IRASS Journal of Economics and Business Management
https://irasspublisher.com/journal-details/IRASSJEBM
ISSN *(Online) 3049-1320*

Effect of Systematic Risk and Financial Performance of Quoted Oil and Gas Firms in Nigeria

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Article History

Received: 13 / 09 / 2026

Accepted: 22 / 10 / 2026

Published: 03 / 11 / 2026

Abstract: The timeliness of financial reporting is a critical aspect of corporate transparency and accountability, particularly in emerging markets like Nigeria where institutional frameworks may be weak. This study examined the effect of systematic risk and financial performance of quoted oil and gas firms in Nigeria. The specific objectives of the study are to evaluate the effect of exchange rate risk and political risk on financial performance of quoted oil and gas firms in Nigeria. Ex-Post Facto research design adopted by the study and the population constitutes ten (10) oil and gas firms quoted on the Nigerian Exchange Group (NGX) as at 31st December 2024 while a census techniques was adopted as sample size as the whole population is being studied. Secondary data were extracted from the audited annual reports of the sampled firms from 2015-2024. The study used random effect regression as the techniques of analysis using STATA 17.0 software. The findings revealed that exchange rate risk has an insignificant negative effect on return on asset of quoted oil and gas firms in Nigeria. While political risk has a significant positive effect on return on asset of quoted oil and gas firms in Nigeria. The study recommended that firms should diversify revenue sources and investment portfolios to reduce overdependence on crude oil price movements and other market-wide uncertainties. The study further recommended that Investors and corporate managers should continuously monitor systematic risk indicators and integrate them into financial decision-making processes.

Keywords: *Systematic Risk, Exchange Rate Risk, Political Risk, Oil and Gas Firms.*

How to Cite in APA format: Friday, A. & Audu, B. K. (2026). Effect of Systematic Risk and Financial Performance of Quoted Oil and Gas Firms in Nigeria. *IRASS Journal of Economics and Business Management. 3(11), 18-25.*

Introduction

In today's business landscape, risk management has taken a central role in corporate decision-making and strategic planning. Executives recognize that effectively identifying, assessing, and mitigating risks are critical for an organization's survival, growth, and overall success (Jafari *et al.*, 2011). Chapman and Ward (1997) explain that the primary objective of risk management is to enhance processes by systematically identifying, evaluating, and mitigating project risks. In simple terms, risk management refers to the actions taken to reduce the potential negative consequences of specific events, such as price fluctuations, accidents, political uncertainties, supply chain disruptions, economic changes, and more. These risks cover a wide range of potential issues faced by a company, and they are handled by various experts. In essence, effective risk management addresses the market risks a company encounters while also seeking to capitalize on the business opportunities that may arise from managing these risks.

Systematic risk, also known as market risk or non-diversifiable risk, is the type of risk that impacts the entire market or a specific market segment, causing fluctuations in asset prices. Unlike unsystematic risk, which is unique to individual companies or industries and can be mitigated through diversification, systematic risk cannot be eliminated by spreading investments (brook, 2010). It stems from macroeconomic factors such as interest rate changes, inflation, political instability, economic downturns, natural disasters, and global market trends. Since these factors affect a wide range of assets and are not specific to any one entity, they have a widespread impact on the market. Investors are exposed to systematic risk regardless of the diversification of their portfolios, leading them to demand higher returns to compensate for taking on this risk.

Businesses are established with the primary objective of making profits, but they can also encounter losses due to various factors, most notably investment risks. How well an organization manages these risks determines its overall returns. Therefore, it is of utmost importance for businesses to have a deep understanding of the sources of investment risks and effectively control them, whenever possible. This approach will help reduce risks and contribute to the survival and success of the organization. Identifying investment risks in a timely manner, using appropriate evaluation metrics, and adjusting business strategies accordingly can prevent undesirable situations like poor sales, liquidity issues, insolvency, or bankruptcy. Investment risk can be systematic and unsystematic (Pandey, 2020).

Quoted oil and gas firms in Nigeria operate in an environment characterized by high exposure to systematic risk arising from macroeconomic factors such as inflation, exchange rate volatility, interest rate fluctuations, and market-wide shocks. These risks are beyond the control of individual firms and often create instability in operating costs, investment returns, and cash flows. Given the strategic role of the oil and gas sector in Nigeria's

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economy, weak financial performance caused by systematic risk can have broader implications for national revenue, employment, and investor confidence. Despite the importance of risk management, many firms in the sector still struggle to effectively anticipate and respond to these external uncertainties, resulting in inconsistent profitability and declining shareholder value. This practical challenge creates the need to investigate how systematic risk affects the financial performance of quoted oil and gas firms in Nigeria in order to provide evidence-based strategies for resilience and sustainability (Etim *et al.*, 2020).

Generally, businesses operate in risky environment some of which are outside the control of the management. These risk factors as in systematic risk have vary degrees of effect on business depending on the magnitude of the variability from the already situation and financial standing, as well as the management of the firm. The variation in the systematic risk elements in Nigeria are volatile, predisposing firms to danger. For instance, the exchange rate volatility which changed from average N359.2 to a US dollar in 2020 to N380/dollar in 2021 and average of 416,67/US dollar in 2022 and in 2023 it is N635.24 to one US dollar but as at july24th 2024 it stood at N1617.55. Also, political risk in Nigeria as it affect business has been highly unstable with threat to life and property. Nigeria ranked 143 (scoring 2.725) position out of 163 countries considered in Global peace index 2022 as against 146 position she was in 2021; a three step improvement in the ranking yet very poor in 2023, she is ranked 144th out of 163 countries (scoring 2.713) and 37th out of 44 countries in Africa ranked. Inflation rate equally is volatile. Volatility of the Exchange Rate- the depreciation of the naira has had serious effects on consumer goods firms. For example, PZ Cussons announced a 39.7% drop in pre-tax profits and revenue by 20%, ending May 31, 2023, due to the devaluation of the naira (The Times, 2023).Changes in exchange rates have consequences for the prices of imported raw materials, pricing policies, and even profit margins. The political instability and regulatory uncertainties also have the potential to scare away investments and disrupt operations in the FMCG sector. For instance, the move by Nigeria to block Shell's sale of its onshore assets for $2.4 billion raised concerns about the country's regulatory environment among investors (Reuters, 2024). Such actions can undermine investor confidence and affect the broader economic landscape.

The main objective of this study is to examine the effect of systematic risks on financial performance of listed consumer goods firms in Nigeria. Specifically, the study wants to:

- Ascertain the effect of Exchange Rate risks on Return on Assets of quoted oil and gas firms in Nigeria.
- Evaluate the effect of Political Risks on Return on Assets of quoted oil and gas firms in Nigeria.

The following research hypotheses were formulated in null form for the study:

- **Ho_1**: Exchange rate risks has no significant effect on return on assets of quoted oil and gas firms in Nigeria.
- **Ho_2**: Political risks has no significant effect on return on assets of quoted oil and gas firms in Nigeria.

Review of Related Literature

Conceptual Framework

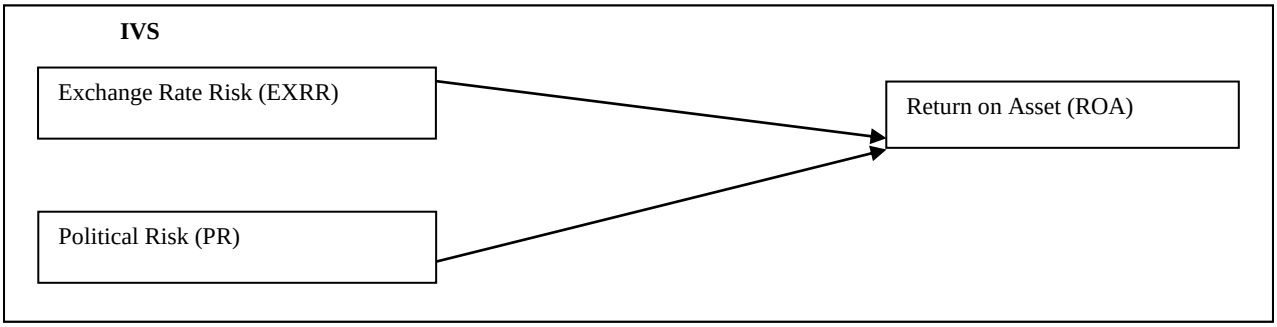


Figure 1: Researcher's Conceptualisation (2025)

Systematic Risk

Omoniyi (2020) defines risk as the standard deviation of the return on total investment. It is the degree of uncertainty of return on an asset. Okafor (1983) views risk as economic adversity (i.e risk used as a surrogate for the likelihood of loss or potential size of the loss), while Brook (2010) from terms of uncertainty opines that it is the measure of uncertainty in a set of potential out comes from an event in which there is a chance of some loss. Thus risk can be seen as potential danger, the occurrence of which is not certain but has negative effect on the individual when it occurs. Risk exist when the actual outcome from a project could be any of several different possibilities and it is not possible in advance to predict which of the possible outcome will actually occur (ICAN, 2019)

Exchange Rate

Exchange rate risk pertains to the uncertainty caused by fluctuations in exchange rates between two currencies. An exchange rate represents the value of one currency in terms of another Ezejule (2001). Meigs *et al.* (1999) opine that exchange rate is the amount it cost to purchase one unit of currency with another currency. Osigwe & Uzonwnne (2015) opine that it could be regarded as the value of one country's currency in terms of another as such has two components, namely domestic and foreign currencies and can be quoted directly or indirectly. Direct quotation occurs when a unit of domestic currency is expressed in relation to foreign currency while indirect quotation, exchange rate are determined in foreign exchange market where currencies are traded by forces of demand and supply. . The demand and supply are usually influenced by changes (rise) in domestic price of

exports, rise in price of foreign imports, general change in price level, major capital movement and structural changes (Lipsey & Chrystal, 2011)

Political Risk

The impact of political risk on organizations can vary from minor disruptions to severe asset confiscation by the ruling government or its representatives Ugwu *et al.* (2022). This risk often takes the form of discriminatory or protectionist laws, especially when dealing with multinational corporations. These laws may include higher taxes, increased utility charges, mandated higher salaries compared to domestic companies, compulsory investments in environmental and social projects, and restrictions on currency convertibility.

In contrast, some developing nations may offer foreign companies incentives and concessions to encourage investment, creating a more favorable environment for them compared to local companies. Therefore, it is crucial for businesses to assess the political stability of a country. This involves understanding the current political climate, predicting the potential stance of new governments, and evaluating the government's overall attitude towards facilitating business operations.

Financial Performance

This measures the firm's ability to apply its assets to its main business in order to generate earned revenue. Selvam *et al.* (2016) opine that financial performance can be divided into three aspects namely: profitability which seeks to ascertain how a firm is able to generate profit; growth performance (evaluates the firms historical ability to increase in size) and market value measured by increase in market capitalisation. However, firm performance can be classified into two: financial and non-financial performance. Financial performance of firms can be evaluated using ratios like profitability ratios, gearing ratios and investors ratios, One of the profitability ratios includes, Return On Asset (ROA) which shows the percentage of how profitable a firms assets are in generating the revenue. This is obtained by dividing the profit before tax by average total assets or simply total assets.

Theoretical Review

Arbitrage Pricing Theory (APT)

Arbitrage Pricing Theory (APT), introduced by Ross in 1976, posits that investors receive compensation for bearing non-diversifiable (systematic) risk, while diversifiable (unsystematic) risk goes uncompensated. APT considers various industry-specific and macroeconomic factors that influence returns. It assumes that market risk can stem from economic factors such as changes in gross domestic product, inflation, and interest rate structure, affecting firms differently. The theory involves estimating the sensitivity of asset returns to each factor (Poncet&Portait, 2022).

Within APT, an asset's return comprises two components: predictable (expected) and unpredictable (uncertain) returns. The expected return depends on information influencing returns, while the uncertain return arises from future information. APT identifies factors affecting firm returns as changes in the real rate of return, inflation rate, shifts in interest rate structure, and industrial production.

Arbitrage Pricing Theory offers an innovative perspective on risk and return under the Capital Asset Pricing Model (CAPM) with intuitive appeal. It contends that investors receive rewards for assuming market risk in the form of returns (Poncet & Portait, 2022). The researcher, following a thorough examination of market risk variables and their impact on financial performance across various macroeconomic factors, anchors this study on the Arbitrage Pricing Theory. This choice is based on the understanding that market risks, representing macroeconomic variables, can significantly affect the financial performance of an entity, aligning with the key assumptions of APT.

Theory Relevant to the Study

The work was **anchored** on APT as it allows for a broader consideration of multiple risk factors, while CAPM is a more simplified model based on a single systematic risk factor. APT poistthat , posits that investors receive compensation for bearing non-diversifiable (systematic) risk, while diversifiable (unsystematic) risk goes uncompensated. Furthermore, the the understanding that systematic risks, representing macroeconomic variables, can significantly affect the financial performance of an entity, aligning with the key assumptions of APT.

Empirical Review

Murtala *et al*. (2024) examined the impact of systematic risk on financial performance of listed deposit money banks in Nigeria. Using a sample size of 13 banks for the period of 2007 – 2019, the effect of foreign exchange risk, inflation risk and financial crisis risk on financial performance proxy by return on equity was investigated. Secondary data is collected from the financial statements of the selected banks which was analysed using panel regression. The result of the analysis reveals that foreign exchange risk has positive insignificant relationship with financial performance of banks, inflation risk has positive significant relationship with banks financial performance and financial crisis risk has negative significant relationship on financial performance of Nigerian banks.

Ayeni and Emeka (2023) explored the effect of financial risk on performance of manufacturing firms in Nigeria. Data were sourced from the annual financial statements of manufacturing firms that are listed on the Nigerian Stock Exchange for the period 2010 to 2020. Panel regression technique based on fixed effect model was employed to establish the effect of leverage risk, liquidity risk, firm size and age of firm on return on asset. It was discovered that leverage risk, liquidity risk, firm size have adverse and significant effect on return on asset while age of firm has positive and insignificant effect on return on asset. Financial risk of manufacturing sector in Nigeria is on the rise, especially as a result of debt and increase in current liabilities over current assets which are constraints on general performance.

Ike and Ogbodo (2023) investigated market risk effects and financial performance of four consumer goods firms listed in NGX Group using *ex-post facto* research design. Explanatory variables were inflation rate, exchange rate, interest rate, tax rate and liquidity rate whereas the dependent variable was asset turnover. Result of Generalized Least Square regression, at 5% level of significanceshowed that: inflation rate and tax rate have a positive but non-significant effect on asset turnover of quoted breweries firms in Nigeria; interest rate has a negative and non-significant effect on asset turnover of quoted breweries firms in Nigeria; exchange rate has a negative but significant effect on asset turnover of quoted breweries firms in Nigeria and liquidity risk has a

positive and significant effect on asset turnover of quoted breweries firms in Nigeria..

Sitienei*et al.* (2023) studied the impact of risk management on the financial performance of banks in Kenya, utilizing the balanced scorecard model as a guiding framework. The research adopts a positivist perspective, emphasizing observation and reasoning as the primary means of comprehending events. Employing an explanatory research design, the study seeks to elucidate the cause-and-effect relationship between risk management and financial performance. The target population comprises 42 banks in Kenya, with 35 banks included in the study after applying inclusion and exclusion criteria. Secondary data from the annual audited financial reports of the sampled banks spanning from 2013 to 2019 were utilized, and a data collection schedule was employed to extract relevant information from the bank annual reports. Both descriptive and inferential statistical analyses were conducted. The regression results for risk management indicate a positive and significant impact on firm financial performance ($\beta = 40.18176$, $p = 0.000$). This suggests that a one-unit increase in risk management strategies enhances bank financial performance by 40.18176 units. The practical implications of this positive and significant effect underscore the importance of prioritizing risk management practices within banks. Robust risk management frameworks can contribute to improved financial stability, competitive advantage, regulatory compliance, strategic decision-making, investor confidence, and overall market performance.

Ugwu*et al.* (2022) studied the effect of investment risk on financial performance of consumer goods firms in selected Sub-Saharan African countries (2000-2018). *Expost facto* research design was adopted for the study. Secondary data collected were subjected to OLS and General Method of Moment (GMM) after preliminary tests. A negative effect of inflation risk, exchange rate risk, liquidity risk, political risk on return on assets were revealed. It was recommended that during foreign transaction/operation currency hedge should be explored to guide against negative exchange rate fluctuation and its attendant consequences amongst others.

Akinleye and Olanipekun (2021) investigated risk management and financial performance of manufacturing firms in Nigeria (2010-2019) with liquidity risk and market risks as independent variables and profit for the year as dependent variable. The researchers collected secondary data from annual reports of specific firms and then conducted correlation analysis and panel-based estimation techniques. The results indicated that liquidity risk has a positive and significant impact on profit for the year for the sampled firms in Nigeria. On the other hand, market risk, as measured by interest rate risk, was found to have a negative impact on profit for the year, but this effect was not statistically significant. Based on these findings, the study concludes that implementing efficient and effective risk management practices can positively influence the performance of quoted firms in Nigeria, especially when it comes to managing internal risks like liquidity.

Methodology

The study adopts an *ex-post facto* research design. This is appropriate for the study as it uses panel data in carrying out regression analysis with the aid of STAT17. In regression analysis, the study shall evaluate the effect of the independent variables (Exchange rate and political risk) on the dependent variable (return on assets). Thus, the study evaluates how the dependent variable reacts to changes in the independent variables. The population of the study consists of 10 oil and gas firms quoted on the Nigeria Exchange Group as of 31st December, 2024. The study adopts a census sampling techniques as sample size as the whole population is being studied. This would make for better generalization of the findings of the study when all elements (oil and gas firms) are involved in the study. Data for the study were sourced from the companies' annual report from 2013-2024 in the web sites of the firms of study (for return on assets), Central Bank of Nigeria (CBN) Statistical Bulletin (exchange rate) and Institute for Economics and Peace; Global Peace Index (political risk). Data will be analysed using descriptive and inferential statistics with the aid of STAT17. The analyses will include: descriptive statistics, Pearson correlation (correlation matrix), Shapiro Wilk test (normality test), Variance Inflation Factor (VIF) for multicollinearity test, Breusch-Pagan / Cook-Weisberg test for heteroskedasticity, Breusch and Pagan Lagrangian multiplier test for random effects, and Hausman Specification Test to choose between fixed and random effect model.

Model Specification

The model expressing the functional relationship between the dependent variable and independent variables are presented below.

The functional relationship were as follows

$Y = f(X)$

Where Y = depemdent variable, X independent variables and *f* function

The mathematical relation is expressed thus

$ROA = f(ExR + PR)$

To make it estimable, the econometric form of the model is presented thus;

$ROA_{it} = \alpha + \beta o_1 ExR + \beta o_2 PR + \beta o_3 IntR + \beta o_4 InfR\ \mu_{it}$

Where;

ROA = Return on Asset, the proxy for financial performance

α = Constant

βo_1 _ βo_2 = coefficient of the proxies for the independent variables

ExR = Exchange Rate Risk

PR = Political Risk

μ = Error term

i = Firms

t = periods and

f = Functional Relationship

Results and Discussion

Descriptive Statistics

Table 1: Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min.	Max.
ROA	120	0.553	3.958	-0.137	53.662
ExR	120	304.933	134.402	157.31	635.24
PR	120	2.806	0.079	2.71	2.91

Source: Researcher's computation using STATA 17 (2026)

From table 1, above, the return on assets has a mean of 0.553 indicating that oil and gas firms have on average, 55.3% of their total assets as profit for the period under review. The standard deviation of 3.958 is larger than the mean thus the return on asset is positively skewed.

Also, the exchange rate has a mean of 304.933 and a standard deviation of 134.402 which is less than the mean, thus, it is negatively skewed. The minimum value of the exchange rate is 157.31 while the maximum value is 635.24 the range is much for the period suggesting a high degree of exchange rate volatility.

The table equally revealed that political risk and interest rate have minimum values of 2.71 and 11.48 and maximum values of 2.91 and 17.55 respectively. The average for the political risk is 2.806 and the interest rate has an average of 15.326. Both exhibit negative skew as their standard deviation (0.079 and 2.091 respectively) were less than their mean.

Pearson Correlation

Below is the coefficient in the Pearson Correlation test for multicollinearity among the independent variables in the study. The decision rule is to accept the presence of multicollinearity among the independent variables if correlate above 0.8, otherwise reject the presence of multicollinearity in the model if no two independent variables correlate above 0.8 (Gujarati et al, 2012)

Table 2

	ROA	EXR	PR	IntR	InfR
ROA	1.000				
ExR	0.005	1.000			
PR	0.078	-0.301	1.000		

Source: Researcher's computation using STATA 17 (2026)

Both variables, political risk and exchange rate have positive correlation with the independent variable (Return on asset). Political risk has a correlation coefficient of 0.078 with ROA while exchange rate has 0.005. These imply that an increase in political risk and exchange rate would lead to an increase in the return on assets of oil and gas firms in Nigeria. Furthermore, the exchange rate has a negative correlation with political risk with a correlation coefficient of -0.301 Since the coefficient of inflation rate with exchange rate is above 0.8, it signifies the presence of multicollinearity among the variables as suggested in Gujarati *et al*., (2012).

Normality Test (Shapiro Wilk)

The decision rule is that the data is symmetrically (normally) distributed with p-value higher than 0.05 or asymmetrically (abnormally) distributed with p-value less than or equal to 0.05 around the mean.

Table 3: Shapiro-Wilk W test for normal data

Variable	Obs.	W	V	Z	Prob>z
ExR	228	0.891	18.220	6.722	0.000
PR	228	0.892	18.009	6.695	0.000

Source: Researcher's computation using STATA 15 (2026)

Table 3 above displays the normality test using Shapiro Wilk on all the independent variables (exchange rate, political risk, interest rate and inflation rate). Thus, in Table 3, the variables are not normally distributed evidenced by p-value of 0.000 in all.

Variance Inflation Factor (VIF)

Another test for collinearity is VIF, which suggests the presence of Multicollinearity if the VIF is more than 10 and inverse VIF more than 1 (Gujarati et al, 2012).

Table 4: Variance Inflation factor

Variable	VIF	1/VIF
ExR	8.76	0.114
PR	7.39	0.135

Mean VIF = 4.94

Source: Researcher's computation using STATA 17 (2026)

In the table, the VIF average is 4.94 and none of the variables has a value up to 10, which affirms the absence of collinearity in the model. Also, the inverse VIF 1/VIF is less than 1 in each of the variables which also indicates non- existence of collinearity. This confirms the possible use of OLS for the analysis.

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

The decision rule is to reject the null hypothesis of constant variance if the model has p-value less than or equal to critical p-value of 0.05 or accept the hypothesis if the p-value is higher than the critical value of 0.05.

Table 5: Breusch-Pagan /cook-Weisberg Test

Type of test	Chi2	P-Chi2
Heteroskedasticity	327.65	0.000

Source: Researcher's computation using STATA 17 (2026)

Table 5 shows the heteroskedasticity test using Breusch-Pagan/Cook-Weisberg method to determine the stability of the residual variance in the model. From the table, the model has p-value of 0.000 which is less than 0.05 hence the null hypothesis of constant variance is rejected. This implies that the alternative which implies presence of heteroskedasticity in the model is accepted. This indicates low predicting value, thus, the need for search of appropriate estimation technique.

Constant Variance Model Vs Random Effects Model

In panel data analysis, when the diagnostic test reveals some presence of elements (multicollinearity, heteroskedasticityetc) that may affect the results, there may be need to determine the appropriate estimation technique, that is to use constant variance model or random effect model.

Breusch and Pagan Lagrangian multiplier test for random effects

The Lagrangain Multiplier test examines the presence of unobserved effect in the random effect model. If the calculated value of the test exceeds the critical value (p-value less than 0,05), the null hypothesis is rejected and the random effect model of panel data is chosen and vice versa.

Table 6: Breusch and Pagan Lagrangian multiplier test

Type of test	Chi2	P-Chi2
BPLMT	36.11	0.000

Source: Researcher's computation using STATA 17 (2026)

From table 6, the chi2 result is 36.11 with corresponding probability of 0.000. The model multiplier result is significant as p-value is less than 0.05. Since the multiplier result is 0.000 then the random model isthe appropriate estimation technique for the study.

Hausman Specification Test

Decision rule for Hausman Test is that if the p-value is equal to or less than 0.05, the null hypothesis which states that the model is Random (not systematic) is rejected indicating that fixed effect is appropriate for the study. However, if the p-value is more than 0.05, then null is accepted and the appropriate estimation model is random

Table 7: Hausman fixed random

Type of test	Chi2 (4)	P-Chi2
Hausman Test	0.35	0.986

Source: Researcher's computation using STATA 17 (2025)

From Table 7, the Chi2 p-value is 0.35 and p-value of 0.986 which is greater than 0.05 thus the random model is used for the study.

Random-effects GLS regression

Table 8 Random-effect GLS Regression (OLS Robust)

ROA	Robust Coef.	Z	P >[z]
ExR	1.14e	0.00	0.997
PR	6.347	0.96	0.339
_Cons	13.498	-0.94	0.345
Wald chi2 (4)	2.67		
Prob> chi2	0.615		
R-square(overall)	0.016		

Source: Researcher's computation using STATA 17 (2026)

Table 8 reveals Wald chi2 value of 2.67 and p-value of 0.615 which is not significant as it is more than 0.05. The study also revealed anR-Square value of 0.016 whichindicates that 1.6 percent of the variation in ROA is predicted by the combined effect of the independent variables (exchange rate, political risk, interest rate and inflation rate risks).

Test of Hypotheses

The decision rule is to reject the null hypothesis if the p-value is less than or equal to 0.05 and accept the alternative hypothesis but where higher than 0.05, the null hypothesis is accepted and alternative rejected.

- $Ho_{1:}$ Exchange rate risks has no significant effect on the return on assets of quoted oil and gas firms in Nigeria.

From Table 8, exchange rate risk has no significant negative effect on return on asset with coefficient of -0.001 and p-value of 0.922. In view of the above, the null hypothesis which states that exchange rate risks has no significant effect on return on asset of oil and gas firms in Nigeria is accepted as p-value of 0.922 is greater than 0.05. Thus, exchange rate fluctuations negatively affected oil and gas firms in Nigeria within the period of study.

- $Ho_{2:}$ Political risks do not have a significant effect on return on assets of quoted oil and gas firms in Nigeria,

Table 8 reveals that political risks has no significant positive effect on return on assets of quoted oil and gas firms in Nigeria with regression coefficient of 6.110 and p-value of 0.121. As a result, the null hypothesis is accepted as the p-value of 0.121 is greater than the critical value 0.05. Thus, the study upheld the null hypothesis which states that political risk has no significant effect on return on assets of oil and gas firms in Nigeria.

Discussion of Findings

1. The study reveals that exchange rate risks has an insignificant negative effect on return on asset of quoted oil and gas firms in Nigeria. This in agreement with the apriori expectation as one expects a negative effect from increase in exchange rate as it implies a reduction in the value of the nation's currency
2. The study indicates that political risk has a significant positive effect on return on asset of quoted oil and gas firms in Nigeria for the period under review. This is also not in line with the apriori expectation as political risk affect lives and properties (investments inclusive).

Conclusion

The study verified the effect of systematic risk on financial performance of oil and gas firms in Nigeria. Result of the analysis showed that all the explanatory variables has no significant negative effect on the return on asset of oil and gas firms in Nigeria except PR.. From the above findings, the study concludes that most systematic risks adversely affect the financial performance of consumer goods firms in Nigeria. This means that a rise in systematic risks will result in reduction on profitability of the firms.

Recommendations

The following recommendations were made from the findings:

1. Firms should diversify revenue sources and investment portfolios to reduce overdependence on crude oil price movements and other market-wide uncertainties
2. Investors and corporate managers should continuously monitor systematic risk indicators and integrate them into financial decision-making processes.

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