NIGERIA DEPOSIT MONEY BANKS' CREDIT ADMINISTRATION AND THE INCIDENCE OF BAD LOANS: AN EMPIRICAL INVESTIGATION

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ABSTRACT

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The thrust of this study was to empirically investigate Nigeria's' Deposit Money Banks' Credit Administration and the recurring incidence of Bad Loans. The research work critically examined credit Administration in Nigeria's Deposit Money Banks, the origin and incidence of bad debts, the recoveries of Non Performing Loans and also offered possible way out of their bad credit and investment portfolio management.

The data collected for the study were analyzed using tables, simple percentages and chi-square. A sample of 25 credit officers in each of the four selected banks (Access Bank Plc, First Bank Plc, United Bank of Africa Plc and Wema Bank Plc) were chosen and questionnaires administered on them. Based on the information supplied and the analysis of the data gathered from the questionnaires using the chi-square technique, it was found that the unwillingness of banks' customers' to provide adequate information and the failure to carry out detailed assessment of the customers' loan requests results in bad debt, it was also discovered that inadequate securitization in bank lending has a significant effect on bad debts.

The study therefore recommends amongst other things that proper legal documentation be in put place. This would reduce the losses arising from problem loans and minimise the effects of such loans in the form of bad debt provisions, it also suggested that effective monitoring and evaluation is key to avoid the diversion of facilities for unapproved purposes to reduce or forestall the incidence of bad debts in Nigerian Deposit Money Banks.

KEY WORDS: NIGERIAN MONEY DEPOSIT BANKS, CREDIT ADMINISTRATION, BAD LOANS, BAD DEBTS AND INCIDENCE.

INTRODUCTION

Deposit Money Banks are profit-making organizations acting as intermediaries between borrowers and lenders, attracting temporarily available resources from business and individual customers as well as granting loans for those in need of financial support (Drigă, 2012)..

In addition, the banks normally charge a fee from the borrower, which is the interest on the debt. In unstable economic environments interest rates charged by banks are fast overtaken by inflation and borrowers find it difficult to repay loans as real incomes fall, insider loans increase and over concentration in certain portfolios increases giving a rise to credit risk (Njanike, 2009). Credit risk is a major concern for lenders worldwide as it is the most critical of all risks faced by a banking institution. The magnitude and the level of loss caused by credit risk compared to others are severe to cause bank failures (Seifollahi, 2011). Credit risk arises from the potential that an obligor is either unwilling to perform on an obligation or its ability to perform such obligation is impaired resulting in economic loss to the bank. In addition to direct accounting loss, credit risk should be viewed in the context of economic exposures. This encompasses opportunity costs, transaction costs and expenses associated with a non-performing asset over and above the accounting loss.

The more banks know about the creditworthiness of a potential borrower, the greater the chance they can maximize profits, increase market share, minimize risk, and reduce the financial provision that must be made for bad debt (Hamadi and Abdelmoula, 2010). The main challenge to Money Deposit Banks in their operations is the disbursement of loans and advances. The technique employed by bankers in this intermediating function should provide them with perfect knowledge of the outcomes of lending such that funds will be allocated to investments in which the probability of full repayments is almost certain. Therefore, no matter the sources of the income generated or the economic policies of the country, Money Deposit banks would be interested in giving out loans and advances to their numerous customers bearing in mind, the level and volume of the lending function, and the three principles guiding their operations which are**, profitability, liquidity and solvency**. However, in practice, no such principles (**profitability, liquidity and solvency**), can be found in the decision of the lending banker. Virtually all lending decisions are made under conditions of certainty.

The risk and uncertainty associated with lending decision situations are so great that the concept of risk and risk analysis needs to be employed by lending bankers in order to facilitate sound decision making and judgment. This statement implies that if risk is to be objectively assessed, lending decisions by Deposit Money Banks should be based less on quantitative data and more on principles of objective to provide sound and unbiased judgments. Furthermore, the banks depend heavily, on historical information as a basis for decision making. Apparently, the awareness of the inadequacies of the basis for decision making has made the lending banker to often sought solace in tangible and marketable assets as security, giving the impression that lending against such securities is an insurance against bad debts

STATEMENT OF PROBLEM

The purpose of study is to critically examine the credit administrations in Nigerian Deposit Money Banks with a mind of identifying the root causes and suggest the panacea to bad debts in banks. Year after year, banks suffer much from the part of the full loan extended which has for one reason or the other proved irrecoverable. Banks lose millions of Naira in various bad debts yearly and despite efforts by bank management, committee of chief inspectors and the bankers committee, the wave of bad debts in banks is still at alarming proportion. In the light of this, the following problems have been identified:

i) Some customers because of inadequate preparation, lack of adequate attention to the purpose for which the loan is required, and the failure of the bank to carry out a detailed assessment of the request, often results in the loan approved falling short or in excess of actual needs, which invariably results in bad debts in majority of the lending.

ii) Lack of proper monitoring, evaluation or follow-up of the loans given to customers, by lending authorities, to ensure that loans are not diverted into wrong purposes resulting in bad debt, require to be appropriately reviewed.

iii) Failure of banks or credit assessors to comply with principles/ cannons of good lending tend to disregard the observance of loan policies and the required skills and dexterity on the part of their credit administration procedures to avoid decisions resulting in loan losses.

OBJECTIVE OF THE STUDY

In view of the above stated problems, the objective of this research work was to:-

(i) Understanding the purpose for which the loan facility is requested. Why customers are not willing to volunteer adequate information and why banks fail to carry out detailed assessment of the customer’s request.

(ii) To highlight the reasons why customers choose to default when they did not provide adequate security or back-up.

(iii) To investigate why banks do not carry out appropriate evaluation and follow–up of facilities so that customers will not divert facilities of the bank to unapproved purpose that result in bad debt

(iv) To assess the extent to which bank's management system contribute to bad debts, due to failure to adhere to the principles of good lending.

RESEARCH QUESTIONS

1. What factors prompt the unwillingness of customers to volunteer adequate information and why do banks fail to carry out a detailed assessment of the customer's request?

2. Securitization in bank lending in the first instance is a requirement of the law, on the other hand; customers are required to give securities for their lending to commit them to the repayment of the loan. Why have banks therefore, treated the issue of security in bank lending with levity?

3. What measures can the bank take to ensure effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes and resulting in loan losses?

4. To what extent does bank management contribute to the incidence of bad debts?

RESEARCH HYPOTHESIS

The following hypotheses were tested in this study:

1. H_0: The unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has not played a significant role in the increase in occurrences of bad debts.

   H_1: The unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request played a significant role in the increase in occurrences of bad debts.

2. H_0: Securitization in bank lending has no significant effect on bad debts of Deposit Money banks in Nigeria.

   H_1: Securitization in bank lending has a significant effect on bad debts of Deposit Money banks in Nigeria.

3. H_0: Effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes does not reduce the incidence of bad debts of Deposit Money banks in Nigeria.

   H_1: Effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes reduces the incidence and occurrence of bad debts of Deposit Money Banks in Nigeria.

4. H_0: Bank management does not have an effect on the incidence of bad debt

   H_1: Bank management has an effect on the incidence of bad debt

REVIEW OF LITERATURE

What grand theories of this paper?

Lending in its true perspective is an art and not a science. This indicates that there are no set rules or formulae to appraise and consider loan application that would provide one hundred percent results. Evaluation of loan application by whatever methods and means can never be an exact or automatic process. It will always remain an art, not a science and its through practical experience that a person achieves excellence in the art of lending and credit administration.

The efficiency of credit decisions shall, by all standards, depend upon the sound judgement of the bank manager or credit officer and these judgements can never be as precise or scientific as mathematical judgements can be more accurate and rewarding if the credit officer possesses adequate knowledge and skill in the analysis of certain important factors affecting the course of trade, commerce and industrial of such factors or economic variables will help the credit officer in working out the feasibility and viability of a project for which loans and advances are sought and evaluating the credit worthiness and capability of the borrower.

One of the prevailing features of our banks today is the ever increasing incidence of bad and doubtful debts. This situation, researchers believe, stems from inadequate training, improper appraisal of loan applications and indiscriminate lending on the part of bank managers or credit officers. This chapter focuses on the review of relevant literature on lending practices and the incidence of bad debts as well as other core aspects of the topic under study. The chapter thus presents the conceptual, theoretical and empirical basis for the study.

CONCEPTUAL FRAMEWORK

COMMERCIAL BANKING IN NIGERIA

The financial system in Nigeria is dominated by Deposit Money Banks. **“**The structure of Commercial Banking in Nigeria is tailored towards that prevailing in the UK according to Femi Adesanye (1984). In other words commercial banking in Nigeria can be said to have taken the form of the branch banking system which is dominated by a few large banks with a wide network of branches spread throughout the country. Commercial Banking activities in the country started in 1892 with the establishment of the African Banking Corporation (ABC) in Lagos. The Bank of British West Africa (now First Bank PLC) was set up in1894, and took over ABC. Several banks both foreign and indigenous were set up later.

Late 40s and early 50s, many of the banks set up collapsed with the same alacrity with which they were setup due to lack of regulations and sharp practices. The Central Bank of Nigeria (CBN) was set up in 1959. With CBN, sanity was brought to the banking system. In 1986, the financial liberalisation policies of the Structural Adjustment Programme (SAP), where the conditions for licensing of banks and other financial institutions were relaxed, led to proliferation of banks. Thus, by 1993, about 120 banks had been registered. This scenario, however, brought distress into the financial system. Between 1994 and 2000, a total of 33 banks were liquidated, 2 in 1994, 2 in 1995, 26 in 1998 and 3 in 2000 (CBN, 2001). Most of the banks were liquidated as a result of fraud, mismanagement, undercapitalisation and the country economic crises.

The policy of consolidation, announced on July 6, 2004, directed that the minimum paid up capital of banks be increased from N2 billion to N25 billion, with effect from January 1, 2006. At the end of the consolidation exercise, out of the 89 existing commercial banks, 24 groups of banks emerged, while 14 banks that could not merge were set for liquidation. The Central Bank of Nigeria, in attempt to further strengthen and stabilise the financial system, set up the Audit Committee to examine the health status of the banks in Nigeria. The audit test by the Central Bank of Nigeria of the 24 banks in August, 2009, revealed that only 14 banks were found to have adequate capital and liquidity to support the level of their current operations and future growth, while a bank was asked to re-capitalise before 30 June, 2010, and 9 banks were adjudged to be in a grave situation. The Central Bank of Nigeria, citing the provisions of the Banks and Other Financial Institutions Act 2004 sacked the Executive Management of 8 out of the 9 banks. The criteria employed for the special examination in all the banks were: Liquidity, capital adequacy, and corporate governance. On August 5, 2011, the CBN established 3 Bridge Banks – Enterprise Bank Limited, Keystone Bank Limited, and Main Street Bank Limited – to assume all the deposit liabilities and certain other liabilities and the assets of Spring Bank Plc, Bank PHB Plc, and Afri-bank Nigeria, respectively.

However, one wonders how the country got to the crisis situation, when there are institutions saddled with the responsibility of supervising and regulating the financial system (Obamuyi, 2011). Thus, the failure of the authorities to effectively supervise the banking system could be attributed to the problems in the banking system.

This was confirmed by the pronouncement of the Governor of the Bank: The Supervision Department within the CBN was not structured to supervise effectively and to enforce regulation. No one was held accountable for addressing the key industry issues such as risk management, corporate governance, fraud, money laundering, cross-regulatory co- ordination, enforcement, legal prosecution or for ensuring examination policies and procedures were well adapted to the prevailing environment. Critical processes, like enforcement, pre-examination planning and people development were not delivering the results required to effectively supervise and engage banks to enforce good conduct (Sanusi, 2010, p.9).

The above statement also confirms the position of Schwartz (1985) that financial crises are caused by the failure of the authorities to respond correctly to financial distress and are aggravated by private sectors uncertainties about the correct policy responses. The monetary authorities in Nigeria seem to be confused about their roles or they are incompetent to formulate and implement enduring and sustainable financial and economic policies.

This is because there are warning signals before a bank becomes distressed. The Early Warning Model and the CAMEL (Capital adequacy, Asset quality, Management profile, Earnings quality and Liquidity) model should have shown the true position of the banks long ago for corrective measures to be taken (Obamuyi, 2011).

Meanwhile, some of the criteria usually employed to measure the performance of the banks have been compromised by the Central Bank of Nigeria. The implication of all the statements above is that banking habits have been seriously threatened; thereby discouraging savings culture and hence reduce the amount of funds that can be mobilized by banks. By extension, liquidity and profitability positions of the banks are affected.

REVIEW OF LENDING PROCESSES

Credit is generally granted by commercial banks based on confidence in a customer's ability to repay the amount granted plus the agreed fixed interest. Such confidences are built on the lender's satisfaction of the five "Cs" namely character, capacity, capital, collateral and condition.

The existence of credit involves a lender and a borrower. Commercial banks are therefore called upon to extend credit to borrowers who may wish to obtain cash to make purchases. The credit or lending policies of a bank are in effect its screeching and appraisal devices by which it tries to determine the type and character of the loan it should grant, from a strict policy view point the character of a loan should take precedence over its form Grosse (1963). In other words it is a better appraisal method that a loan is sound and healthy than that they just be in form of mortgage or business loans or customer credit. For instance a bank in a rapidly growing residential area such as the newly created state capital or local government capital like Nasarawa State should have a higher ratio of long term loan to total loan than a bank in a stable industrial area like Lagos, Kano or Onitsha. The later also ought to have a higher ratio of commercial loans and perhaps a consumer credit. Grosse (1963) opined that as a matter of policy it is desirable for a bank to establish ceilings on the various forms of lending but they should do so solely for the purpose of distributing bank credit in proportion to the community's need.

LOAN CLASSIFICATION AND PROVISIONING IN NIGERIAN BANKS

LOAN CLASSIFICATION

Loan portfolios of banks are classified in order to determine the level of provisions to be made in line with banking regulations. Loans have been classified into various forms based on the purpose of the loan. These classes are.

a. Loans to Business (i.e. Commercial and Industrial Enterprises)

b. Loans to Agriculture for current purposes

c. Loans on purchasing and carrying securities

d. Loans on real estate mortgage

e. Customer loans

f. Other loans not falling into the above categories.

These classifications indicate the level of provisions banks are required to make to reflect the quality of their loan portfolio. Indeed the various classifications clearly group loans into performing and nonperforming, in line with banking regulations. These categories further help banks to know the structure of their loan portfolio and for that matter their assets quality.

LOAN PROVISIONING

In Nigeria, one major factor considered in making loans is the character of the borrower's ability to repay the loan. However, to mitigate the risk of default, banks ensure that loans are well secured.

Though advances shall be granted on the basis of the borrower's ability to pay back the advance and not on the basis to pledge sufficient assets to cover the advance in case of default, it is highly desirable for all advances made to customers and staff to be well secured.

This means that in the event of default the bank shall fall on the collateral used in securing the facility to mitigate the effect of loss of principal and interest (Banking Act, 2004).

In view of the above, banks take into account the assets used in securing the facility to determine the level of provision to be made. CBN regulations indicate that certain amount of provisions are made on the aggregate outstanding balance of all current advances, and aggregate net unsecured balance of all other categories. The review of the above literature on classifications and provisioning implies that the higher the non-performing loan category the higher the provisions and charges for such bad loans (CBN prudential guidelines)

BANKS LENDING POLICIES

Until in recent years, lending has been the essence of commercial banking and in fact now colossal part of banks assets are in credit grant. As a result the formulation and execution of sound lending policies constitute part of the most vital responsibilities of bank management. As earlier mentioned it is the screening device through which the appraisal techniques are weighed. Grosse (1963) opined that well conceived lending policies and careful credit practices are essential for a bank if is to perform it credit-creating functions effectively and efficiently and at the same time minimise or eliminate the risk inherent in any extension, of credit.

The starting point of a sound lending and credit policy begins with knowledge of the legitimate credit need of the customer. It is important to recognize that loans should not be given simply because of personal interest or favouritism. Legitimate credit is one that will further the growth and stability of the community and the economic well being of its inhabitants including the customer. In addition, the Banker must have a clear concept of how much credit and what variety of loans the community needs, in order to effectively appraise his own willingness and ability to meet the credit demand of the customer. The limiting factor in this case ought to be the customer's genuine needs for credit and the bank's ability to meet those needs rather than any arbitrary pre-conceived ideas or average statistical and personal relationship.

The need for a sound policy to regulate bank lending arises from the fact that uncontrolled monetary expansion can in addition to the unavoidable risks involved accelerated inflationary pressures in the economy. This indeed is a negation of the objectives of promoting monetary stability and the achievement of a sound financial structure. Similarly, poor lending policies of a commercial bank can lead to a high loan to deposit ratio and this can result to liquidity crisis for the bank.

CANNONS/ PRINCIPLES OF GOOD LENDING

Credit vetting or appraisal is one of the crucial stages in the loan processing procedures. This is because this stage analyses information about the financial strength and creditworthiness of the customer.

Kay Associate Limited (2005) identified five techniques of credit vetting known as the five Cs framework used in assessing a customer's application for credit. They include:

a) **CHARACTER:** Here the character of the customer is assessed. This determines the willingness of the customer to pay the loan and may include the past credit history, credit rating of the firm, and reputation of customers and suppliers.

b) CAPACITY: This is described as his or her ability to pay in terms of cash flow projection is critically assessed.

c) CAPITAL: Also referred to as the soundness of the borrower's financial position in terms of equity is assessed.

d) CONDITIONS: Here the industry and economic conditions of the business are also assessed. These are important because such conditions may affect the customer's repayment ability.

e) COLLATERAL: This is referred to as the secondary source of repayment. This is considered in appraising the customer's request.

Richardson (1976) in his own contribution noted that beyond the need to observe the basic bank lending principles lies the need for effective loan management which he said is paramount. Effective loan management is multifaceted and Richardson opined that one major aspect of it is the need for urgency in appreciating when a lending begins to look doubtful in arriving at a decision for taking appropriate action. This view was supported by Dyer (1980) when he deposited that once a lending proposition has been agreed upon, one may assume that it is necessary to review the facility annually .This according to him is because a Variety of unexpected events can combine to modify the protected trend of the borrowing, making it necessary for the branch manager to have frequent discussions with the customer when their overdraft limit have been exceeded or when trading conditions have changed. Yet another support for this view was expressed by Osayameh (1989) when he opined that accounts do not just go bad overnight. Usually some danger signals may be shown for sometime during which it is the duty of the banker to show considerable interest in managing the account. As Dandy (1975) puts it, many sickly accounts can be nursed back to health by careful handling at the right time. Mather (1979) grouped financial ratios into five categories are as follows:-

1. Liquidity ratio, which provide a measure of times ability to meet its short-term obligation as they fall due.

2. Leverage ratios, which are measures of the extent to which a firm’s operations are financed with debt capacity.

3. Efficiency ratios, which are used to measure the capabilities of the management to utilize the firm’s assets.

4. Profitably ratios, which indicate the overall profitability of the enterprise.

5. Equity related ratios, which are of primary concern to common stockholders.

1. LIQUIDITY RATIOS:

This is a measure of short term solvency. It indicates the extent to which claims of the creditors are covered by assets that are expected to be converted to cash in a period roughly equal to the maturity of the claims. The two commonly used liquidity ratios are the current ratio and the quick ratio.

$$Current\ Ratio = \frac{Total\ current\ Asset}{Total\ current\ liability}$$

$$Quick\ Ratio = \frac{Total\ current\ Asset}{Total\ current\ liability}\ or\ \frac{Total\ current\ asset\ less\ inventory}{Total\ current\ liability}$$

Some creditors argue that under adverse conditions, stocks may not have sufficient liquidity. Therefore the quick ratio is a modified version of the current ratio which measures the firm's ability to pay off current liabilities without relying on the sale of stock. Obviously an important factor to watch closely here is the underlying quality of the debtors.

2. LEVERAGE RATIOS

The debt/equity ratio is the most important of the leverage ratios. It measures total claim on a business of all forms of creditors in relation to owner's equity.

$$Debt/Equity\ Ratio = \frac{Total\ Liabilities}{Network\ (shareholders\ equity)}$$

All other debt ratios are complementary to this one and are designed to measure the appropriation of the capital structure.

3. EFFICIENCY RATIOS

As indicators of managerial efficiency in the use of the firm's assets, efficiency ratios are very useful in judging the performance of the firm. They help in explaining any improvement or decline in the solvency of a business and may also help to explain underlying changes in profitability. Some of the ratios include:

A. $$Average\ period\ of\ credit\ taken = \frac{Average\ Creditor}{Purchases} \times \frac{52 weeks}{1}$$

B. $$Average\ period\ of\ credit\ granted = \frac{Average\ Debtors}{Sales} \times \frac{52 weeks}{1}$$

C. $$Fixed\ asset\ turnover = \frac{Net\ Sale}{Net\ fixed\ Asset}$$

D $$Stock\ turnover = \frac{Net\ Sale}{Stock}$$

4. PROFITABLITY RATIO

The profitability ratios are important to the banker, the creditors and the shareholders of a business. This is because if sufficient profit is not made, it would be difficult to meet operating expenses, pay interest charges or loans and pay dividend to shareholders. Profitability ratios include:

A. $$Gross\ profit\ margin = \frac{Gross\ profit}{Sales} \times \frac{100}{1}$$

B. $$Return\ on\ Total\ Assets = \frac{Net\ profit}{Sales} \times \frac{100}{1}$$

C. $$Net\ profit\ Margin = \frac{Net\ profit}{Sales} \times \frac{100}{1}$$

D. $$Return\ on\ equity = \frac{Net\ profit\ after\ tax}{Equity}$$

5. EQUITY RATIO

This measures the values and earning of the firms common stock. They include

A.
$$Dividend\,Yield = \frac{Dividend\,paid}{Price}$$

B. $$Return\ on\ equity = \frac{Market\ price}{Earnings}$$

Audited financial statements are input data for bank credit analysis which may be fraught with some dangers. Commenting on this view, Oseyameh (1986) pointed out that ratios computed therefore are like the bikinis which reveal important features and at the same time inessential features. Chazen (1985) appear to have agreed with this view when he warned the lending bankers “Beware of the hidden facts” in audited financial statements.

Some of the problems associated with financial statements include the facts that they are historical and by the time the banker sees them the assets and liabilities items are not presented. There might be some elements of “window dressing” on the accounts to impress the banker and the tax man. Even when there is not window dressing the accounts show a snapshot of the business at a point in time. Besides, the normal financial measures used at the moment are the one which relates assets to their original cost and not their resale value or replacement cost. In all these reasons, audited financial accounts are inferior to management accounts for the purpose of credit analysis.

Credit scoring is another technique of credit analysis which is considered potentially useful in reducing the incidence of bad debts on personal accounts. This technique has been described by Adeniyi (1985) as a satisfactory based management tool for forecasting the outcome for extending credit to individual. It gives a measure of the probability of bad credit risk. This technique assigns numeric weight to customers characteristic. The total score of an application is an indication to usually a cut-off score fixed by the bank beyond which application is considered risky. Score cut-off can be reviewed upward or downward as circumstances demand.

LENDING AND CREDIT APPRAISAL OF LOAN APPLICATION

Bankers have often been criticized and some had to lose their jobs for lending money to customers when right from the start it is likely that they will never be able to repay the loan.

The judgment of the lending officer and his confidence in the ability of the borrower cannot be over-emphasized. A lot of information is needed by the lending officers to properly and critically address the cannons of lending Vis -a -Vis the prospective borrower. Thus, the objective of this discussion is to provide an overview of the various steps a credit officer should take to examine customer's loan proposals before settling down to a conclusive decision. Relevant procedures are as follows:

i. Loan Application
ii. Documentary Evidence
iii. Legality of the Business
iv. Viability of the Business
v. Assessment of financial Requirement
vi. Recommendations
vii. Execution of Documents before draw down.
viii. Follow- up and Supervision

(i) LOAN APPLICATION

The prospective borrowing customer submits his application to the bank stating in clear terms, the amount of the loan required the purpose for which the loan is sought and how he intends to repay it. In most cases, banks will require the borrower to complete and sign their specified questionnaire. Although these forms differ from bank to bank, they contain some vital information which will help the credit officer on his decision making process. Sound lending questions must be asked because the applicant may innocently or deliberately omit pertinent facts about the proposal.

When the relevant information have been collected, the next task of the credit officer would be the assessment of the quality of the loan application through a simple screening test so as to save time, cost and also protect the bank from any delinquent customers. Although it is very difficult to lay down all possible criteria for deciding a cut-off point, banks have some loan request procedures and requirements contained in their credit policy documents to guide loan officers in the processing of loans for customers.

If the screening exercise reveals that the application is not worth considering further, the credit officer will have to reject the proposal and record his reasons in the appropriate register decline for. But if the application form on the face of it appears acceptable tentatively the credit officer will proceed to stage two for further investigations.

(ii) DOCUMENTARY EVIDENCE

Having obtained satisfactory answers to the issues raised in step one the manager approves the facility within his discretionary limits, otherwise he prepares and submits to area office a formal credit application of the banks special proposal form. The credit officer will have to call for all documentary evidence to back up and confirm the fact stated in the application form. Such documents as listed below will be used by the credit officer for processing the loan application. The proposed form is so designed to carry information such as:

a) a copy of project for a new unit indicating socio- economic implications and feasibility of the project in detail;
b) for an existing unit, a report showing scheme of expansion and justification for the advance;
c) Copies of audited accounts or financial statements for the past three years and projected balance sheets for future years should be obtained and studied carefully. New unit will submit opening accounts and estimates for future years;
d) Copies of latest financial records of the borrower's associates.
e) Other documents containing information relevant to the loan proposal such as:
   i) Certificate of registration
   ii) Assets and liabilities statement of guarantors
   iii) Partnership Deed in the case of partnership
   iv) Certificate of incorporation and certificate of commencement of business
   v) Memorandum and articles of association as well as Board of resolution for borrowing powers when a limited liability company is involved.

Besides procurement of these documents from the borrower, the credit officer should pay a personal visit to the factory or business site to see things himself and verify the correctness of important information provided by the customers. As a matter of lending routine and principle, the credit officer should have an interview with the customer for verification of certain facts and clarification of some doubts. During the course of such an interview the borrowing the borrowing customer should be given the amplest opportunity to speak out his mind to justify his various plans while the credit officer will play the role of a patient and attentive listener, memorizing all salient points raised. These points will be written down in a permanent form immediately the borrowing customer leaves the bank. Any attempt to take down notes while the customer talks will obviously compel the borrowing customer to guard his tongue jealously thereby concealing some important facts that could have guided the credit officer in making a well articulated and calculated decision.

(ii) LEGALITY OF THE BUSINESS

The credit officer will have to check the legality of the borrowing unit, making sure that there are no restrictions or sanctions imposed on it either by the government or by government agencies otherwise all finances to it would be futile. If it is not possible to advance money to unit because of legal sanctions and other restrictions, the applications would be rejected outright and reason recorded. But in the absence of any legal barrier, the credit officer will move to the next stage of viability appraisal.

(iv)VIABILITY OF THE BUSINESS

Having obtained and put in place the necessary documentary evidence and ensured borrowing unit's compliance with all known legal and statutory requirements, the credit officer will move a step further to appraises and evaluate viability of the unit. Below are some of the key areas that require optimum attention.

a) Appraisal of the financial standing and reputation of the borrowing party.

b) Examination of the level of managerial and technical ability of the borrower,

c) Availability of infrastructural facilities like raw materials, power, fuel, skilled and unskilled labour as well as technology to ensure that the unit does not face or fall into death traps.

d) Examination of projected cash flows of at least one year and details of demand and supply, market share of the product, selling and distribution arrangements.

e) Computation and comparison of the most critical ratios, viz;

    - Current ratio
    - Propriety ratio
    - Operating or net profit ratio
    - Return on net worth ratio
    - Stocks turnover ratio

f) Calling or status or opinion reports from other bankers, creditors and some other external sources to ascertain borrower's characters, capability and credit worthiness.

g) Evaluation of the nature of security items proposed both primary security and collaterals to confirm their marketability, ascertain ability and stability of their values and transferability of their ownership.

Under the viability appraisal, emphasis on various points raised will differ from one case to another and will be dependent upon factors like type of customers, old or new, the amount required, big or small, the nature of business, safe or risky, and the collaterals offered, adequate or inadequate. If the business does not appear viable at this stage the loan application will have to be turned down and reasons for rejection of the application recorded.

a) TERM LOAN

This loan, after proper assessment, will be granted to the customer only where there is abundant evidence to show that the unit can provide working capital requirements from its own sources. Repayment of loans and interest payment thereof will be met out of the production capacity of the unit and generation of funds from sales of the finished products and all these expectancies will never materialise except working capital is available for the unit to take off.

b) TERM LOAN AND WORKING CAPITAL

Term loan is normally approved for the acquisition of fixed assets which are not meant for resale but to increase the revenue earning strength of the unit while working capital is provided for the day to day operations of the units. The credit officer will have to consider and assess both term loan and working capital requirements of the customer together especially when the unit cannot provide either of the two or both from its resources.

c) WORKING CAPITAL

The credit officer may have to consider the third option of providing working capital if the unit has since gone into operational condition. In case the unit had obtained its term loan from outside sources like Nigerian Export and Import Bank (NEXIM), or National Economic Reconstruction Fund (NERFUND), the credit officer has to exercise caution while granting working capital facilities to the unit. He will have to examine the terms and conditions under which the term loan was contracted to ensure absence of any burdensome conditions. Viability followed up to confirm steady swing of the unit accounts into debit and credit.

vi) RECOMMENDATIONS

Once the viability of a borrowing unit has been established and its financial requirements worked out the next step for the credit officer would be to sanction the proposal or recommend to a higher authority for approval. If the amount of loan or advances required by the unit is within the lending limits assigned to the credit officer, he would approve and prepare the sanction letter. On the contrary, if the amount sought is beyond the credit officer's prescribed limits or powers, he would have to make a well documented recommendation to a higher authority for sanction. The recommendation which will be well worded and in an unambiguous manner will incorporate the following points:

(a) Honesty, integrity and credit worthiness of the borrowing unit and the men behind the scene,

(b) The net worth of the unit and personal worth of guarantors, if any,

(c) The outside borrowings, if any,

(d) The financial position of sister or associate concerns, if any,

(e) The technical and managerial abilities of the men behind the unit,

(f) The adequacy of infrastructural facilities,

(g) The marketability of the finished products

(h) The profitability of the unit,

(i) The total credits required by the customers and the basis for calculation,

(j) The credit officer's final recommendations.

On getting approval from the higher, the credit officer or branch manager will convey the sanctions to borrower in a letter from bringing out the most vital terms and conditions under which the application for financial assistance is considered and approved.

Such terms and conditions will include the following:

(1) The amount approved and the margin proposed to be kept

(2) The type of facility approved and mode of repayment

(3) The stipulation of sub-limits where applicable

(4) The rate of interest and commission

(5) The guarantors, if any

(6) The security and mode of charge

(7) Other conditions like insurance coverage, stock statements and programme for disbursing funds.

vii) DOCUMENTATION

The next step in the process of loan application appraisal is to get the relevant documents executed by the borrower and the bank's solicitor. The documents should be properly executed as any defects in the mode of documentation may hinder the process of realizing security values. All necessary documents including security items must be put in place before disbursement of loan amount.

viii) SUPERVISION

Credits supervision is an important aspect of bank lending and credit administration. Credit officers should monitor their customers to ensure proper usage of funds and repayments of loans on schedule just as local money lenders keep close watch over their clients to ensure that their monies returned at the agreed time. Post lending supervision should embrace the following key areas:

(a) Actual application of the loan amount should be for the purposes stated in the proposal form;

(b) Absolute observance of the terms and conditions stipulated in the sanctions letter by both parties;

(c) Watching trends of production and sales, asking for reasons of any drastic changes or deviation from the set targets

(d) Keeping track record of profitability rate and calling for an immediate explanation on any shortfall

(e) Verification of stocks at timely irregular intervals

(f) Any unhealthy feature regarding operational conduct of accounts should be carefully examined and explanation obtained from the customer

(g) Any other material change in the credit worthiness of the borrowing party such as a wealthy partner going on retirement and the death of a key man should call the credit officer to question.

LOAN MONITORING AND CONTROL

According to Rouse (1989) this is an area which many lenders pay little attention but, if it is properly carried out, the occurrence of bad debts can be reduced considerably. He identified internal records, visits and interviews, audited accounts and management accounts as some of the things that help in the monitoring and control process.

Monitoring can minimize the occurrence of bad loans through the following ways:

(i) Ensure the utilization of the loan for the agreed purpose.

(ii) Identify early warning signals of any problem relating the operations of the customer's business that are likely to affect the performance of the facility

(iii) Ensure compliance with the credit terms and conditions.

(iv) Enable the lender discuss the prospects and problems of the borrower's business.

Bad loans can be restricted by ensuring that loans are made to only borrowers who are likely to be able to repay, and who are unlikely to become insolvent. Credit analysis of potential borrowers should be carried out in order to judge the credit risk with the borrower and to reach a lending decision. Loan repayments should be monitored and whenever a customer defaults action should be taken. Thus banks should avoid loans to risky customers, monitor loan repayments and renegotiate loans when customers get into difficulties (Kay Associates Limited, 2005).

PROCEDURES FOR LOAN MONITORING

A part from individual loans, it is important that the overall quality of the portfolio and of the way in which they are carried out be monitored. How elaborate, effective and efficient with which this is done depends on the size of the bank and number of branches a bank has as well as the variation in marketing and delegation of authority. It may be necessary to sometimes monitor the concentration of the portfolio, geographically by industry or any other method to control maturity and mismatch which have some implications for the bank's treasury but are also vital credit factors; and assess the average quality of borrower of loan. Sometimes it is useful to operate a form of a rating system, which makes it possible to generate an interesting profile of range of quality in the portfolio.

All commercial banks make use of external Auditors and examiners or bank Inspectors as an independent check and other outside reviews. Internally there are three possible methods advanced by Donaldson (91979) in which to monitor loan portfolio. They include:

CONTINUING QUALITY CONTROL: This involves constant quality control within each branch at head office. The continuous review may be made by the general management of the bank either in the form of a credit committee or by continuous review by branch managers.

Either as a part of this or in lieu of it, there should be in existence specialist personnel's' who survey and report on the quality of the lending, the quality of the individual loans, the authorities in each case and effective co-operation within the department. However, whether as a specialist staff or as an internal auditor, he will be expected to do most of the detailed work, identify and follow problem loans, supervise and assist weaker lending officers to ensure adequate communication between various sections of the bank.

1. To Establish a Loan Audit Department with a Reporting Authority Directly to the Senior Manager of the Bank Via the Controller Or Accountant. The audit may include full analysis of some borrowers but more often reviews the quality of the analysis done before loans were made.
2. **INSPECTION**. This is similar to the loan audit but involves a longer history. A team usually of line bankers inspects all branches and head office divisions on a periodic basis. Each inspection is usually carried out as a surprise examination with no set interval or warning. More often they examine the documentation of loans, controlling the follow up of payments or collateral as well as many areas not related to lending at all. They appear more interested in compliance with the conditions on which the loans were made than whether the conditions were right initially or whether subsequent changes have been made up to date.

3. DEBT MANAGEMENT

Bad debts are emotive words of bankers because they present losses to the banks. However, for the purpose of this study, there are various reasons for the occurrence of bad debt in commercial banks. Experience of bad debt has its impact on the banking operations.

The management of debt in order to avoid or reduce the extent to which loans given by commercial banks becomes doubtful and bad has been discussed in several theoretical studies.

On avoidance of bad debt, deusenberry (1964) states that banks should be prepared to meet minimum cash requirement of the owners of assets which can be really liquidated must be held.

In addition, they must meet legal reserve requirements and hold enough vault cash to accommodate their customer's requests for currency. Once these conditions have been met, banks can invest remainder of their assets in business loans, mortgage loans, instalment loans, to customers, or in federal state and local, or corporate bonds.

The limited amount eventually invested in loans can be properly monitored. The proportion of the loan amount that happens to be bad will not have significant effect (s) on the operations of the banks if the above conditions are met before loan agreement are entered into.

Stephen and Charles (1970) states that the length of the credit period tend to increase sales and therefore profits, unless, the sales are offset entirely by increased costs. Collection cost s and costs of credit analysis may also increase.

Reduction in the length of the credit period would not only reduce receivables but would also tend to cause some customers to move elsewhere. However, this policy must be used with caution, because a firm's customer might take the credit terms as a fixture and expect consistent treatment.

Banks generally provide avenues for savings to individuals, business organizations, co-operate bodies and government agencies that have funds that are not for immediate use. The bulk of such funds are therefore lent to needy customers, for personal and business concerns in form of loans and advances. The process of such lending is made according to laid down rules and regulations. Applications of such rules, however, require careful consideration to enable both parties involved derive satisfactory benefits from the exercise. Comparing the lending principle with the basic economic laws, Matlor (1972) argued that the rules should not be applied with rigidity. He then concluded that the principles must always be carefully weighed with an open mind.

According to him, the **three basic principles** that serve as guides to **bank lending** are: **Safety, Suitability and Profitability**.

1. **Safety**: the safety of any loan and advances is to paramount importance to the bank. There must be a reasonable assurance that amount granted can be repaid from the operations of the borrower. The source of the repayment must not be doubtful. Hence, banks place great emphasis on the character, integrity and reliability of the borrower. In support of the requirement, the borrower must be able to provide acceptable security which will serve as a guarantee for repaying the debt in case the expected source of repayment fails.

2. **Suitability**: It is necessary for the banker to ensure that the purpose of the loan is not in conflict with economic and monetary policies of the government even when safety requirements have been satisfied. To achieve this, bank lending in Nigeria is highly regulated and controlled by the central Bank. This is done through the issuance of annual credit allocation guidelines and the imposition of quantitative and qualitative limitations on bank lending. The guidelines vary from year to year depending on the economic and monetary policies being pursued by the federal government. The purpose of an advance and its implications on the economy, are, therefore given due considerations when it is being granted.

3. **Profitability**: Banks are known to be profit oriented establishments and not charitable organizations. It is therefore important that loan facilities granted yield profits to the bank. Hence every bank tries to confine itself to the profitability of any advance before such an advance is granted.

What determines the amount of profit is the rate of interest charged and the volume of loan issued out. The interest rates are however regulated by the government through the central bank. This is necessary so as to protect the interests of both the banks and the customers. However, any competent banker will give careful considerations to load his loans portfolio with potential bad debts arising, basically from poor credit judgment.

FACTORS MILITATING AGAINST GOOD LOAN MANAGEMENT IN NIGERIA

Several factors are capable of hindering the effective loan administration; some of which are.

- **Weak policies and procedures**: Policies and procedures that are out – dated or weak do not provide prudent and acceptable standards for what constitutes high quality risk assets. Without such guidance therefore, loan officers go their different ways.

- **Lack of a credible credit culture**: A credit environment that does not promote and reward high standards is a disincentive for effective loan management. Even where strong policies and procedures are in place, the actions and inaction's of management send strong signals as to the type of support it is giving to them. A credible credit culture will autonomously generate lender commitment to loan management.

- **Accounts over load**: Determine the optimum number of accounts for a loan officer, given his experience and training, is one area where many managers have failed, especially due to organisational constraints. If loan officers are unable to track exposure risks on most accounts, either directly or indirectly, it can be said that accounts allocation is in efficient.

- **Poor Training/in experience**: A poorly trained or inexperienced loan officer may not be able to handle more than a few simple transactions. Knowing what to do, how to do it and hang the required skills are necessary for effective loan management. Few banks are known to thoroughly train their loan officers before releasing them into the market. Credit heroes and worthy mentors are scarce commodities in the market because of this spread of expertise over a large number of banks. The combination of inadequate training and lack of well-experienced monitors can spell portfolio disaster, especially where the credit culture is not very strong.

THEORETICAL FRAMEWORK

Theory of multiple lending

It is found in literature that banks should be less inclined to share lending (loan syndication) in the presence of well developed equity markets and after a process consolidation. Both outside equity; and mergers and acquisition increases banks lending capacity, thus reducing the need of greater diversification and monitoring through share lending. (Carletti et al 2006; Ongene & Smith, 2000; Karet et al, (2004); Dgreyse et al, (2004). This theory has a great implication for banks in Nigeria in the 2005 consolidation exercise and the recent 2009 reformation exercise in the industry.

Credit market theory

A model of the neoclassical credit market postulates that the storms of credits clear the market". If collateral and other restrictions (covenants) remain constant, the interest rate is the only price mechanism with an increasing demand for credit and a given customer supply, the interest rate rise and vice versa. It is thus believed that the higher the failure risks of borrower, the higher the interest premium (Ewert et al, 2000).

Loan Pricing Theory

Banks cannot always set high interest rates. E.g. trying to earn maximum interest income Banks should consider the problems of adverse selection and moral hazards since it is very difficult to forecast the borrower type at the start of the banking relationship (Stiglitz and Weiss, 1981). If banks set interest rates too high, they may induce adverse selection problems because high risk borrowers are willing to accept these high rates. Once these borrowers receive the loans, they may develop moral hazard Behaviour or so called borrower moral hazards since they are likely to take on highly risky projects or investments (Chodechai 2004).

RESEARCH METHODOLOGY

METHOD OF DATA ANALYSIS

The data collected through the use of questionnaires of selected banks were processed through the following method of analysis:

1. Chi-square (χ^2) test
2. Graphical analysis

1. Chi-square (X^2) test

Chi-square test is one of the standardized statistical distributions used in hypothesis testing. It is used to determine the differences between the actual outcome and expected outcome, that is, to determine if such differences are due to choice or they could be traced to the factors stated within the scope of the research study.

Also, chi-square distribution formula is adopted because it is by nature non-negative i.e. χ^2 =>/O. The formula also tends to be positively skewed and very useful for social and management sciences research.

The chi-square formula is given as:

$$\chi^2 = \sum \frac{(0-E)^2}{E}$$

Where:

χ^2 = Chi-square

$\sum$ = Summation

fo = Observed Frequency

fe = Expected Frequency

To calculate the expected frequency value, the formula is also given as:

$$\sum rc = \frac{Row\ Total\ x\ Column\ Total}{Grand\ Total}$$

2. **Graphical analysis**

The use of computer aided package known as Statistical Package for Social Sciences was deployed to analyse data in the form of Frequency tables, pie charts, Bar charts and hypothesis *testing*

DATA PRESENTATIONS

Presentations of data collected from credit officers**.**

Table 1. Analysis of the Primary Data collected through the Research survey questionnaire

BANKS	TOTAL QUESTIONNAIRES DISTRIBUTED	TOTAL QUESTIONNAIRES RECIEVED
FIRST BANK PLC	25	25
ACCESS BANK PLC	25	15
UNITED BANK FOR AFRICA PLC	25	25
WEMA BANK PLC	25	15
TOTAL	100	80

Source: (Field survey, 2013)

Table 1 shows the Distribution of research questionnaire through the four banks selected for the study.

Table 2. Demographic Distribution of Respondents According to Gender

Response	Frequency	Percentage
Male	48	60
Female	32	40
Total	80	100.0

Source: (Field survey, 2013)

Table 2 above depicts the distribution of respondent according to gender. About 48 respondents representing 60% are male respondents, while the remaining 32 of the total respondent representing 40% are female. This is due to the fact that the activities performance in the bank involves both male and female. Also the information is represented on a pie chart to indicate the gender or sex structure in the banking industry.

Pictorial 2: Pictorial representation of the Gender Structure in the survey respondents

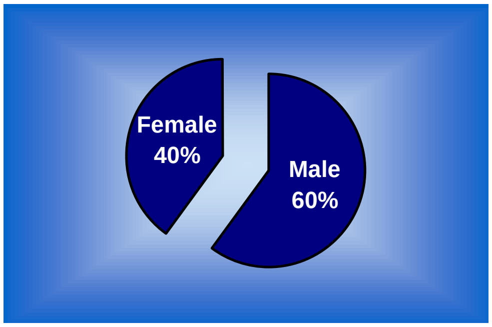


Table 3 Demographic Distribution of Respondents According to Age

Responses	Frequency	Percentage
Between 18-25	23	31.25
Between 25- 35	34	62.5
Between 35-45	18	22.5
45 and above	5	6.25
Total	80	100

Source: (Field survey, 2013)

Table 3 illustrates the distribution of respondents according to age. It shows that, 23 respondents representing 31.25% of the sampled population were between 18-25 years. It further shows that a majority of 34 respondents representing 62.5% of the sampled population were between 25-35 years. In addition, 18 respondents representing 22.5% of the sampled population were between 35- 45 years. Also,5 respondents representing 6.25% of the sampled population were between 45 years and above

This is also depicted on the bar chart below.

Pictorial 3: Representation of range of age distribution in the survey

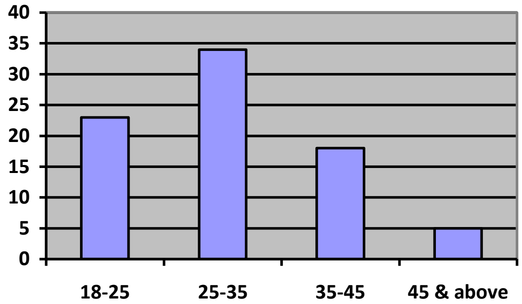


Table 4: Distribution of Respondents according to Length of Services

Responses	Frequency	Percentage
Between 1-3	27	33.75
Between 3- 5	27	33.75
Between 5-10	19	23.75
10 and above	7	8.75
Total	80	100

Source: (Field survey, 2013)

Table 4 also depicts the distribution of respondents according to length of services. It shows that, 27 respondents representing 33.75% of the sampled population have worked in the bank between 1-3 years. Additionally, 27 respondents representing 33.75% of the sampled population have also worked in the bank between 3-5 years. Also, 19 respondents representing 23.75% of the sampled population have worked in the bank between 5-10 years.

Finally, 7 respondents representing 8.75% of the sampled population have worked in the bank more than 10 years. The pictorial representation of the obtained information is demonstrated in pictorial chart below. **Pictorial 4: Distribution of Respondents according to Length of Services**

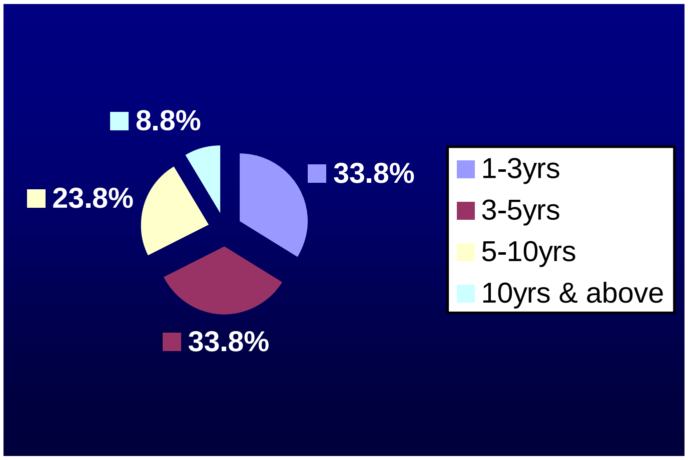


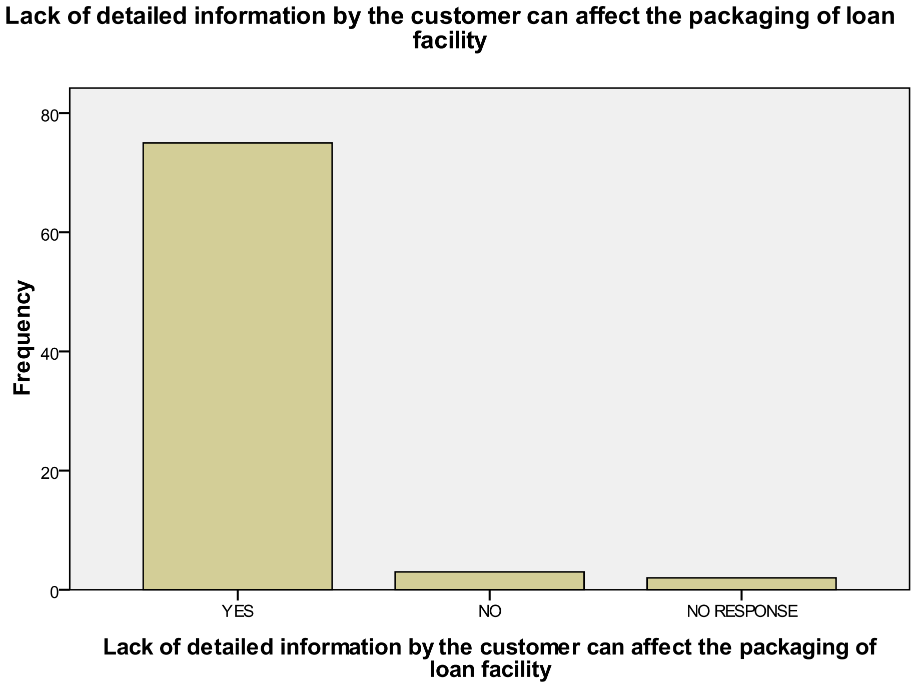
Table 5

Question 5: Lack of detailed information by the customer can affect the packaging of loan facility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	75	92.6	93.8	93.8
	NO	3	3.7	3.8	97.5
	NO RESPONSE	2	2.5	2.5	100.0
	Total	80	98.8	100.0	
Missing	System	1	1.2		
Total		81	100.0		

Source: (field survey, 2013)

Table 5 above shows that 75 credit officers constituting 93.8% of the credit officers selected for the study indicated that lack of detailed information by the customer can affect the packaging of loan facility. Also, 3 credit officers constituting to 3.8% of the sampled population indicated that lack of detailed information by the customer can not affect the packaging of loan facility. Finally, 2 credit officers constituting to 2.5% did not respond. Also the information is represented on a bar chart to indicate that the lack of detailed information by the customer can affect the packaging of loan facility. **Pictorial 3: Bar Chart Representation.**



Pictorial 3 shows a bar chart representation of the information obtained in table 4.3 above.

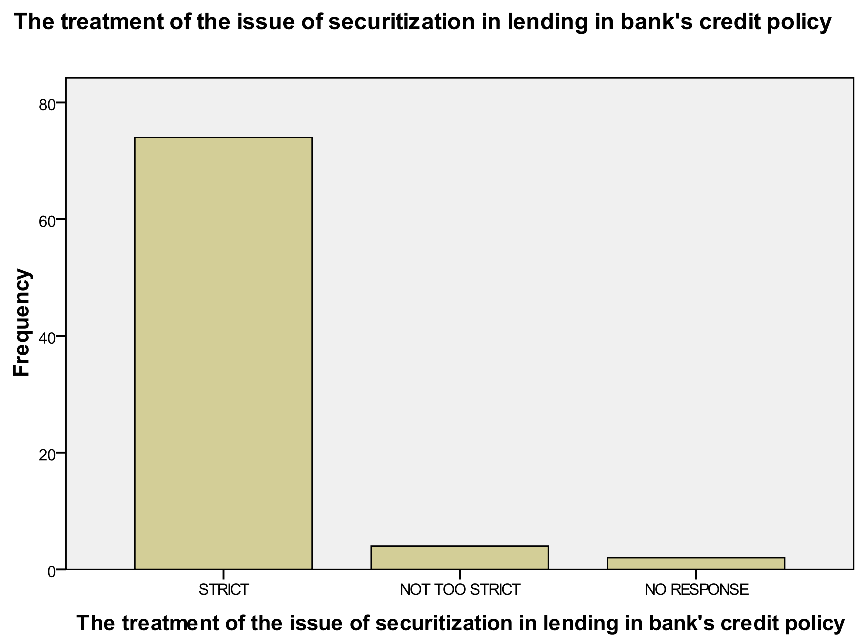
Table 6

The treatment of the issue of securitization in lending in bank's credit policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	STRICT	74	91.4	92.5	92.5
	NOT TOO STRICT	4	4.9	5.0	97.5
	NO RESPONSE	2	2.5	2.5	100.0
	Total	80	98.8	100.0	
Missing	System	1	1.2		
Total		81	100.0		

Table 4 above shows that 74 credit officers constituting 92.5% of the credit officers selected for the study indicated that the treatment of the issue of securitization in lending in bank's credit policy is strict. Also, 4 credit officers constituting 5.0% of the sampled population indicated that the treatment of the issue of securitization in lending in bank's credit policy is strict. Finally, 2 credit officers constituting 2.5% did not respond. Also the information is represented on a bar chart to indicate that the issue of securitization in bank's credit policy is strict.

Pictorial 4: Bar Chart Representation



Pictorial 4 shows a bar chart representation of the information obtained in table 4.4 above.

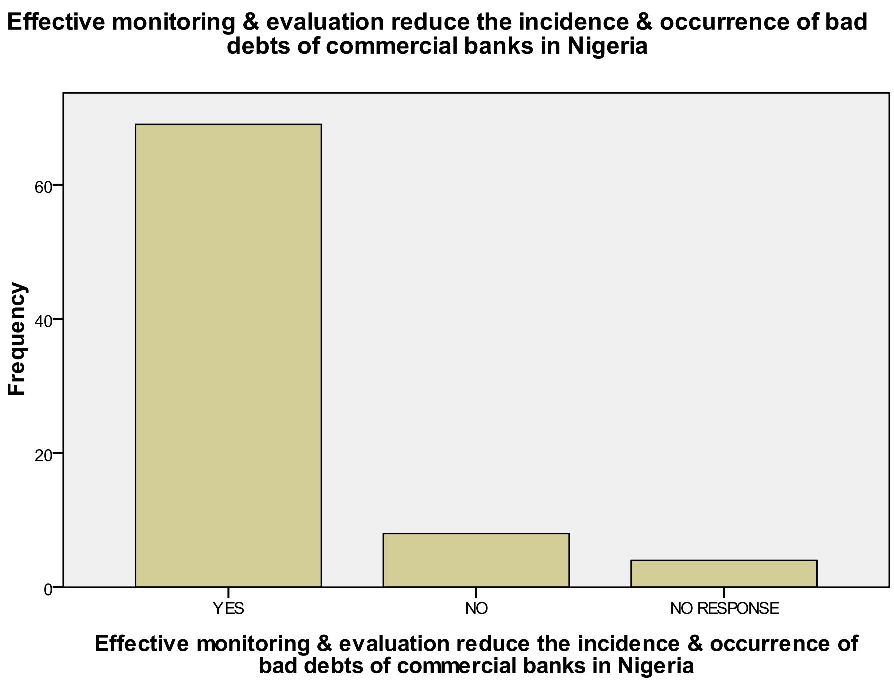
Table 7

Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	69	85.2	85.2	85.2
	NO	8	9.9	9.9	95.1
	NO RESPONSE	4	4.9	4.9	100.0
	Total	81	100.0	100.0	

Table 5 above shows that 69 credit officers constituting 85.2% of the credit officers selected for the study indicated that effective monitoring & evaluation reduces the incidence & occurrence of bad debts of commercial banks in Nigeria. Also, 8 credit officers constituting 9.9% of the sampled population indicated that effective monitoring & evaluation does not reduce the incidence & occurrence of bad debts of commercial banks in Nigeria. Finally, 4 credit officers constituting 4.9% did not respond. Also the information is represented on a bar chart to indicate that effective monitoring & evaluation reduces the incidence & occurrence of bad debts of commercial banks in Nigeria.

Pictorial 5: Bar Chart Representation



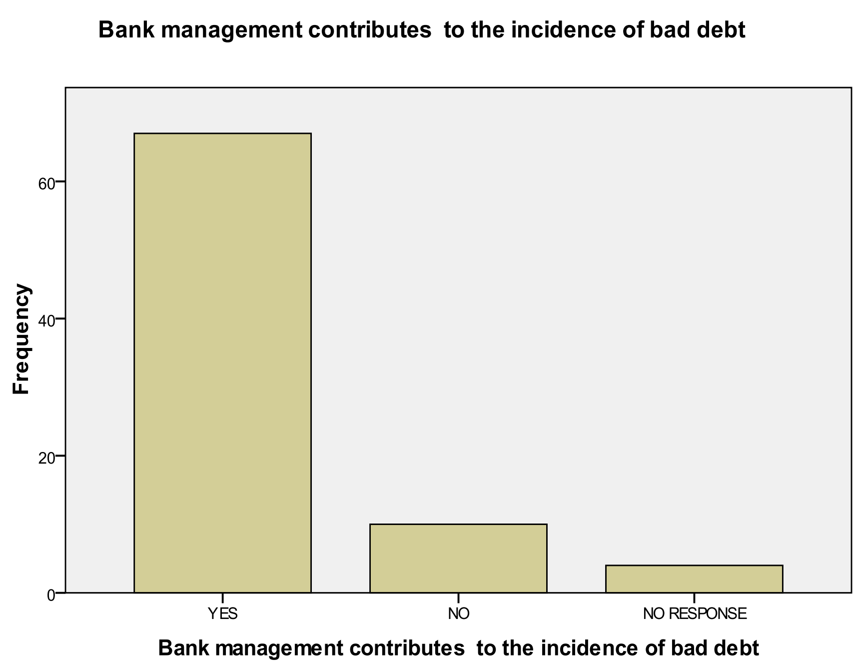
Pictorial 5 shows a bar chart representation of the information obtained in table 5 above.

Table 6

Bank management contribute to the incidence of bad debt

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	YES	67	82.7	82.7	82.7
	NO	10	12.3	12.3	95.1
	NO RESPONSE	4	4.9	4.9	100.0
	Total	81	100.0	100.0	

Table 6 above shows that 67 credit officers constituting 82.7% of the credit officers selected for the study indicated that bank management contributes to the incidence of bad debt. Also, 10 credit officers constituting to 12.3% of the sampled population indicated that bank management does not contribute to the incidence of bad debt. Finally, 4 credit officers corresponding to 4.9% did not respond. Also the information is represented on a bar chart to indicate that bank management contributes to the incidence of bad debt. **Pictorial 6: Bar Chart Representation**



Pictorial 6 shows a bar chart representation of the information obtained in table 4.6 above.

ANALYSIS OF DATA

TEST OF HYPOTHESIS

This section deals with the hypothesis. Four hypotheses were tested in the study, they were as follows:

1. H_0: the unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has not played a significant role in the increase in occurrences and consequences of bad debts.

   H_1: the unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has played a significant role in the increase in occurrences and consequences of bad debts.

2. H_1: securitization in bank lending has no significant effect on bad debts of commercial banks in Nigeria.

   H_1: securitization in bank lending has a significant effect on bad debts of commercial banks in Nigeria.

3. H_0: effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes does not reduce the incidence of bad debts of commercial banks in Nigeria.

   H_1: effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes reduces the incidence and occurrence of bad debts of commercial banks in Nigeria.

4. H_0: Bank management does not have an effect on the incidence of bad debts in commercial banks in Nigeria

H_1: Bank management has an effect on the incidence of bad debts in commercial banks in Nigeria

Chi-square was used in analyzing the results from the questionnaire

1. **Hypothesis one**

H_0: The unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has not played a significant role in the increase in occurrences and consequences of bad debts.

H_1: The unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has played a significant role in the increase in occurrences and consequences of bad debts.

However, hypotheses one will relate with certain questions from the research questionnaire and will be tested based on the result of this analysis.

ANALYSIS 1

Table 7. Lack of detailed information by the customer can affect the packaging of loan facility * it is compulsory to have an account in bank before obtaining loan

Crosstab

			It is compulsory to have an account in bank before obtaining a loan			Total
			YES	NO	NO RESPONSE	
Lack of detailed information by the customer can affect the packaging of loan facility	YES	Count	73	2	0	75
		Expected Count	69.4	3.8	1.9	75.0
	NO	Count	1	2	0	3

		Expected Count	2.8	.2	.1	3.0
	NO RESPONSE	Count	0	0	2	2
		Expected Count	1.9	.1	.0	2.0
Total		Count	74	4	2	80
		Expected Count	74.0	4.0	2.0	80.0

Table 7 illustrates a contingency table representing hypothesis one. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire. The responses in table 7 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis one through the data in table 1. is presented in table 7.

Table 7
Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	104.908[a]	4	.000
Likelihood Ratio	27.997	4	.000
Linear-by-Linear Association	58.731	1	.000
N of Valid Cases	80		

a. 8 cells (88.9%) have expected count less than 5. The minimum expected count is .05.

Based on the result in table 7 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non- parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 104.908,

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

Table 7: Lack of detailed information by the customer can affect the packaging of loan facility * Banks' customers' provide the complete & necessary information required to process a loan facility

Crosstab

			Banks' customers' provide the complete & necessary information required to process a loan facility			Total
			YES	NO	NO RESPONSE	
Lack of detailed information by the customer can affect the packaging of loan facility	YES	Count	22	53	0	75
		Expected Count	22.5	50.6	1.9	75.0
	NO	Count	2	1	0	3
		Expected Count	.9	2.0	.1	3.0
	NO RESPONSE	Count	0	0	2	2
		Expected Count	.6	1.4	.0	2.0
Total		Count	24	54	2	80
		Expected Count	24.0	54.0	2.0	80.0

Table 2 illustrates a contingency table representing hypothesis one. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire.

The responses in table 8 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis one through the data in table 8 is presented in table 8

Table 8

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	81.936[a]	4	.000
Likelihood Ratio	20.409	4	.000
Linear-by-Linear Association	5.873	1	.015
N of Valid Cases	80		

Based on the report in table 8 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2} = 81.936$

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.05 or 5%

Table 8: Lack of detailed information by the customer can affect the packaging of loan facility * Bank carry out a detailed assessment of the customer's loan request

Crosstab

			Bank carry out a detailed assessment of the customer's loan request			Total
			YES	NO	NO RESPONSE	
Lack of detailed information by the customer can affect the packaging of loan facility	YES	Count	60	13	2	75
		Expected Count	59.1	12.2	3.8	75.0
	NO	Count	3	0	0	3
		Expected Count	2.4	.5	.2	3.0
	NO RESPONSE	Count	0	0	2	2
		Expected Count	1.6	.3	.1	2.0
Total		Count	63	13	4	80
		Expected Count	63.0	13.0	4.0	80.0

Table 3 illustrates a contingency table representing hypothesis one. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire.

The responses in table 3 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis one through the data in table 9 is presented in table 1

Table1

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.695[a]	4	.000
Likelihood Ratio	14.470	4	.006
Linear-by-Linear Association	12.297	1	.000
N of Valid Cases	80		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .10.

Based on the results in table 9 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2 =}$ 39.695,

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

SUMMARY OF ANALYSIS ONE

From the table (1) - (3), It is discovered that P-value i.e. 0.000, 0.000, 0.000 is less than α-value i.e. 0.05.

Decision rule:- Reject H_0, if P-value is less than the α-value which is 95% significance level otherwise reject H_1.

Therefore, we reject H_0 and accept H_1

Conclusion: - We can say that the unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has played a significant role in the increase in occurrences and consequences of bad debts.

HYPOTHESIS TWO

H_o: securitization in bank lending has no significant effect on bad debts of commercial banks in Nigeria.

H_i: securitization in bank lending has a significant effect on bad debts of commercial banks in Nigeria.

However, hypotheses two relates questions and will be tested based on the result of this analysis. **Analysis 2**

Table 1: The treatment of the issue of securitization in lending in bank's credit policy * poorly packaged loans usually result in bad debt

Crosstab

			Poorly packaged loans usually result in bad debt			Total
			YES	**NO**	**NO RESPONSE**	
The treatment of the issue of securitization in lending in bank's credit policy	STRICT	Count	68	5	1	74
		Expected Count	68.5	4.6	.9	74.0
	NOT TOO STRICT	Count	4	0	0	4
		Expected Count	3.7	.3	.0	4.0
	NO RESPONSE	Count	2	0	0	2

		Expected Count	1.9	.1	.0	2.0
Total		Count	74	5	1	80
		Expected Count	74.0	5.0	1.0	80.0

Table 1 illustrates a contingency table representing hypothesis two. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire.
The responses in table was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis two through the data in table 1 is presented in table 1

Table 1

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.526[a]	4	.971
Likelihood Ratio	.974	4	.914
Linear-by-Linear Association	.348	1	.556
N of Valid Cases	80		

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2=}$ 0.526,

Probability Value (p- Value) = 0.971

Level of Significance (α) = 0.005 or 5%

Table 2: The treatment of the issue of securitization in lending in bank's credit policy * Inadequate collateral security provisions affect the incidence of bad debt in bank

Crosstab

			Inadequate collateral security provisions affect the incidence of bad debt in bank			Total
			GREAT EXTENT	AN EXTENT	NO EXTENT	
The treatment of the issue of securitization in lending in bank's credit policy	STRICT	Count	68	2	4	74
		Expected Count	66.6	1.9	5.6	74.0
	NOT TOO STRICT	Count	2	0	2	4
		Expected Count	3.6	.1	.3	4.0

NO RESPONSE	Count	2	0	0	2
	Expected Count	1.8	.0	.2	2.0
Total	Count	72	2	6	80
	Expected Count	72.0	2.0	6.0	80.0

Table .2 illustrates a contingency table representing hypothesis two. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire.

The responses in table 2.2 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis two through the data in table.2 is presented in table 1

Table 1

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	11.141[a]	4	.025
Likelihood Ratio	6.180	4	.186
Linear-by-Linear Association	.818	1	.366
N of Valid Cases	80		

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 11.141,

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

Table 3: The treatment of the issue of securitization in lending in bank's credit policy * Customers in most cases choose to default when they did not provide adequate collateral security

Crosstab

			Customers in most cases choose to default when they did not provide adequate collateral security			Total
			YES	NO	NO RESPONSE	
The treatment of the issue of securitization in lending in bank's credit policy	STRICT	Count	66	6	2	74
		Expected Count	64.8	5.6	3.7	74.0
	NOT TOO STRICT	Count	2	0	2	4
		Expected Count	3.5	.3	.2	4.0
	NO RESPONSE	Count	2	0	0	2
		Expected Count	1.8	.2	.1	2.0
Total		Count	70	6	4	80
		Expected Count	70.0	6.0	4.0	80.0

Table.3 illustrates a contingency table representing hypothesis two. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire.

The responses in table 3 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis three through the data in table 3 is presented in table 1

Table 1

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	18.270[a]	4	.001
Likelihood Ratio	8.505	4	.075
Linear-by-Linear Association	.986	1	.321
N of Valid Cases	80		

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non- parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 18.270, Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

SUMMARY OF ANALYSIS 2

From the table 1 and 1, it is discovered that P-value i.e. 0.025, 0.001 is less than α-value i.e. 0.05 except in table 1

Decision rule: - Reject H_0, if P-value is less than the α-value i.e. 95% significance level otherwise reject H_1. Where the p-value i.e. 0.971 is greater than 0.05.

Therefore, we to reject H_0

Conclusion: - We can say that securitization in bank lending has a significant effect on bad debts of commercial banks in Nigeria.

HYPOTHESIS THREE

Ho: effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes does not reduce the incidence of bad debts of commercial banks in Nigeria.

Hi: effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes reduces the incidence and occurrence of bad debts of commercial banks in Nigeria.

However, hypotheses three relates with data from the questionnaire and will be tested based on the result of this analysis.

Analysis 3

Table 1: Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria * Fund diversions are responsible for part of bad debt banks are carrying

Crosstab

			Could fund diversion be responsible for part of the bad debts your banks are carrying			Total
			YES	**NO**	**NO RESPONSE**	
Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria	YES	Count	65	4	0	69
		Expected Count	57.9	6.0	5.1	69.0
	NO	Count	3	3	2	8
		Expected Count	6.7	.7	.6	8.0
	NO RESPONSE	Count	0	0	4	4
		Expected Count	3.4	.3	.3	4.0
Total		Count	68	7	6	81
		Expected Count	68.0	7.0	6.0	81.0

Table 1 illustrates a contingency table representing hypothesis three. It shows the expected frequency and observed frequency of data collected through the questionnaire.
The responses in table 1 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis three through the data in table 1 is presented in table .1

Table 1

Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	69.729[a]	4	.000
Likelihood Ratio	41.443	4	.000
Linear-by-Linear Association	53.576	1	.000
N of Valid Cases	81		

a. 5 cells (55.6%) have expected count less than 5. The minimum expected count is .30.

Based on the report in table 3 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non- parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 69.729,

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

Table 2: Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria * Banks have a bad debt or special recovery mechanism aiding the recovery of some bad debts

Crosstab

			Banks have a bad debt or special recovery mechanism aiding the recovery of some bad debts			Total
			YES	NO	NO RESPONSE	
Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria	YES	Count	62	6	0	68
		Expected Count	56.1	8.5	3.4	68.0
	NO	Count	4	4	0	8
		Expected Count	6.6	1.0	.4	8.0
	NO RESPONSE	Count	0	0	4	4
		Expected Count	3.3	.5	.2	4.0
Total		Count	66	10	4	80
		Expected Count	66.0	10.0	4.0	80.0

Table 2 illustrates a contingency table representing hypothesis three. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire.

The responses in table 2 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis three through the data in table .2 is presented in table 1

Table 1

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	91.180[a]	4	.000
Likelihood Ratio	39.270	4	.000
Linear-by-Linear Association	46.539	1	.000
N of Valid Cases	80		

a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .20.

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 91.180,

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

Table 3: Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria * Department experienced serious cases of fund diversion in the past

Crosstab

			Department experienced serious cases of fund diversion in the past			Total
			YES	NO	NO RESPONSE	
Effective monitoring & evaluation reduce the incidence & occurrence of bad debts of commercial banks in Nigeria	YES	Count	68	1	0	69
		Expected Count	61.3	4.3	3.4	69.0
	NO	Count	4	4	0	8
		Expected Count	7.1	.5	.4	8.0
	NO RESPONSE	Count	0	0	4	4
		Expected Count	3.6	.2	.2	4.0
Total		Count	72	5	4	81
		Expected Count	72.0	5.0	4.0	81.0

Table 3 illustrates a contingency table representing hypothesis three. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire. The responses in table 3 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis three through the data in table 3

Table 1
Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	110.276[a]	4	.000
Likelihood Ratio	47.332	4	.000
Linear-by-Linear Association	61.678	1	.000
No of Valid Cases	81		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .20.

Based on the report in table 3 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2 =}$ 110.276

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

SUMMARY OF ANALYSIS THREE

It is discovered that P-value i.e. 0.000, 0.000, 0.000 is less than α-value i.e. 0.05.

Decision rule: - Reject H_0, if P-value is less than the α-value i.e. 95% significance level otherwise reject H_1. Therefore, we reject H_0

Conclusion: - We can say that effective monitoring and evaluation to preclude the diversion of facilities for unapproved purposes reduces the incidence and occurrence of bad debt of commercial banks in Nigeria

HYPOTHESIS FOUR

Ho: Bank management does not have an effect on the incidence of bad debts in commercial banks in Nigeria

Hi: Bank management has an effect on the incidence of bad debts in commercial banks in Nigeria

Analysis 4
Table 1: Bank management contributes to the incidence of bad debt * Inadequate collateral security provisions affect the incidence of bad debt in bank

Crosstab

			Inadequate collateral security provisions affect the incidence of bad debt in bank			Total
			GREAT EXTENT	AN EXTENT	NO EXTENT	
Bank management contributes to the incidence of bad debt	YES	Count	62	5	0	67
		Expected Count	55.4	8.3	3.3	67.0
	NO	Count	5	5	0	10
		Expected Count	8.3	1.2	.5	10.0
	NO RESPONSE	Count	0	0	4	4
		Expected Count	3.3	.5	.2	4.0
Total		Count	67	10	4	81
		Expected Count	67.0	10.0	4.0	81.0

Table .1 illustrates a contingency table representing hypothesis four. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire. The responses in table 1 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis four through the data in table 1 is presented in table 1

Table 1
Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	95.656[a]	4	.000
Likelihood Ratio	41.897	4	.000
Linear-by-Linear Association	47.769	1	.000

N of Valid Cases	81		

a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .20.

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2} =$ 95.656

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

Table 2: Bank management contributes to the incidence of bad debt * The experience of credit officer play a significant role in the incidence of bad debt

Crosstab

			The experience of credit officer play a significant role in the incidence of bad debt			Total
			YES	NO	NO RESPONSE	
Bank management contributes to the incidence of bad debt	YES	Count	61	6	0	67
		Expected Count	59.6	5.8	1.7	67.0
	NO	Count	9	1	0	10
		Expected Count	8.9	.9	.2	10.0
	NO RESPONSE	Count	2	0	2	4
		Expected Count	3.6	.3	.1	4.0
Total		Count	72	7	2	81
		Expected Count	72.0	7.0	2.0	81.0

Table 2 illustrates a contingency table representing hypothesis four. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire. The responses in table 1 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis four through the data in
Table 2 is presented in table .1

Table 1
Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	39.592[a]	4	.000
Likelihood Ratio	13.598	4	.009
Linear-by-Linear Association	11.571	1	.001
N of Valid Cases	81		

a. 6 cells (66.7%) have expected count less than 5. The minimum expected count is .10.

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 39.592

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

Table 3: Bank management contributes to the incidence of bad debt * Bank management & board have contributions to make for the approval of credit proposals for very large amounts

Crosstab

			Bank management & board have contributions to make for the approval of credit proposals for very large amounts			Total
			YES	NO	NO RESPONSE	
Bank management contributes to the incidence of bad debt	YES	Count	67	0	0	67
		Expected Count	62.9	2.5	1.7	67.0
	NO	Count	7	3	0	10
		Expected Count	9.4	.4	.2	10.0
	NO RESPONSE	Count	2	0	2	4
		Expected Count	3.8	.1	.1	4.0
Total		Count	76	3	2	81
		Expected Count	76.0	3.0	2.0	81.0

Table 3 illustrates a contingency table representing hypothesis four. It shows the count (observed frequency) and expected count (expected frequency) of data collected through the questionnaire. The responses in table 3 was further tested using the chi-square instrument of analysis, and the result of the test of hypothesis four through the data table 3 is presented in table 1

Table 1
Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	61.496[a]	4	.000
Likelihood Ratio	26.503	4	.000
Linear-by-Linear Association	31.203	1	.000
N of Valid Cases	81		

a. 7 cells (77.8%) have expected count less than 5. The minimum expected count is .10.

Based on the report in table 1 above, the chi-square analysis was done through (SPSS) computer analytic package. However, before the hypothesis related to the objectives of this research is tested, the derived evidence will be specified and analysis will be done through the non-parametric test of Chi-square;

Where the chi- square value i.e. $x^{2\,=}$ 61.496

Probability Value (p- Value) = 0.000

Level of Significance (α) = 0.005 or 5%

SUMMARY ANALYSIS FOUR

Decision rule: - Reject H_0, if P-value is less than the α-value i.e. 95% significance level, otherwise reject H_1. From the table 4.1.1 – 4.3.1, It is discovered that P-value i.e. 0.000, 0.000, 0.000 is less than α-value i.e. 0.05.

Therefore, we reject H_0

Conclusion: - We can say that the relationship between bank management and incidence of bad debts is a function of good principles of lending.

SUMMARY OF FINDINGS

This study attempted to empirically investigate Nigerian Deposit Money Bank's Credit Administration and incidence of Bad Loans in Nigeria. And below is the summary of findings discovered in the course of the study;

1. That the unwillingness of customers to volunteer adequate information and the bank's failure to carry out a detailed assessment of the customer's request has indeed played a significant role in the increase in the occurrences of bad debt.

2. That securitization in bank lending has a significant effect on bad debts of Deposit Money banks in Nigeria

3. That effective monitoring and evaluation is necessary to avoid the diversion of facilities to unapproved purposes and will help to reduce the incidence of bad debts in Deposit Money banks in Nigeria.

4. That poor bank management has an effect on the incidence of bad debts on Deposit Money Banks in Nigeria.

5. Furthermore, findings made from this study also established that lending practices constitutes an important function of Deposit Money banks. Therefore its management or administration should be given adequate attention.

Where discusion of this research?

CONCLUSION

Thus paper nothing about discusion of finding.

Giving the findings above in this study, we can safely conclude that:

1. Bad debt is as a result of a lot of anomalies in packaging, management and administration and so on. To administer credit effectively, efforts have to be made to obey and respect the cannons of good lending and ensure adequate control and supervision on the facility extended within the frame work of government regulation and prudential guidelines.

2. Also it needs to be stressed that sound lending requires a clear, well articulated and easily accessible policy document which spells out the philosophy of lending. This will ensure that loan losses are kept at a minimum via a programme which permits constant supervision on the projects being financed, easy identification of delinquent loans and instituting effective corrective measures. It is instructive to note that no one can have complete control of this environment, which in this case is banking, thus dominated by external factors such as economic and political situations and unpredictable behavior of human beings.

3. All these factors are subject to change and therefore increase the risk of bank lending, losses are normal in the business of lending money but they must not be disproportionately high to lending. Officers are therefore expected to continuously evaluate their loan portfolios and make adequate provisions for losses.

4. In conclusion, bad debts waste precious economic resources, it also put banks in jeopardy including distress and hinder economic development, therefore it is essential that the provision of prudential guidelines must be strictly adhered to by Deposit Money Banks.

RECOMMENDATIONS

The study strongly recommends the followings**;**

1. That customers seeking to use bank credit facilities must be able to provide adequate information stating that they are credit worthy, financially trustworthy, and able to repay loan, as agreed. They must be able to provide information relating to their business development, such as past accounts, records of profits and turnover, meaning; they must learn and keep modern accounts.
2. In addition, they must be able to provide acceptable collateral securities as evidence of their faith in themselves and the feasibility of the project.
3. It is also recommended that banks should organise regular training programmes for credit staff in areas like credit management, risk management and financial analysis. This would sharpen the knowledge and skills of credit officers so as to improve on their detailed assessment of the customer's request, which is quality credit appraisal, prevention of delayed loan approvals, compliance with credit policies and further enhance monitoring of credit.

4. Deposit Money banks should ensure regular and effective monitoring and supervision of loan facilities. Also credit offices at all branches and area offices should be provided with adequate resources in terms of, vehicles and other logistics, to support monitoring activities. This would prevent the diversion of funds into business ventures other than the agreed purposes thus, reducing the incidence of bad debts in Nigerian Deposit Money banks.

5. Lastly, **banks** should ensure that they establish a sound and effective credit committee to ensure that the credit facilities from packaging to repayment are properly monitored to avoid negative effect of large delinquent loans on banks lean resources. It is therefore necessary for bank managers to be rational and at the same time tactical in their decision making as this will reduce the incidence of bad loans.

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