1.5. Products Diversification and Operational Resilience**

According to Jayathilake (2018) expanding business offerings of a firm by delving into other market potentials of an already existing products or an addition of a new product line to the firm's already existing products increases a firm's market power, creating synergy in market operations and reduces bankruptcy rate and the potential of increasing returns, profitability and on the long run help the firm to be more stable and resilient during economic downturn. Njugunakwaska and Orwa (2018) noted that product diversification is essential for increasing a firm's performance.

## **2.2. Theoretical Review**

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

Proposed by Harry Markowitz in 1952, Modern Portfolio Theory opines that risk-averse investors can construct diversified portfolios to maximize returns while minimizing risk (Oladimeji & Udosen, 2019). Rather than assessing investments in isolation, MPT emphasizes evaluating how each asset contributes to the overall portfolio's risk-return profile (Nwafor & Amahalu, 2021). Diversification is key to achieving optimal investment outcomes.

### **2.2.3. Market Power Theory (MPT)**

Introduced by Porter (1980), Market Power Theory asserts that firms gain competitive advantage by differentiating themselves and influencing market dynamics through strategic positioning and diversification. Key drivers of market power include limiting rivalry, reciprocal buying, and cross-subsidization—each reinforcing the others to strengthen a firm's influence (Kollie, 2024)

## **Empirical Review**

Using Robust Least Square (RLS), Ezeana, et al (2024) evaluated corporate diversification effect on value of listed conglomerate in Nigeria. Corporate diversification was gauged using product diversification (PRODIV), subsidiary diversification (SUBDIV), regional diversification (REGDIV) and sector diversification (SECDIV) while the corporate value was measured by Tobin's Q. The ex-post facto research design was employed for the study. A sample of five (5) listed conglomerates out of the six (6) listed conglomerates was used for the study. Secondary data from the annual reports of the sampled conglomerates from 2012 to 2023 was used in analyzing data. It was discovered that PRODIV and SECDIV has a significant negative effect on corporate value of listed conglomerates in Nigeria. Conversely, SUBIV and REGDIV has a significant positive effect on corporate value of listed conglomerates in Nigeria.

Using descriptive research design, Kollie (2024) sought to determine the effect of income diversification on the financial performance of commercial banks in Sierra Leone from 2018 to 2022. The study found

that income diversification was negatively related to financial performance. Also, size and capital adequacy had a positive effect, which was statistically significant, while liquidity had a negative impact on financial performance and was not statistically significant.

Agbesuyi, et al. (2023) delved into the nexus between investment diversification and performance of commercial banks in Nigeria, from 2012 to 2021. Using multiple regression models, findings revealed that investment in securities and the size of the loan portfolio has a significant positive impact on financial performance (Net interest margin-NIM), ROA and ROE). Conversely, investment in associates demonstrated a notable negative association with financial performance, while bank size emerged as a positive predictor of financial performance.

Amahalu, et al. (2023) examined the nexus between diversification and financial performance of quoted commercial banks in Nigeria between 2009 and 2022. Panel Least Square (PLS) regression analysis was employed in analyzing the data sourced. Findings showed that investment in debt securities, investment in equity securities and investment in subsidiaries measures of diversification has a significant positive relationship with return on assets of quoted commercial banks in Nigeria.

Ayodele, et al (2023) studied the effects of portfolio diversification on the financial performance of Nigerian deposit money banks (DMBs). Portfolio diversification was gauged using sectorial credit diversification, income stream diversification, deposit diversification, and investment diversification while financial performance measured by return on equity. The study spanned from 2000 to 2022, data were obtained from the yearly financial statements of six (6) selected Nigerian DMBs. The results revealed that sectorial credit diversification and deposit diversification significantly improved the financial performance of DMBs in Nigeria, whereas income stream diversification and investment diversification have the opposite effect.

Radojičić, and Marinković (2023) explored the relationship between the diversification of bank activities and a set of bank performance indicators by running multiple regression on panel data set of 22 operating banks in Serbia for a period 15 years (2007-2021). They found a positive influence of the degree of diversification, measured both by income composition and earning assets composition indicators, on the levels and stability of the banks' return on equity. The presence of COVID-19 crisis revealed the tendency to reverse the long-term relationship.

The study by Obaro, et al. (2022) centered on diversification strategy and performance of banks in Nigeria for 22 years (1999-2020). Time series data from the audited financial reports of the ten (10) banks considered were collected from CBN statistical bulletin for analysis. Diversification was operationalized by asset diversification (ASTD), deposit diversification (DEPD), investment diversification (INVD) and product diversification (PROD) while bank performance was measured by ROE. The study evidenced that ASTD and INVD posed a high direct effects on bank performance while PROD exerts direct, statistically insignificant effect on bank performance. However, DEPD exerted high negative effects on bank performance.

Similarly, Octavianus & Fachrudin (2022) considered implementation of the income diversification strategy on stability of thirty-two (32) international banks indexed by Forbes from 2010-2019. The generalized method of moments (GMM) was used to analyze the panel data. It was discovered that the implementation of the income diversification strategy adopted by international banks increased their stability during the reviewed periods.

In Nigeria, Jibrin, et al. (2022) studied loan portfolio diversification effect on risks and returns of thirteen (13) banks from 2009 to 2020. Using the pooled OLS, it was discovered that diversification of bank's loan does not significantly increase risk level of banks in Nigeria. Also, diversification of loan increases the returns of banks.

Omosa, et al. (2022) sought to determine the effect of product diversification strategy and performance of selected tea factories in Kenya. The study purposively selected Kisii and Kericho Highlands regions. Data analysis was conducted using simple linear regression estimate. Study findings indicated that product diversification strategy have positive effect on firm's performance.

Salman, et al. (2020) conducted a research to investigate the relationship between investment portfolio and fourteen (14) selected banks' financial performance in Nigeria. The study spanned from 2008 to 2017. Panel data analysis was conducted and it revealed that investment in bond has significant but negative effect on ROA, a proxy of financial performance while cash reserve had a positive but an insignificant effect on financial performance and treasury bills has a negative and an insignificant effect on financial performance.

Wegwu (2020) analyzed the relationship between diversification strategies and business performance of ten (10) food and beverages firms in Rivers state, Nigeria. Questionnaires were administered to 177 employees of selected firms. Findings revealed a positive and significant relationship between diversification strategies and business performance of food and beverages firms.

Abuh and Echukwu (2020) examined the impact of diversification on the performance of Dangote Group of companies. Diversification was measured using product and market diversifications. The research elicited data from primary source while the respondents were reached using questionnaire. The data were analyzed using linear regression analysis. The findings revealed that diversification is a strategy for firms' survival. In addition, diversification strategy increases market share of the organization as well as minimizing risk of operations.

Njuguna, et al. (2018) investigated the influence of product diversification strategy on performance of forty-five (45) non-financial firms listed at the Nairobi Securities Exchange in Kenya. Descriptive correlational survey design was employed. Both primary and secondary data was collected. Secondary data was obtained from the audited annual reports of these companies for a period of five years (2011 to 2015). The study established that there was a significant positive relationship between product diversification and firm performance. Regression analysis revealed that 15.2% of changes in firm performance were attributed to use of this strategy.

**3.0. METHODOLOGY**

This study adopted the ex-post-facto research design. Time series data were culled from the Central Bank of Nigeria (CBN) Statistical bulletin (2022) and Nigerian Deposit Insurance Commission (NDIC) report. The study adopted the ordinary least squares (OLS) regression. Prequel to using the OLS to test the research hypotheses formulated earlier (in section one), the model was subjected to various pre-estimation tests (such as descriptive statistics, correlation analysis, and normality test) and other diagnostic tests. This is with a view to ensure that the model is suitable for policy formulation. The modified model of Obaro, et al. (2022) was adopted for the study and stated as:

$$OPEF = \beta_0 + \beta_1ASTD + \beta_2 DEPD + \beta_3 INVD + \beta_4PROD + Ut \dots\dots\dots 1$$

**Table 1: Operationalization of Research Variables**

<b>Variable</b>	<b>Proxies</b>	<b>Measurement</b>	<b>Reference</b>	<b>Expected Sign</b>
<b>Dependent Variable:</b> Operational Resilience	Operational Efficiency (OPEF)	$\frac{\text{Operating Income}}{\text{Operating Expense}}$	Eyamu, and Onuorah, (2024).	Nil
<b>Independent Variables:</b> Portfolio Diversification Strategy	Asset diversification (ASTD)	$1 - \left[ \frac{\text{Net Loans}}{\text{Total Earning Assets}} \right]^2 + \left[ \frac{\text{Other Earning Assets}}{\text{Total Earning Assets}} \right]^2$	Kamagoba, and Irechukwu (2023).	Positive
	Deposit diversification (DEPD)	$\begin{aligned} & (\text{demand}/\sum \text{deposits})^2 \\ & + (\text{savings}/\sum \text{deposits})^2 \\ & + (\text{time}/\sum \text{deposits})^2 \\ & + (\text{CDs}/\sum \text{deposits})^2 \\ & + (\text{banks}/\sum \text{deposits})^2 \end{aligned}$	Onuorah, (2021).	Positive
	Investment diversification (INVD)	$\delta_p^2 = c_1^2 \delta_1^2 + c_2^2 \delta_2^2 + 2c_1c_2\delta_1\delta_2 \rho$ Where; $\delta_1$ and $\delta_2$ are Standard Deviations of the two underlying assets,	Obaro, et. al. (2022).	Negative

		C1 and C2, $\rho$ is correlation between the assets, C1 and C2 are the respective proportions of the two assets in the portfolio.		
	Product diversification (PROD)	Average measurement of the product mix offered by sampled banks	Obaro, et. al. (2022).	Positive

**Source: Author's Compilation (2025)**

## 4.0 RESULT AND DISCUSIONS

**Table 2: Descriptive Statistics**

	OPER	ASTD	DEPD	INVD	PROD
Mean	54.77333	0.039653	0.381227	0.542553	0.836467
Maximum	66.87000	0.310900	0.570900	0.861300	0.993300
Minimum	18.46000	0.001700	0.335500	0.500000	0.506700
Std. Dev.	15.00622	0.076198	0.071490	0.096727	0.201984
Observations	15	15	15	15	15

**Source: Author's Compilation (2025)**

The descriptive statistics for Nigerian banks' operational resilience (OPER) reveal an average value of 54.77 and standard deviation of 15.01, suggesting a moderate variation. The maximum value of 66.87 reflects periods of stability and regulatory improvements, while the minimum value of 18.46 highlights the adverse effects of the 2008–2009 global financial crisis. The standard deviation of 15.01 indicates moderate variability. ASTD has a low mean of 0.0397, reflecting limited diversification efforts for much of the period. The maximum value of 0.3109 in 2022 indicates recent improvements, while the minimum of 0.0017 underscores earlier concentration in asset classes. A high standard deviation of 0.0762 points to significant variability. DEPD shows a mean of 0.3812, reflecting relative consistency in banks' deposit mobilization strategies. The maximum value of 0.5709 in 2010 corresponds to aggressive efforts during the financial crisis, while the minimum value of 0.3355 occurred more recently. The standard deviation of 0.0715 indicates moderate variability. INVD has a mean value of 0.5426, showing stability in investment strategies. The maximum value of 0.8613 in 2008 reflects higher risk-taking, while the minimum value of 0.5000 signifies a shift to safer investments. A standard deviation of 0.0967 indicates moderate variation. PROD stands out with the highest mean value of 0.8365, reflecting consistent efforts by Nigerian banks to diversify their product offerings. The maximum value of 0.9933 in 2017 and 2018 marks peak diversification, while the minimum value of

0.5067 in 2010 represents limited product scope during challenging periods. The standard deviation of 0.2020 suggests moderate variability.

## 4.1 Correlation Analysis

The correlation analysis tells the direction and degree of relationship between and among variables. Table 3 accounts for the correlation analysis:

**Table 3: Pearson Correlation Analysis**

	OPER	ASTD	DEPD	INVD	PROD
OPER	1.000000				
ASTD	-0.339286	1.000000			
DEPD	-0.260714	-0.053571	1.000000		
INVD	-0.077475	-0.185940	0.337017	1.000000	
PROD	-0.148347	0.187936	-0.061305	-0.011793	1.000000

**Source: Author's Compilation (2025)**

The result of the Pearson correlation analysis depicts negative relationship between OPER and ASTD (-0.3393), DEPD (-0.260714), INVD (-0.077475) and PROD (-0.148347). These negative relationship indicate an increase in operational resilience (OPER) will lead to a decline in ASTD, DEPD, INVD and PROD. The negative correlation implies that efforts to enhance operational resilience might come at the expense of further diversifying assets, banks not prioritizing expansion of their deposit base, paying less attention to diversifying their product offerings.

Overall, these correlations show that operational resilience has weak to moderate negative relationship with the diversification strategies of Nigerian banks, suggesting that a focus on resilience may limit other diversification efforts, though the relationships are not strong enough to assert a definitive pattern.

## 4.2. Regression Result and Discussions

Table 4.7 present the main regression result having confirmed that the model is Homoskedastic, and devoid of Multicollinearity problem

**Table 4: Regression Estimate**

Dependent Variable: OPER				
Date: 01/16/25 Time: 06:19				
Sample: 2008 2022				
Included observations: 15				
Variable	Coefficien	Std. Error	t-Statistic	Prob.
C	1.545100	0.221618	6.971914	0.0001
ASTD	0.356640	0.099540	3.582887	0.0050

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DEPD	0.590817	0.049744	11.877240	0.0000
INVD	0.080841	1.456458	0.055505	0.9571
PROD	-0.341690	0.104027	-3.284634	0.0111
R-squared	0.939370	Mean dependent var	54.77333	
Adjusted R-squared	0.893898	S.D. dependent var	15.00622	
S.E. of regression	4.888018	Akaike info criterion	6.323937	
			6.65436	
Sum squared resid	191.1418	Schwarz criterion	0	
		Hannan-Quinn		
Log likelihood	-40.42953	crit.	6.320417	
			2.04994	
F-statistic	20.65810	Durbin-Watson stat	9	
Prob(F-statistic)	0.000184			

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## Source: Author's Compilation (2025)

From Table 4, the model reported an R-squared value of 93.94% suggesting that bank diversification strategies collectively explain a substantial proportion of variations in operational resilience. To further substantiate this, the study reported an adjusted R<sup>2</sup> value of 63.82%, indicating that the model explains a significant proportion of the variation in OPER. Additionally, the global statistics reveal that bank diversification proxies jointly affect banks' operational efficiency significantly. Lastly, the Durbin-Watson statistic of 2.049949 indicates that the model is not serially auto-correlated. These findings highlight that while diversification is essential for building resilience, focusing on specific areas, particularly deposit and asset diversification, is more effective, whereas caution is warranted in overextending product offerings.

From the regression output, the coefficient of ASTD was 0.356640 with p-value of 0.0050, demonstrated a significant positive impact on operational resilience. This suggests that when banks diversify their assets across different categories or sectors, they reduce the risks associated with over-concentration in specific asset classes. This finding underscores the importance of strategic asset allocation in ensuring long-term stability. This finding aligns with several studies that emphasize the importance of diversification in improving financial stability and managing risk. For instance, Obaro et al. (2022) found that asset diversification (ASTD) has a positive effect on bank performance. Similarly, Kamagoba and Irechukwu (2023) highlighted that diversified asset portfolios in Rwanda help lower portfolio volatility and improve financial performance, suggesting that asset diversification contributes to operational stability in banks.

In the same vein, DEPD reported coefficient value of 0.590817 and p-value of 0.0000. This symbolizes a positive significant relationship between DEPD and OPER. This indicate that a well-diversified

deposit base is critical to maintaining operational stability. Diversification in deposits ensures that the banks are not overly reliant on any single source of funding, reducing vulnerability to sector-specific or regional economic downturns. This finding aligns with studies conducted by Agbesuyi et al. (2023) emphasizing that investment diversification, which includes managing a diverse deposit base, significantly improves financial performance. Also, Ayodele et al. (2023) found that deposit diversification had a positive effect on the financial performance of Nigerian banks. On the contrary, studies by Obaro et al. (2022) noted that deposit diversification (DEPD) had a negative effect. Also, Kamagoba and Irechukwu (2023) observed that diversification strategies in banks should be carefully managed, indicating that the benefits of deposit diversification may be contingent on factors such as market conditions and the nature of customer segments.

INVD as reported in table 4, with a coefficient of 0.080841 and a p-value of 0.9571, shows positive but statistically insignificant relationship with operational resilience. This implies that diversifying investments alone may not directly contribute to the stability of a bank's operations. The finding aligns with the findings of Agbesuyi et al. (2023) and Ayodele et al. (2023) but in contrast with the findings of Obaro et al. (2022) and Kamagoba and Irechukwu (2023).

As indicated in table 4, PROD has a negative significant relationship with OPER. This indicates that excessive diversification into multiple product lines can be counterproductive, potentially diluting managerial focus, overextending resources, and introducing inefficiencies. The significant negative relationship between product diversification and operational resilience, with a coefficient of -0.341690 and a p-value of 0.0111, aligns with the findings of Ezeana, et al (2024); Agbesuyi et al. (2023) and Amahalu et al. (2023) emphasize the importance of aligning diversification strategies with the core competencies of an institution to prevent operational strain. Studies such as Kollie (2024) and Ezeana et al. (2024) also found that while diversification can enhance performance, misaligned diversification strategies, such as expanding into non-core or unfamiliar product lines, can overwhelm management and operational resources, leading to decreased resilience.

## 5.0. Conclusion and Policy Recommendations

The findings from this study demonstrate that asset diversification and deposit diversification exert a significant positive effect on operational resilience, with deposit diversification having the highest impact. In contrast, investment diversification shows no significant effect, and product diversification exerts a negative but statistically significant effect, implying that an expanded product mix may introduce inefficiencies or vulnerabilities. While the study reveals a mixed effect of diversification strategies on operational resilience, it concludes that banks in Nigeria can benefit from strategic diversification, particularly in assets and deposits, to enhance their operational resilience. However, careful attention must be paid to product diversification to mitigate potential adverse effects. This underscores the importance of a balanced and well-planned diversification approach for optimal bank performance in Nigeria.

Arising from the findings of the study, we recommended that banks should continue to diversify their asset portfolios by investing in a variety of high-performing and low-risk asset classes. This can include a balanced mix of loans, securities, and other income-generating assets to enhance operational resilience and reduce exposure to specific risks. Also, Nigerian banks should focus on expanding their deposit base by introducing innovative products and targeting diverse customer segments, regions, and industries.

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