

**Paper: “Modelling Macroeconomic and Bank-Specific Determinants of Credit Risk in the Nigerian Banking Sector: Evidence from Bounds Test Approach to Co-Integration”**

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Peer review:

Reviewer 1: Takafumi Mizuno  
Meijo University, Japan

Reviewer 2: Nadia Mansour  
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Reviewer 3: Mauro Berumen  
Caribbean University, Mexico

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This form is designed to summarize the manuscript peer review that you have completed and to ensure that you have considered all appropriate criteria in your review. Your review should provide a clear statement, to the authors and editors, of the modifications necessary before the paper can be published or the specific reasons for rejection.

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Reviewer Name: Takafumi Mizuno	
University/Country: Meijo University / Japan	
Date Manuscript Received: 1 June 2021	Date Review Report Submitted: 11 June 2021
Manuscript Title: MODELLING MACROECONOMIC AND BANK-SPECIFIC DETERMINANTS OF CREDIT RISK IN THE NIGERIAN BANKING SECTOR –EVIDENCE FROM BOUNDS TEST APPROACH TO CO-INTEGRATION	
ESJ Manuscript Number:	
You agree your name is revealed to the author of the paper:    Yes	
You approve, your name as a reviewer of this paper, is available in the “review history” of the paper: Yes	
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## **Evaluation Criteria:**

**Please give each evaluation item a numeric rating on a 5-point scale, along with a thorough explanation for each point rating.**

<i>Questions</i>	<b><i>Rating Result</i></b> [Poor] 1-5 [Excellent]
<b>1. The title is clear and it is adequate to the content of the article.</b>	<b>4</b>

<i>(Please insert your comments)</i>	
<b>Please delete the period at the end of the title.</b>	
<b>2. The abstract clearly presents objects, methods and results.</b>	<b>4</b>
<i>(Please insert your comments)</i>	
<b>I think that you use the word "therefore" too much.</b>	
<b>3. There are few grammatical errors and spelling mistakes in this article.</b>	<b>3</b>
<i>(Please insert your comments)</i>	
<b>I found few grammatical errors in the paper. But there are wordy sentences. In my opinion, a sentence beyond three lines seems to be too long.</b>	
<b>4. The study methods are explained clearly.</b>	<b>5</b>
<i>(Please insert your comments)</i>	
<b>5. The results are clear and do not contain errors.</b>	<b>5</b>
<i>(Please insert your comments)</i>	
<b>6. The conclusions or summary are accurate and supported by the content.</b>	<b>3</b>
<i>(Please insert your comments)</i>	
<b>Banks, funds, and new technologies in foreign countries may affect credit risk in Nigeria. The effects may be as significant as domestic factors in Nigeria. Especially, new computer technologies made piles of non-performing loans in many countries. It is better to mention clearly whether your model is treating them or is not.</b>	
<b>7. The references are comprehensive and appropriate.</b>	<b>5</b>
<i>(Please insert your comments)</i>	

**Overall Recommendation** (mark an X with your recommendation) :

Accepted, no revision needed	<input type="checkbox"/>
Accepted, minor revision needed	<input checked="" type="checkbox"/>
Return for major revision and resubmission	<input type="checkbox"/>
Reject	<input type="checkbox"/>

**Comments and Suggestions to the Author(s):**

It is better to rewrite  $\mathcal{E}$  to .

I feel that numbers of digits after the decimal point are too much in the Table (1)(3)(4).

**Comments and Suggestions to the Editors Only:**

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Date Manuscript Received: 10/6/2021	Date Review Report Submitted: 11/6/2021
<b>Manuscript Title: MODELLING MACROECONOMIC AND BANK-SPECIFIC DETERMINANTS OF CREDIT RISK IN THE NIGERIAN BANKING SECTOR –EVIDENCE FROM BOUNDS TEST APPROACH TO CO-INTEGRATION.</b>	
ESJ Manuscript Number: Paper for review 0624/21	
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## **Evaluation Criteria:**

**Please give each evaluation item a numeric rating on a 5-point scale, along with a thorough explanation for each point rating.**

<i>Questions</i>	<b><i>Rating Result</i></b> [Poor] 1-5 [Excellent]
<b>1. The title is clear and it is adequate to the content of the article.</b>	<b>4</b>
<i>Very clear</i>	

<b>2. The abstract clearly presents objects, methods and results.</b>	<b>4</b>
Yes, very clear)	
<b>3. There are few grammatical errors and spelling mistakes in this article.</b>	<b>2</b>
several grammatical and spelling errors to be corrected	
<b>4. The study methods are explained clearly.</b>	<b>4</b>
yes	
<b>5. The results are clear and do not contain errors.</b>	<b>4</b>
yes	
<b>6. The conclusions or summary are accurate and supported by the content.</b>	<b>2</b>
<i>references should be added to the conclusion</i>	
<i>a section for discussion of the results should be added</i>	
<b>7. The references are comprehensive and appropriate.</b>	<b>2</b>
<i>references are outdated, they need to be updated</i>	

**Overall Recommendation** (mark an X with your recommendation) :

Accepted, no revision needed	<input type="checkbox"/>
Accepted, minor revision needed	<input type="checkbox"/>
Return for major revision and resubmission	<input checked="" type="checkbox"/>
Reject	<input type="checkbox"/>

**Comments and Suggestions to the Author(s):**

- add the outline of the article at the end of the introduction
- references are outdated, they need to be updated
- references should be added to the conclusion
- a section for discussion of the results should be added
- several grammatical and spelling errors to be corrected

**Comments and Suggestions to the Editors Only:  
Accepted after major revisions**

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This form is designed to summarize the manuscript peer review that you have completed and to ensure that you have considered all appropriate criteria in your review. Your review should provide a clear statement, to the authors and editors, of the modifications necessary before the paper can be published or the specific reasons for rejection.

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NOTE: ESJ promotes peer review procedure based on scientific validity and technical quality of the paper (not perceived the impact). You are also not required to do proofreading of the paper. It could be recommended as part of the revision.

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Date Manuscript Received: 09/06/2021	Date Review Report Submitted: 14/06/2021
Manuscript Title: Modelling macroeconomic and bank-specific determinants of credit risk in the nigerian banking sector –evidence from bounds test approach to co-integration	
ESJ Manuscript Number: 24.06.2021	
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You approve, this review report is available in the “review history” of the paper: Yes	

## **Evaluation Criteria:**

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<i>Questions</i>	<i>Rating Result</i> [Poor] 1-5 [Excellent]
<b>1. The title is clear and it is adequate to the content of the article.</b>	<b>5</b>
Should change the word modeling as it is not consistent with the results obtained or the purpose of the research.	

<b>2. The abstract clearly presents objects, methods and results.</b>	<b>4</b>
<ul style="list-style-type: none"> <li>• Remove all acronyms from the abstract; these are presented in the document.</li> <li>• The main tools used in their statistical tests do not appear in the abstract; only the Ward Short Run Causality test is mentioned, and many others were used; in the document, it was a highlight that the main one was KPSS.).</li> </ul>	
<b>3. There are few grammatical errors and spelling mistakes in this article.</b>	<b>4</b>
<ul style="list-style-type: none"> <li>• The primary correction that must be made in the document is that acronyms appear and disappear throughout the text. Therefore, the first appears the concept that will be used repeatedly in the document must be accompanied with its acronym; from then on, only the acronym will appear in the text (in the titles if the complete concept must be written).</li> <li>• P.2, Par 1, L14. In verbatim quotes, put quotation marks.</li> </ul>	
<b>4. The study methods are explained clearly.</b>	<b>3</b>
<p><b>Introduction</b></p> <ul style="list-style-type: none"> <li>• Explain to whom or who benefits from the results of the research.</li> <li>• The purpose of the research should be stated in the last paragraph of the introduction.</li> </ul> <p><b>Literature review</b></p> <p>Need to be cited:</p> <ul style="list-style-type: none"> <li>• The macroeconomic factors relate to the economic-wide conditions that positively or negatively affect the ability of borrowers to service their debt. (P3, Par 1).</li> <li>• For instance, a stable economic growth boosts real income and minimizes the likelihood that a potential borrower will not be able to service his debt as he will have more disposable income. (P3, Par 1).</li> <li>• Although, the pro-cyclical credit policy hypothesis also claims that good performance has a positive association with future increases in NPLs since bank managers are often interested not only in maximizing profit, but also in improving their reputation. For instance, bank managers may indulge in a</li> </ul>	



liberal credit policy at the expense of future NPLs in an attempt to boost the bank's profitability in the eyes of the market. Thus, current earnings may help pile up NPLs in the future. (P3, Par 2).

P4, Par 2. It is not clear the next part of the document: The same results were achieved by Louzis et al (2012) when a group of Greek banks was analyzed and Mesai and Jouini (2013) for Spain, Italy and Greece, Italy.

**Contextual framework**

Describe the context of banks in Nigeria and its financial system. With one sheet can give enough information.

**Methodology**

It is necessary to describe the units of analysis and how the information was obtained.

Indicate the software used.

P5, Par 2, L1 to 10. The methodology is not a section to justify the previous research or those investigations related to the applied test methods; in the methodology section, apply them. The theoretical description goes in the literature review: Based on the time frame...observation.

It would help a lot the document to indicate in a series of steps the type of test used and the objective intended to solve with that test (summarized); this will allow you to see the tests carried out in an orderly way and the consequent results also aligned to that order. (a) KPSS: , (b) ARLD: , (c) BGSC: , (d) W&C.....

Was the objective of the project short or long term? In P9, Par 2, L9 to 11. It is mentioned that the result analyzed is short-term. The temporal scope of the investigation must be previously indicated from the purpose of the investigation. Alternatively, if this was a research finding, also state it that way.

<b>5. The results are clear and do not contain errors.</b>	<b>5</b>
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Was the objective of the project short or long term? What they present in P9, Par 2, L9 to 11. It is mentioned that the result analyzed is short-term. The temporal scope of the investigation must be previously indicated from the purpose of the investigation. Alternatively, if this was a research finding, also state it that way.

<b>6. The conclusions or summary are accurate and supported by the content.</b>	<b>4</b>
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Add to the most critical result numbers in parentheses after the test; it better supports what is explained in the conclusions and will allow relating what they indicate to the type of test performed.

I could not find anything in the research results to support the following claims:

- P10: Furthermore, poor project conception, feasibility study and planning also determine whether the loan will perform or not.
  
- P10: The problem of poor.....loan in various banks in the zone.

The paragraph of P11, Par 1 seems contradictory. Perhaps with a minor adjustment in the wording, it can become more precise: Based on the foregoing.....in the Nigerian banking industry.

**7. The references are comprehensive and appropriate.**

**4**

The required format for the presentation of the references is in APA, which indicates that they must be presented in alphabetical order instead of the order in which they appeared.

### **Comments and Suggestions to the Author(s):**

Dear authors, I liked your document; it has excellent potential. It has some minor details that are easy to correct. However, in the section of methodology and discussion and conclusions are some significant corrections are needed. The recommendations will improve the presentation of the article. I hope to read the improvements in the 2nd review.

(P=page, Par=paragraph, L=line)

### **Comments and Suggestions to the Editors Only:**

#### **Major flaws of the article**

The biggest flaw they present is that there is no clarity on who would benefit from the results of their research.

There is no contextual framework for Nigerian banks.

Some results are presented in conclusions, but no results are leading the authors to make those affirmations.

The methodology and conclusions can be improved by the recommendations made to the authors.

**Strengths of the article**

It is a complete document; it has coherence from the problem statement to obtaining the results.

The corrections that must be made are generally minor, and the document has all the information to make them.