



The Use of Big Data Analytics in Risk Management for Financial Institutions in Nigeria

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Abstract

This study investigates the adoption, application, and impact of Big Data Analytics (BDA) in the risk management frameworks of Nigerian financial institutions. Employing a mixed-method approach, the research explores organizational profiles, challenges, benefits, and strategic partnerships critical to integrating BDA. Regression analysis reveals the significant role of alliances and regulatory frameworks in overcoming adoption barriers. The findings align with previous studies, offering comparative insights and strengthening the understanding of BDA's potential. Recommendations include targeted capacity-building programs, infrastructure investments, and policy enhancements to foster effective BDA integration. The study bridges the gap between theoretical potential and practical application in financial risk management, emphasizing the role of emerging technologies such as machine learning (ML), IoT, and blockchain.

Keywords: Big Data Analytics, Risk Management, Financial Institutions, Nigeria, Machine Learning, IoT, Blockchain

1. Introduction

The emergence of big data has been hailed as a transformative force, yet it also elicits scepticism and concerns. Tropina *et al.* (2017) ^[12] highlight big data's divergent perspectives, characterizing it as a heralded technological promise and a contested domain fraught with privacy implications and disparate interpretations. Although lacking a universally accepted definition, big data is commonly conceptualized as accumulating, storing, and transmitting voluminous datasets from diverse sources, coupled with the requisite algorithms and tools for processing (Tropina *et al.*, 2017) ^[12]. This enigmatic landscape of big data engenders various perceptions, provoking debates about its potential, risks, and ethical dimensions.

Risk assessment and management form an integral facet of decision-making at individual and organizational levels. Lewis (2016) ^[6] emphasizes the pivotal role of risk perception in shaping consumer and corporate choices, rooted in assumptions concerning safety assurances from manufacturers, regulatory standards, and legal recourse in the event of safety breaches. Such perceptions fundamentally influence the acceptance and mitigation of risk.

The imperative of preempting and navigating financial risks has assumed amplified significance in the financial domain. Factors such as heightened macroeconomic pressures, stringent regulatory mandates, escalating market competition, and the surge in illicit activities underscore the burgeoning importance of effective risk management strategies (Murugan & Sree Kala, 2023) ^[7]. Commercial banks, functioning as pivotal financial intermediaries, grapple with an increasingly intricate and risk-laden operational milieu. Their competitive prowess hinges on adept risk prevention and management strategies in the swiftly evolving global financial landscape.

The discourse surrounding Big Data (BD) and Big Data Analytics (BDA) resonates not only within their insular domains but also permeates broader information systems (IS) discourse. Ojo (2012) ^[8] explicates the far-reaching implications of these phenomena, transcending technological occurrences to redefine information management paradigms. BD and BDA redefine information consumption, manufacturing, and distribution processes and engender shifts in socio-economic responses.

The transformative potential of BDA is evident in its ability to analyze customer behavior, detect fraud, and manage reputational risks. Srivastava and Gopalkrishnan (2015) ^[5] demonstrate how BDA enables banks to analyze spending patterns, channel usage, and customer segmentation, thereby enhancing service delivery and risk management. These applications align with the growing need for data-driven decision-making in the financial sector. Additionally, the integration of Blockchain with BDA offers

Additional layers of security and transparency, particularly in managing financial transactions and risk. Muheidat *et al.* (2022) ^[2] highlight how Blockchain's decentralized ledger system enhances data integrity, making it a valuable tool for financial institutions seeking to mitigate risks associated with data breaches and fraud.

The application of BDA in fraud prevention is particularly critical in emerging economies like India, where financial crimes are on the rise. Singh *et al.* (2023) ^[4] demonstrate how BDA enables banks to detect fraudulent activities early, thereby reducing losses and enhancing operational efficiency. This underscores the importance of BDA in building resilient financial systems.

2. Review of Literature

The financial sector has increasingly recognized the transformative potential of Big Data Analytics (BDA) in enhancing operational efficiency and risk management. The proliferation of digital transactions facilitated by diverse electronic payment intermediaries has rendered the financial ecosystem increasingly intricate and opaque, impeding the detection of suspicious transactions (Tropina *et al.*, 2017) ^[12]. This complexity, arising from myriad transaction modes spanning peer-to-peer transfers and interactions with traditional banking systems, poses significant challenges in transaction monitoring and anomaly detection.

2.1 Evolution of consumer expectations and data complexity

The evolution of financial services, spurred by emerging technologies and the influx of new market participants, has fundamentally altered consumer expectations and access patterns (Scopsi, 2019) ^[11]. Consumers now demand seamless accessibility, expanded choices, swifter services, and elevated user experiences. Consequently, financial service providers are transitioning from conventional product-centric approaches to consumer-centric models, aligning services with individual preferences and behaviors. Notably, Scopsi (2019) ^[11] highlights the significant shift from traditional methodologies to those emphasizing data-driven personalization.

Financial institutions have traditionally relied on data for decision-making. However, the advent of big data introduces a paradigm shift in data quantity, complexity, and usability for Big Data Centers (BDCs) (Scopsi, 2019) ^[11]. This exponential surge in data, originating from diverse sources such as customer transactions, online behaviors, and regulatory requirements, has necessitated advanced analytical frameworks. These frameworks enable intricate data linkage, facilitating more precise credit risk assessments and the fine-tuning of credit conditions, which ultimately support informed decision-making processes.

2.2 Organizational impacts of big data

Scholz's assertion underscores the pervasive impact of big data on organizational structures and operations (Scholz, n.d.). Big data's influence spans operational strategies, decision-making frameworks, and customer interactions across diverse industries. In the financial sector, the integration of BDA has revolutionized core functions such as fraud detection, credit scoring, and compliance monitoring. While offering unparalleled opportunities, the landscape of risk management confronts multifaceted challenges amidst its evolving nature. For instance, the amplified interconnectedness within supply chains, while enhancing operational efficiencies, also increases dependency among

Firms, rendering them vulnerable to disruptions (Papadopoulos *et al.*, 2017). Such interconnectedness necessitates robust data-driven risk management practices to mitigate vulnerabilities effectively.

2.3 Challenges in risk management

Rodríguez-Espíndola *et al.* (2022) ^[9] emphasize the complexities inherent in contemporary risk management. Institutions grapple with consolidating heterogeneous datasets, extracting strategic insights from voluminous and rapidly generated data, and mitigating operational challenges such as poor visibility and traceability within supply chains. These challenges are compounded by infrastructural deficits and skill gaps, which hinder the seamless adoption of advanced analytics.

The integration of BDA in financial institutions also encounters resistance stemming from cultural inertia, ethical dilemmas, and regulatory ambiguities. Singh *et al.* (2022) noted that overcoming these barriers requires a multifaceted approach involving policy reforms, strategic partnerships, and capacity-building initiatives.

2.4 Comparative Insights

This study's findings align with previous research emphasizing the transformative potential of BDA. Wamba *et al.* (2017) highlighted the role of technical expertise and advanced infrastructure in fostering successful BDA adoption. Similarly, Gupta and George (2020) underscored the slow pace of integration in resource-constrained environments, a trend evident in Nigeria's financial sector. By examining academic literature, industry reports, and case studies, this section elucidates the interplay between BDA and risk management, identifying prevalent practices, gaps, and opportunities. The literature underscores the need for tailored strategies to address contextual challenges and leverage BDA's full potential within Nigerian financial institutions.

The adoption of BDA is influenced by various organizational factors, including the desire to enhance competitive advantage and increase market share. Oyewo *et al.* (2022) ^[3] identify top management support, user knowledge, and organizational culture as critical determinants of BDA adoption. These findings align with the challenges faced by Nigerian financial institutions in integrating BDA into their risk management frameworks.

The insurance industry has also embraced BDA to enhance risk assessment, fraud detection, and customer engagement. Ellili *et al.* (2023) ^[1] highlight how BDA enables insurers to analyze large datasets for better decision-making, particularly in areas like underwriting and claims management. These applications demonstrate the versatility of BDA across different sectors of the financial industry.

3. Methodology

This study employs a mixed-method approach to investigate the adoption, application, and impact of Big Data Analytics (BDA) in Nigerian financial institutions' risk management frameworks. Quantitative data were collected through structured surveys targeting 400 professionals, including 224 from commercial banks and 176 from microfinance institutions. These respondents provided insights into their organization's BDA integration, challenges, and perceived benefits. Qualitative data were obtained from semi-structured interviews with 15 senior executives across risk management and IT departments.

3.1 Data collection instruments

- Surveys:** Structured questionnaires designed to capture organizational profiles, adoption levels, perceived benefits, and challenges.
- Interviews:** Focused on understanding strategic partnerships, infrastructural readiness, and regulatory influences.

3.2 Data analysis techniques

- Descriptive Statistics:** Used to summarize respondents' profiles and organizational characteristics.
- Regression Analysis:** Employed to assess the impact of key variables, such as challenges, perceived benefits, and strategic partnerships, on BDA adoption.
- Comparative Analysis:** Incorporated previous findings for contextual benchmarking.

The use of bibliometric analysis, as demonstrated by Ellili *et al.* (2023) ^[1], provides a systematic approach to mapping research trends and identifying gaps in the literature. This aligns with the mixed-method approach adopted in this study, which combines quantitative surveys and qualitative interviews to provide a comprehensive understanding of BDA adoption in Nigerian financial institutions. The bibliometric analysis conducted by Singh *et al.* (2023) ^[4] underscores the importance of data-driven methodologies in understanding the role of BDA in banking. This approach complements the regression analysis used in this study to assess the impact of key variables on BDA adoption.

4. Findings and Discussion

4.1 Organizational Profiles

- Type of Institution:** Commercial banks (56%) dominate, indicating stronger resource capacity for BDA

- Professional Expertise:** Tactical roles constitute 60.5% of respondents, emphasizing operational risk management's hands-on nature.
- Educational Background:** 55.5% of professionals hold IT qualifications, highlighting technical readiness for data-driven transformations.

Discussion

The prevalence of tactical roles aligns with the operational demands of integrating BDA into risk management. The high proportion of IT-qualified professionals reflects an industry trend toward technical proficiency, consistent with Wamba *et al.* (2017).

4.2 Extent of BDA Integration

Table 1

Integration Level	Frequency	Percentage
Not Implemented	48	12.0%
Minimal Integration	32	8.0%
Moderate Integration	134	33.5%
Significant Integration	126	31.5%
Fully Integrated and Operational	60	15.0%

Source: Computed by the Researcher using SPSS

Discussion

While significant progress has been made, moderate integration levels highlight the ongoing challenges of full operationalization. These challenges echo Gupta and George (2020), who observed similar adoption bottlenecks in emerging economies.

4.3 Regression Analysis

Table 2

Predictor	β (Beta)	Significance (p-value)	Impact
AABD (Adoption & Application)	-0.921	0.000	Strong negative impact
CABD (Challenges in Adoption)	-0.403	0.000	Moderate negative impact
RAPF (Regulatory & Policy Framework)	0.129	0.048	Weak positive impact
PBBD (Perceived Benefits)	0.376	0.000	Moderate positive impact
SPFD (Strategic Partnerships)	0.647	0.000	Strong positive impact

Source: Computed by the Researcher using SPSS

Discussion:

- Strategic Partnerships (SPFD):** The strongest enabler, underscoring collaborations with fintech firms as pivotal for advancing BDA adoption, aligning with Singh *et al.* (2022).
- Adoption Barriers (AABD, CABD):** Infrastructure costs and cultural resistance emerge as significant impediments, mirroring Kshetri's (2014) findings in similar contexts.
- Regulatory Support (RAPF):** Highlights regulatory frameworks' potential to foster adoption, albeit requiring enhancements for contextual relevance, as noted by Tropina *et al.* (2017) ^[12].

The findings of this study align with the case studies presented by Srivastava and Gopalkrishnan (2015) ^[5], which demonstrate how BDA enables banks to analyze customer behavior and detect fraudulent activities. These applications highlight the practical benefits of BDA in enhancing risk management and operational efficiency.

The challenges of BDA adoption, such as high implementation costs and skill shortages, are consistent with the findings of Singh *et al.* (2023) ^[4]. Their study highlights

the need for capacity-building initiatives and regulatory enhancements to overcome these barriers, reinforcing the recommendations proposed in this research.

5. Recommendations

- Capacity Building**
Establish industry-wide training initiatives to bridge technical skill gaps and foster cultural alignment with data-centric practices.
- Regulatory Enhancements**
Develop comprehensive guidelines incentivizing BDA adoption while addressing data privacy concerns.
- Infrastructure Investments**
Advocate for affordable, scalable cloud-based analytics solutions to mitigate high implementation costs.

Capacity-building initiatives should prioritize leadership training to foster top management support for BDA adoption, as highlighted by Oyewo *et al.* (2022) ^[3]. Their findings suggest that leadership commitment is essential for successful BDA integration, particularly in resource-constrained environments.

Targeted investments in BDA infrastructure are critical for

enhancing customer engagement and fraud detection, as demonstrated by Ellili *et al.* (2023) ^[1]. Their study underscores the importance of leveraging BDA to improve service delivery and mitigate risks in the financial sector.

6. Conclusion

Big Data Analytics (BDA) has emerged as a transformative tool in enhancing risk management practices among Nigerian financial institutions. This study's findings emphasize the strategic importance of partnerships, regulatory frameworks, and the critical need for infrastructure investments and capacity-building initiatives. Despite barriers such as high implementation costs and skill shortages, the potential benefits of BDA—ranging from improved predictive modeling to enhanced fraud detection—underscore its relevance in the evolving financial landscape.

The regression analysis reaffirms that strategic partnerships (SPFD) and perceived benefits (PBB) are pivotal for successful BDA adoption, while challenges in adoption (CABD) remain significant impediments. The study aligns with previous research by Gupta and George (2020) and Singh *et al.* (2022), emphasizing the need for collaborative approaches and regulatory enhancements to overcome these barriers.

Future research should explore the integration of Blockchain with BDA to enhance data security and transparency in financial transactions. Muheidat *et al.* (2022) ^[2] highlight the potential of Blockchain to complement BDA in building resilient financial systems.

7. Limitations of the study

While this research provides valuable insights, certain limitations should be acknowledged

- a) **Geographical Focus:** The study is confined to Nigerian financial institutions, which may limit the generalizability of findings to other contexts.
- b) **Self-Reported Data:** Reliance on self-reported data from surveys and interviews may introduce bias.
- c) **Cross-Sectional Design:** The study's cross-sectional nature does not capture the dynamic evolution of BDA integration over time.

Future studies should address these limitations by incorporating longitudinal designs, expanding geographical scope, and employing triangulation methods to enhance data reliability.

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