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Management of Foreign Exchange Risks in a Selected Commercial Bank, in Nigeria

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ABSTRACT Banks are regarded as the bed rock of a nation's economy, they are the harbinger of economic development through a prudent management of both domestic and foreign currencies. This survey was carried out in an old generation bank that is fully engaged in transaction of foreign exchange. The study primarily looks into the management of foreign exchange risks, and the impact of these risks on foreign exchange transactions. The study exploited both the desk and primary sources of information, a structure questionnaire was designed to gather pertinent data from 40 respondents that are stratifically and randomly selected. The data gathered were analysed and interpreted using the simple arithmetic, percentages and inferential statistics. The result revealed that bank fraud is most (90.0%) prevailing risk in the banking industry. Considering the exposure techniques and strategies, hedging technique was perceived to be a very vital technique in risk and exposure strategy.

$$x2c = 76 > x2\ t = 9.88$$

Spot transaction technique was founded to be effective in minimizing foreign exchange risk. Furthermore, the effective and efficient use of risk trading has been regarded as the best form of risk management. In order to crown it all, invoicing in strong currencies was revealed to be a factor in foreign exchange risk management. The persistent and inconsistent policies of the government in foreign exchange is a deterrent to the foreign exchange risk management.

$$(x2c = 124 \text{at } 4 \text{ d.f}, x2t = 9.488 \text{ at}5\%$$
$$\text{level significance; } x2c > x2t)$$

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