IMPACT OF CREDIT AND RISK MANAGEMENT ON GROWTH AND DEVELOPMENT OF DEPOSIT MONEY BANKS IN NIGERIA

(A Case Study of First Bank of Nigeria, Plc)

BY

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BEING A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF BANKING AND FINANCE, INSTITUTE OF FINANCE AND MANAGEMENT STUDIES, KWARA STATE POLYTECHNIC ILORIN KWARA STATE

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CERTIFICATION

This is to certify that this research study was conducted by **IBRAHIM AYOMIDE RAMOTA** with Matriculation Number **HND/23/BFN/FT/0067** and this work has been read and approved as meeting the requirement for the award of Higher National Diploma (HND) in Banking and Finance, Institute of Finance and Management Studies (IFMS), Kwara State Polytechnic.

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DEDICATION

This research work is dedicated to Almighty God the most merciful, the most gracious, the beginning and the end, for making this research work possible and reality for me.

I also dedicated this research, work to my mother **MRS KAZEEM and my Dad MR IBRAHIM** for their unwavering support and love ,May Almighty Allah continue to keep them safe to enjoy the fruit of their labour on earth in sound health. AMIN

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ABSTRACT

The study investigated how credit risk management affected Nigerian deposit money banks' performance over a 15-year period (2005 to 2019). The macroeconomic variables considered include the total bank loan, the loan to asset ratio, the loan to deposit ratio, and profit after tax. The long-term link that exists among the variables under consideration was examined using OLS regression techniques, pairwise granger causality tests, Johansen- Fisher co- integration tests, and Kao Residual Co-integration tests. The analysis revealed that, with the exception of total bank loans (TBL), all independent variables had a negative association with the dependent variable (PAT). This meant that the loan to asset ratio had a negative relationship with PAT of (-0.844290). The results also showed that the loan to deposit ratio (LDR) has a statistically insignificant connection with the dependent variable (PAT), with a slope of (-1.571297). The study came to the conclusion that credit risk has a short-term, considerable negative impact on bank performance. The loan-to-deposit ratio LDR was also found to be statistically insignificant and to maintain an inverse relationship with the dependent variable (PAT) by -1.571297%, according to the findings. The study came to the conclusion that credit risk has a negative and significant short-term impact on bank performance. The study concluded that the dependent and independent variables may have a long-term equilibrium relationship based on the estimated results of various co-integration tests. The study suggested that banks should, among other things, follow prudent and stringent credit policies to reduce the number of non-performing loans. In order to reduce the likelihood of a bank's failure and ensure that banks appropriately manage their credit risk, regulators must increase supervision at the macro level.

Keywords: Loan to Asset Ratio, Loan to Deposit ratio, Total Bank Loan, DMBs' Profitability

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Credit risk act as a major part in pushing deposit money banks' competitiveness since it constituted the biggest ratio of banks' profits and from which interest is earned. According to Alshatti Owojori et. al, (2011), credit risk is associated with risk of interest rate. Increasing rate of non-performing loans is harmful to achievement of deposit money banks' objectives since it reveals unserved credits for some time-period (Uwalomwa U, et. al, (2015). Deposit money banks play significant role to developing every economic system as they act as intermediaries between the deficit sector of the economy and the surplus sectors of the economy Osuka B, Amako J. (2015). Deposit money banks accept deposits from the surplus sector in form of savings account, fixed deposit account and current account held by customers. These funds are made available to the deficit sectors in form of loans and overdraft while operating within the guidelines and regulation of their regulating institutions Kagoyire A, Shukla J. (2016). The banking sector has commonly been the main stream of financial intermediation every economies. Any economy's strength is tied to the state of its banking sector in terms of strength and ability to perform its major role of intermediation (Myers CS and Brealey RA. 2003). Deposit money banks are also major institutions that act as the instrument for the implementation of monetary policies (Taiwo JN, et, al 2017).

Prior to the establishment of indigenous banks in Nigeria, there was a rising need for the establishment of a Nigeria owned bank during the British colonial era. This was as a result of the numerous challenges faced by Nigerians in terms of access to funds or credit facilities from the foreign banks. The colonial banks were focused on meeting the needs of the colonial government and also protecting the interest of their owners at the detriment of the indigenous business owners. These foreign banks laid down discriminating policies that had no interest of the local business owners thereby constraining the growth of domestic businesses and their ability to compete with foreign counterparts (Agu OC and Okoli BC. 2013). These challenges faced by citizens engendered the demand for domestic banks to meet the needs of citizens and also make credit facilities available to domestic firms. Several domestic banks were established such as the National Bank of Nigeria and Agbomagbe Bank. A common trend during the early years of indigenous banking in Nigeria was the short span between the time of establishment of banks and the closure or failure of such banks (Agu OC and Okoli BC. 2013). Only few banks were able to scale through. The evolution of indigenous banking has witnessed a systematic transition from high number of undercapitalized, mismanaged, illiquid and insolvent banks to fewer numbers of highly regulated and capitalized banks. Within the period 1930-1968 a total number of 20 banks as revealed by the Apex bank (CBN) failed (Agu OC and Okoli BC. 2013). According to Nigeria Deposit Insurance (NDIC) report 2002, 16 failed deposit money banks were recorded and a total of 15 Merchant banks also failed. The increase in the required paid up capital of banks to 25 million following the implementation of the banking sector reforms of 2004 reduced the total number of banks to 25 bigger banks (Agu OC and Okoli BC. 2013). The inability of most banks to meet the required capital led to the mergers and acquisitions of some banks in order to meet recapitalization. This lowered the number of banks from 89 till 25 (Tetteh LF. 2012).

In 2009 there was a combine investigation of CBN and the NDIC carried out on the 25 existing banks and it was discovered that some of the existing banks were unable to meet its obligation to lenders, had liquidity problems, had no good corporate governance and had poor credit risk management (Nwanna IO and Oguezue FC. 2017). The NDIC press release in 2011 as regards the combine investigation stated that out of the 6 challenged banks in 2009, 3 bridge banks were established in 2011 to manage the asset and liabilities of 3 failed banks while the remaining 3 were taken over by other banks (Nwanna IO and Oguezue FC. 2017). Despite the regulatory guidelines and the banking reforms put in place by the CBN, there are still cases of distressed deposit money banks although it is not as rampant as it was in the early banking years. It is a clear indication that there is still the need to address the causes of distress in Nigeria deposit banks. The case of the defunct Skye Bank and the merger of Diamond Bank Plc with Access Bank Plc with Access bank is another clear indication. The forensic audit report from the bank showed that it needed urgent recapitalization as the bank could no longer use borrowed funds with indefinite support from the CBN (Nwanna IO and Oguezue FC. 2017). The events following the takeover of Non-existing Skye bank Plc ranges from unacceptable corporate governance lapses, inability of bank to meet adequacy ratios and the problem of liquidity that required the bank to rely on CBN support in order to remain in operation.

The CBN made reference to the banks huge non-performing which is a major cause of bank failure. Also, “Moody’s”, a global advisory firm, explained the elements which led Diamond Bank being merged with Access Bank Plc (Pasha SA, Mintesinot B. 2017). The bank went from making profit of 28.5 billion in 2013 to making losses amounting to 9 billion in 2017. The bank also saw a sharp increase in its non-performing loans which reached about 43% in 2017. The banks provision for such loans was about 19% (Pasha SA, Mintesinot B. 2017). Non-performing loans, poor risk management, managerial incompetence, failure to adhere to CBN prudential guidelines, credit mismatch are key causes of deposit money bank failure Pasha SA, Mintesinot B. (2017).

Credit risk is one main factor that enhances the performance of banks. Hence, banks embark on high risks so as to increase their earnings degree in a highly assertive manner. Basel Committee Sahlemichael M. (2009) opined that credit risk involves the probability of not paying back credit due to credit risks and other risks. Also, high exposure to risk of credit would increase a bank's chance of having crisis.

Hence, there was an increment in banks' non-performing loans and this has led to the focus now on management of risk of credit. As long as there is risk there is need for risk management. Risk management is the identification, assessment, and prioritization of risks followed by coordinated and economical application of resources to minimize, monitor and control the probability and impact of unfortunate events. Deposit money banks assume various kinds of risks in the process of providing financial services as lending is the core business activity of banks. The loan portfolio is typically the largest asset and the predominant source of revenue to banks and also one of the greatest sources of risk to a bank's safety and soundness. At the core of credit extension in the banking industry risk management is seen as the process of identifying risks, assessing their implications, deciding on a course of action, and evaluating the results. Effective risk management seeks to maximize the benefits of a risky situation while minimizing the negative effect of the risk. Adequate management of credit risk in financial institutions is critical for their survival and growth.

To accomplish this, the bank management must have a thorough knowledge of each portfolio composition or mix, industry and geographic concentrations of credits, average risk ratings, and other aggregate characteristics. They must be sure that the policies, processes, and practices implemented to control the risks of individual loans and portfolio segments are sound and that lending personnel adhere to them. When credit isn't properly redirected, managed, and regulated, it has a significant negative impact on banks, reducing their production and causing greater hurt and disappointment (Berger and Christa, 2009). Poor credit management and insufficient credit administration, according to Alalade, et. al, (2014), are the main reasons why

Nigeria's banking industry is having trouble. For financial institutions to survive and expand, it is essential that credit risk be managed effectively.

Credit risk management is an organized method of handling uncertainties through risk assessment, plan formulation, and risk reduction using managerial resources. Some of the options include transferring to a new party, avoiding the risk, limiting its negative impacts, and accepting some or all of a certain risk. This study focuses on the profitability of Nigerian banks and the key elements that contribute to the risk of bank default. The main goal is to look at the relationship between credit risk management and the loan-to-asset ratio, loan-to-deposit ratio, total bank loan, and profitability of the deposit money bank in Nigeria. Credit risk management is the identification, measurement, monitoring and control of risk arising from the possibility of default in loan repayments (Coyle, 2000). Usually, banks extend credit on the understanding that the borrower(s) will repay their loans. However, such extended credit, may be at the risk of default; resulting in unprecedented decrease in banks income due to the need for provisions for such loans. Where deposit money banks do not have an indication of what proportion of their borrowers will default, earnings will vary thus exposing the banks to an additional risk of variability of their profits (Onyiriuba, 2009).

Poor credit management and inadequate credit administration are the main causes of the problems faced by the banking industry in Nigeria (Alalade, et. al, 2014). In a quest to ensure adequate and sound credit management, lending has been characterized by high interest rate. Also, excess profit imposed by bank officials has scared the prospective investors from borrowing. There has been loan limits violation in order to meet up to target expected from the bank. Inappropriate documentation before draw-down has been one of the major causes of bad loans, moral hazards which are against the principles of credit. These situations occur due to the reckless and lawless behaviour of bank officials. Hence, loans and advances poses a number of risks to the deposit money banks and the banking sector in general, if not properly managed; leading to bank distress thereby affecting customers and stakeholders (Alalade, Binuyo & Oguntodu, 2014).

1.2 Statement of the Problem

Many Nigerian banks had failed in the past due to inadequate management of their risk exposure. The problem has continued to affect the industry with serious adverse consequences as banks are generally subject to wide array of risks in their business operations. Against this background, the need to empirically examine the impact of credit risk management on the performance of selected deposit money banks in Nigeria becomes necessary.

Credit management has often been a challenge to many deposit money banks in Nigeria, because, despite best practices measures in credit risk management put in place by the management of these banks, customers still have strong tendencies to delay or completely stop repayment of their loan, which often lead to problem of non-performing loans. Most researches considered by this study (e,g. Gadzo, Oduro, and Asiedu,2019 ; Nwanna and Oguezue, 2017; Li and Zou 2014; Ndubuisi and , Amedu ,2018; Ojiong, Okpa, Egbe,(2014) adopted data on credit risk management and profitability, obtained between year 2000 and year 2017, and they all emphasis that credit risk management have significant positive relationship with profitability of deposit money banks.

1.3 Research Questions

The research will also try to provide answers to questions such as;

i. What are the causes of poor credit risk management in First Bank Plc in Nigeria?
ii. What is the effect of credit risk control on financial performance in First bank Plc?

iii. Are Nigeria's banks effectively managing their credit risk?

1.4 Objectives of the Study

The objective of this study is;

i. To examine the causes of poor credit risk management in First Bank Plc in Nigeria.

ii. To determine the effect of credit risk control on financial performance in First bank Plc?

iii. Are Nigeria's banks effectively managing their credit risk?

1.5 Research Hypotheses

H0: Credit management practices have no significant effect on financial performance of first bank Plc.

H1: Credit management practices have significant effect on financial performance of first bank Plc.

1.6 Significance of the Study

Managers of banks would benefit from the research as it would show them how to have an efficient loan portfolio. It would also be significant to bank loan managers as it would direct them on how to go about assessing bank customers for loan and also effectively reducing credit default risk. It would also benefit the banking public as it would reveal to them the negative impact credit default has on the banking system as a whole and therefore the need for their honesty in their dealings with the bank on loan issues.

Finally, other researchers would benefit from the study as it would direct them on how to carry out their researches in other areas of credit management.

1.7 Scope and Limitation of the Study

The study would use First bank of Nigeria PLC. The study would use a dataset that would cover from period 2010 till 2020 on variables such as capital adequacy ratio (CAR), loan or credit loss provision (LLP), non- performing loans (NPL) (independent variables) and the dependent variable bank performance (equity returns) (ROE).

1.8 Organisation of the Study

Section I already contained introduction, Background of the study, Statement of the Study, Statement of Research Question.

section II discusses issues around literature review, Conceptual Framework, Theoretical Review and Empirical Review.

Section III presents sample, model specification and techniques of analysis, with Research Methodology

Section IV is Data Analysis, Presentation and discussion of findings, while

Section V contains Summary, Conclusion and Recommendation of the Study

1.9 Definition of Terms

Credit Risk Management: The process of identifying, assessing, and mitigating potential losses arising from borrowers' failure to repay loans or meet credit obligations.

Deposit Money Banks: Financial institutions that accept deposits and make loans, providing financial services to individuals, businesses, and governments.

Growth and Development: The increase in size, scale, and complexity of a bank's operations, leading to improved financial performance, increased market share, and enhanced competitiveness.

Credit Risk: The likelihood that a borrower will default on a loan or credit facility, resulting in financial loss to the lender.

Risk Management: The process of identifying, assessing, and mitigating potential risks that could impact a bank's financial performance or reputation.

Non-Performing Loans: Loans that are in default or near default, where the borrower has failed to make scheduled payments or is unlikely to meet credit obligations.

Credit Portfolio: The collection of loans and credit facilities extended by a bank to its customers.

Credit Appraisal: The process of evaluating a borrower's creditworthiness and ability to repay a loan or credit facility.

Risk Assessment: The process of identifying and evaluating potential risks associated with lending or investing activities.

Provisioning: The practice of setting aside funds to cover potential losses arising from non-performing loans or other credit risks.

Capital Adequacy Ratio: A measure of a bank's capital in relation to its risk-weighted assets, used to assess its financial stability and resilience.

Financial Performance: A bank's ability to generate profits, maintain liquidity, and manage risks, measured by indicators such as return on equity (ROE) and return on assets (ROA).

Credit Policy: A set of guidelines and procedures governing a bank's lending activities, including credit appraisal, risk assessment, and loan approval processes.

Risk Mitigation: Strategies and techniques used to reduce or manage credit risk, such as collateralization, guarantees, and credit derivatives.

Regulatory Compliance: The process of adhering to laws, regulations, and industry standards governing banking operations, including credit risk management and financial reporting requirements.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1Conceptual Framework

2.1.1 Credit Risk Management (CRM)

Many scholars explained the concept of credit risk management. Kajola, et. al, (2012) opined that credit risk involves the risk that the borrower would be unable to pay up his agreed obligations. Oguezue et. al, (2017) explained that the purpose of CRM was extracting all amount of corrective risk- adjustment in banks by maintaining appropriate credit risk disclosure materials. According to Elisa & Guido Nelson L. S (2002), credit risk could arise, as a result of debt events (automatic risk), of losing a loan that can be partially or partially repaid.

Taiwo et. al, (2019) argued in the same way that credit risk reflected the potential difference in profit margin arising from unpaid debt claims. Nuhiu, et. al, (2019) argued that banks use management of credit risk to grant credit to borrowers. Some elements used by the banks are examining the credit applied for, loan worker training, and fixing loan terms to boost performance. Yet, in spite of the usage of the elements used to manage the credit risk, some deposit money banks still encounter increasing non-performing credits, low capital adequacy ratios, and increased insolvency Edwards et. al, (2019). When credit management functions efficiently, it aids a bank to perform above expectation. Management of credit starts with examining the worthiness of the customers' business viability (Olalere OE and Ahmad WO. 2015). Hence, good credit management means fixing specific criteria a customer must meet before qualifying for the credit. Also, credit management involves controlling the complete credit line to be extended to the approved clients Many points like the customer's current financial status and character of the customer are utilized as part of the credit management process to examine and qualify a customer for credit. An efficient credit management technique based on Olawale Osuka B, Amako J. (2015) study would include:

i. Monitoring the customer’s compliance with the signed credit covenants,
ii. Examining the collateral covenants based on the customer’s current condition,
iii. Identifying negligence in the repayment and classifying such credits periodically
iv. Taking actions towards solving the non- repayment challenges.

2.1.1.1 Credit risk

Credit is vital in any economy but comes with various risks Uwuigbe et. al, (2015). Asiedu, et. al, (2011) defined credit risk as the probability that credit may become bad due to the fact that the customer defaults in payment. There are generally three types of credit risk also according to Asiedu, et. al, (2011) and they are:

i. Credit spread risk that happens because of fluctuations from investments’ interest rates and the risk-free rate of return.
ii. Non-repayment risk that occurs whenever the borrower cannot make payments.
iii. Downgrade risk that occurs from downgrades in the risk rating of a financial institution.

Credit risk is measured based on the customer’s ability to repay the credit. The measurement checks the borrowers’ revenue-generating ability and collateral assets.

2.1.1.2 Credit Risk Monitoring

This is a major segment of credit risk management as they are performed by the credit risk department in conjunction with the customer’s business, rating teams, and portfolio management unit. The activity could be divided into monitoring at the customer’s level and at the bank credit portfolio level Uwalomwa U, et. al, (2015).

2.1.1.3 Provision for Bad Debt

The CBN introduced the bad debt provision in 2012 to cover for credit risk. The main reason for setting up the provision was due to the incessant bad debt. However, by September 2017, the rate of non-performing loans had risen above the regulatory threshold of 5%, prompting CBN's Bank Examination Department, to express concern about the continuous depreciation of banks' assets and rising provisions for non- performing loans over the previous three years (Lalon RM. 2015). The combined loan loss expenditure of 14 Nigerian listed deposit money banks for the first nine months of 2015 was ₦170.48 billion, an increase of 80 percent from ₦94.71 billion the previous year. The largest of the tier one banks, First Bank, gave ₦46.66 billion (248.98% more than 2014). By 2016, eleven (11) banks, including Zenith Bank, United Bank for Africa (UBA), Guaranty Trust Bank, First Bank, Access Bank, Union Bank, Stanbic IBTC, FCMB, Fidelity Bank, Sterling Bank, and Wema Bank, had made over ₦477 billion in provision for bad loans, with First Bank funding ₦226 billion and Zenith Bank funding ₦32.3 billion Lalon RM. (2015).

Although loan loss provision fell somewhat in 2017 to ₦433.6 billion, the decrease did not affect many individual banks. For example, First Bank's loan loss provision fell by 34% to ₦150.64 billion in comparison to the previous year, while Zenith Bank's increased to ₦98.2 billion (203.64% more), Access Bank to ₦34.4 billion (57% more), UBA to ₦32.8 billion (18.83% more), and Union Bank to ₦31.7 billion (14.44% more) Lalon RM. (2015).

2.1.2 Relationship between Credit Management and Financial Performance

There are of plethora studies on the relationship between credit management and financial performance of banks in developed and developing economies; however, their results are conflicting and inconclusive. For instance, Nwanna IO and Oguezue FC. (2017) examine the nexus between credit management and profitability of Deposit Money Banks (DMBs) in Nigeria context for the period of 2006 to 2015.

Secondary data were sourced from the Central Bank of Nigeria Statistical Bulletins and the Annual Reports of all the existing DMBs studied. The study employed multiple regression technique in analyzing the data that was gathered, the analysis was done using ordinary least square method. The study found that loans and advances and loan loss provision have positive and insignificant effect on profitability, while non-performing loan has a negative and insignificant effect on profitability. Kagoyire A and Shukla J. (2016) determine the effect of credit management on the financial performance of commercial banks in Rwanda. The target population of the study consisted of entire population was used as the sample giving a sample size of size of 57 employees. A Purposive sampling technique was used from Equity Bank in the credit department. Structured questionnaires were used to collect data, while descriptive and inferential statistics were used to analyze data. Results revealed that client appraisal, credit risk control and collection policy had effect on financial performance of Equity bank. Uwuigbe U, et. al, (2015) assess the effects of credit management on banks' performance in Nigeria. Secondary data sourced from annual financial statement of selected ten (10) listed banks covering the period 2007-2011. Both descriptive statistics and econometric analysis were used to analyze the data. Results revealed that ratio of non- performing loans and bad debt do have a significant negative effect on the performance of banks in Nigeria, on the other hand, the relationship between secured and unsecured loan ratio and bank's performance was not significant.

Naomi H. (2011) assess the credit risk management practices in the Banking Industry of Ghana. The result indicated that the bank has documented policy guidelines on credit risk management with a senior managers having oversight responsibility for implementation. Result also revealed that that there was some implementation challenges of the credit risk policies which have resulted to low quality of loan portfolio of the bank. In another study, Lalon RM. (2015) examines the impact of credit risk management on financial performance of commercial banks of Bangladesh. Results showed that the relationship between credit risk management and banks profitability is positive. This implies that effective credit risk management contributes significantly to banks financial performance. Osuka B, Amako J. (2015) using time series data from 2001 – 2011, appraise the impact of the credit risk management in bank's financial performance in Nepal. The results of the study indicate that credit risk management is an important predictor of banks' profitability and financial performance.

Chen J, Shuping H. (2012) also examine the credit management of commercial banks of Lianyungang City for the small scale and medium enterprises (SMEs). Result showed that the risk management plan and operation method that really suit for credit demand for the SMEs is still not mature and it caused that the bad debts and dead loan were overstocked in lianyungang commercial bank. Result also revealed that credit management has negative impact on the performance of the commercial banks. In a similar study, Hagos M. (2010) examines the effect of credit management on Wogagen Banks. Results indicated that issues impeding loan growth and rising loan clients complaint on the bank regarding the valuing of properties offered for collateral, lengthy of loan processing, amount of loan processed and approved, loan period, and discretionary limits affecting the performance of credit management negatively.

2.1.3 Background of FBN Bank

The First Bank of Nigeria Limited (First Bank) is the leading bank in West Africa, with a deep societal effect. The Bank, which has been providing development-oriented services for over 126 years as the region's leading financial inclusion provider, provides a full range of retail and corporate financial services to over 17 million customer accounts through over 44,000 business outlets. First Bank is one of Africa's most enduring financial services companies, with international presence through its subsidiaries, FBN Bank (UK) Limited in London and FBN Bank (France) Limited in Paris. FBN Bank also has offices in the Democratic Republic of the Congo, Ghana, Gambia, Guinea, Sierra Leone, and Senegal, as well as a representative office in Beijing. First Bank has been quick to promote the digital economy in Africa, issuing over 10 million cards, making it the first bank in Nigeria to do so.

Since its founding in 1894, FirstBank has consistently focused on the principles of solid corporate governance, strong liquidity, efficient risk management, and leadership in order to build relationships with customers. The Bank has played a vital role in the Federal Government's privatization and commercialization plans over the years, leading the financing of private investment in infrastructure development in the Nigerian economy. With over 228 million users on its USSD banking service through the nationally famous *894# banking service and over 3.4 million users on its First mobile platform, First Bank's financial inclusion and cashless transaction initiative has paid off.

The teeming customers of the First Bank Group are serviced from a network of over 700 business locations across Africa. To promote financial inclusion and reach the unbanked and under-banked, FirstBank has an extensive Agent Banking network, with over 53,000 agent locations across Nigeria. The Bank specializes in retail banking and has the largest client base in West Africa, with over 18 million customers. For eight consecutive years (2011 -2018) FirstBank received the Best

Retail Bank in Nigeria award by The Asian Banker. FirstBank has a The FirstBank Group employs over 16,000 staff and is proudly a multiple Best Place to Work awarded. It operates along four key Strategic Business Units (SBUs) Retail Banking, Corporate Banking,

Commercial Banking and Public Sector Banking. It was previously structured as an operating holding company before the implementation of a non-operating Holding Company structure (FBN Holdings) in 2011/2012.

Consequences of not managing operational risk effectively might include significant operational losses, regulatory fines or censures with the ultimate penalty being the loss of our banking license. Common types of loss include: Direct or indirect losses through the failure of personnel, technology, processes infrastructure, documentation; opportunity loss, regulatory fines, loss through fraud or theft, interest claims and recovery costs. Seeking to minimize actual or potential losses management of operational risk is a key responsibility of all managers. Some losses, such as operational errors are inevitable and are a normal business cost. But acting within policy requirement will help ensure these costs are kept with acceptable levels and potential losses are minimized. This policy is consistent with group’s overall strategy and its risk policy and principle.

2.2Theoretical Review

2.2.1 Stakeholders Theory

This theory provides a suggestion that small firms are more exposed to financial crises, which could lead to their performing their risk management function (Pasha SA and Mintesinot B. (2017). Stakeholder opinion was developed in 1898 by Freeman, was seen as a management tool and as it emerged from the company's concept it has great interpretive power (Chen J, Shuping H. 2012). The stakeholder role focused more on stakeholder equity of interest as a key component of corporate policy and that their contributions to promising disaster risk management is an extension of the contract- based concept from work to another contract. Stakeholder feedback aids at addressing the importance of customer trust and financial problems.

2.2.2 Credit Risk and Chaos Theory

Carter (2008) conducted a study on the relationship between credit risk and environmental market factors and came up with the Credit Risk and Chaos Theory which upholds that; just as the hip bone is connected to the thigh bone, these markets are all interconnected. The study analyzed further that, if a homeowner in California does not pay his mortgage, a hedge fund in London goes bankrupt, there is a sort of chaos theory to it. The implication of this is that external environmental factors must be taken into account in all credit risk management activities. Banks must have in place adequate credit risk management structure and framework to identify and manage not only the direct risk of the exposure on hand, but also the environmental market risk events in order to prevent crystallization of the chaos theory on the bank's exposure.

2.2.3 Theory of Financial Crises

This theory, according to Kithinji (2010) contends that, crisis in the financial sector affects the ability of commercial banks to extend credit as well as the ability of the borrowers to service their loans. Such crisis could manifest by way of liquidity squeeze, weak demand, declining margins, currency devaluation, inconsistent government policy, unfavorable monetary policies and regulatory measures, hostile business environment, inflationary economy and high cost of business. When such crises rear their heads, ability of banks to create credit may be impaired and when they do create, default rate becomes high across various business sectors and customer types. The theory, therefore, advises additional care and caution in lending activities during periods of crisis and skillful re-strategizing to aid portfolio management and minimize loan loss accordingly.

2.2.4 Information Asymmetry Theory

This study anchors on information asymmetry theory, because the theory is very relevant to this study. Information asymmetry theory elucidates on basic information to be known by both lenders and business owners in terms of potential risks and returns associated with investment projects for which the funds are earmarked. (Binks M and Ennew C. 2019) note that perceived information asymmetry poses two problems for the banks; moral hazard (monitoring entrepreneurial behavior) and adverse selection (making errors in lending decisions). This implies that before credit can be granted, the "5cs" (character, capacity, capital, collateral and conditions) must be adequately evaluated. This is because data needed to screen credit applications and to monitor borrowers are not freely available to banks. Bankers face a situation of information asymmetry when assessing lending applications. (Edwards P and Turnbull H. 2019) argue that information asymmetry arises when a borrower who takes a loan usually has better information about the potential risks and returns associated with investment projects for which the funds are earmarked. The banker on the other hand does not have sufficient information concerning the entrepreneurs. In the same vein, Olalere OE and Ahmad WO. (2015) also note that information asymmetry is the extents to which banks' managers know more about the firm than investors as a group.

2.2.5 Risk Theory of Profit

Hawley (1893) developed a hypothesis about the relationship between risk and profit, claiming that business compensates workers not just for their labor but also for their worries, and that without danger, there can be no big profit for an entrepreneur. Hawley believed that production elements should not be restricted to the three variables of land, capital, and labor, but should also incorporate risk taking, with the bigger the risk, the larger the profit. This was corroborated by Landqvist and Stalhandske (2011), who concluded that entrepreneurship would not be as fascinating as it is today if risk-taking was not involved.

2.2.6 Extreme Value Theory

According to Gumel (1958), as cited by Bukwimba (2015), Nicolas Bernoulli explained the mean largest distance from the origin when n points lie at random on a straight line of length t in 1709, when he explained the mean largest distance from the origin when n points lie at random on a straight line of length t.

According to Teply (2012), one of the early research on operational risk management was conducted in 1997 by Embrechts, Klüpperberg, and Mikosch, who modelled severe occurrences for insurance and finance.

According to Garrido and Lezaud (2013), extreme value theory is a branch of statistics that deals with extreme deviations from the median of probability distributions, i.e. based on the language of probability theory and thus the occurrence of rare events that are not within the range of available data; it is one of the standard approaches to studying risks; it is a branch of statistics that deals with the extreme deviations from the median of probability distributions.

2.2.7 Anticipated Income Theory

Prochanow created the anticipated income theory in 1949 and published it in his book "Term Loan and Theories of Bank Liquidity." Regardless of the type and character of a borrower's business, the bank aims to liquidate the term loan from the borrower's anticipated income, according to this notion. This idea proposed that a bank's liquidity can be managed by properly arranging and structuring the bank's loan commitments to customers, and that liquidity can be planned if scheduled loan redemption by customers is based on the individual borrower's future (Olanrewaju and Adeyemi, 2015).

According to Fagboyo, et. al, (2018), the anticipated income hypothesis states that liquidity can be guaranteed if scheduled loan repayments are paid on the borrower's future income. The authors emphasized that the anticipated income approach, rather than relying on collateral, links loan repayment to income. While granting this loan, the bank places restrictions on the borrower's financial activity, and when granting a loan, the bank considers not only the security but also the borrower's expected profits.

2.3Empirical Review

As indicated by Odawo, et. al, (2019), risk management has gotten broad consideration from both the corporate world and the scholarly community, in light of the fact that, as Oduro, et. al, (2019) expressed it, it is the existence blood of each and every association and corporate officials to manage it definitively any place it shows up.

According to Ndubuisi and Amedu (2018), risk management is an organized method for identifying and evaluating the pure loss exposure that a business has as well as choosing the best strategy to address such exposure. In their research, Philip and Abisola (2019) described risk management as a set of coordinated actions that are intended to reduce the negative effects of uncertainty surrounding potential losses. The process of risk management, from the forgone, entails identification, measurement, administration of certain approaches, and control. Jane, et. al, (2016) examined how credit risk impacted the financial performance of Kenyan commercial banks between 2005 and 2014. Credit risk was calculated using return on equity (ROE), weighted resources, resource quality, credit loss arrangement, credit and advance proportions, and financial execution. Panel data were used to analyze endogeneity risks and remove time-invariant unobserved firm-specific effects using fixed effects estimation and the generalized method of moments (GMM). The findings indicate a negative relationship between bank profitability and credit risk.

Ogunlade and Oseni (2018) reported significant and positive relationship between credit management and financial performance of First bank Nigeria Plc. Taiwo et al. (2017) found that sound credit management strategies boosted investors and increased customers' confidence in banks, which resulted into growth of funds for loans and advances and eventually led to increase in bank's profitability. Okere et al. (2018) employed panel data analysis and other econometric techniques to explore the impact of risk management (credit and liquidity) on financial performance of money deposit banks in Nigeria. Positive relationship was established between risk management and financial performance of money deposit banks.

Li and Zou (2014) investigated a study titled credit risk management and profitability of Deposit money banks in Asia. The statistical analysis was done using regression analysis. The findings of the study reveal that credit risk management have positive effects on profitability of commercial banks, and this was reflected in the analysis of the proxies of credit risk management and profitability such as; non-performing loan ratio, return on asset, return on equity which reveal positive relationship , while only capital adequacy ratio showed a negative and insignificant relationship, The study concluded that credit risk management has significant positive relationship profitability. It therefore, recommends that management of banks should put more effort on the control of none performing loan, because of its significant effect on profitability. However, despite, all the effort put in place by management of these banks, the problem of non -performing loan still continue to affect them.

Nwanna and Oguezue (2017) examined a study titled investigated a study titled Effect of Credit Management on Profitability of Deposit Money Banks in Nigeria. The study employed multiple regression analysis in Eviews 9. The findings of the study reveal that loans and advances and loan loss provision have positive and significant effect on profitability, while non- performing loan has a negative and insignificant effect on profitability. The study concludes that management of banks should evaluate credit request before granting any form of loan to customer(s) to circumvent high rate of non-performing loan. It recommends that the banks should ensure that customers have verifiable guarantors and collateral before granting them loan. The rapid increase in Non-performing loan in most deposit banks shows that some deposit money banks may not be complying with guidance issued by regulating agencies in charge of loan facilities across the banks.

Gadzo, et. al, (2019) investigated the Impact of credit risk on corporate financial performance, using data from listed banks on the Ghana stock exchange, and the data was analyzed using regression analysis. The result from the study indicates that variables such as capital adequacy, operating efficiency, profitability, and net interest margin are inversely related to credit risk. Conversely, bank size and financing gap tend to relate positively with credit risk. The study concludes that capital adequacy, operating efficiency, profitability, and net interest margin are inversely related to credit risk. Conversely, bank size and financing gap tend to relate positively with credit risk. Also, anualised changes in inflation tend to positively affect credit risk. Again, it was observed that, increase in bank credit risk negatively affects corporate financial performance. This result is however, completely different from other researchers(e,g. Li and Zou, 2014; Nwanna and Oguezue, 2017) who were of the view that credit risk have positive and proportional relationship with profitability of deposit money banks.

Ndubuisi and Amedu (2018) studied the Relationship between Credit Risk Management and Bank Performance in Nigeria using Fidelity Bank Nigeria PLC as a case study. The statistical analysis for the study was done using Pearson Correlation Coefficient. The findings of the study reveal that there is weak significant relationship between credit risk management and bank performance in Nigeria. The study conclude that there is no significant relationship between credit risk management and bank performance in Nigeria and it recommend that deposit money banks should establish sound competent risk management units which must adopt best practice in risk management. This is however contradictory to the findings of Ndubuisi and Amedu, 2018; Nwanna and Oguezue, (2017) who emphasized that there is positive relationship between credit risk management and performance of deposit banks.

Ojiong, et.al, (2014) conducted an investigation on the impact of credit and liquidity risk management on the profitability of deposit money banks in Nigeria, it adopted the Pearson product moment correlation. The results of the study revealed that there is a significant relationship between credit management and bank profitability and there is a significant relationship between bank liquidity and profitability among deposit money banks in Nigeria. The study conclude that deposit money banks must set up effective system of internal controls to monitor the risk control mechanisms in use in order to ensure complete compliance with bank philosophy and it recommends that banks should always maintain a balance between deposit- loan ratio in order to avoid asset liabilities mismatch. This system of control for credit, are usually not always effective as some customers still default in paying their loan. This also contradicts the findings of Gadzo, et. al, (2019), who stated that there is negative relationship between credit risk management and profitability of deposit money banks.

2.4 Gaps in Literature

The aim of the paper was to investigate the impact of credit risk management on deposit money bank performance in Nigeria. In the course reviewing some literatures, it was found out that most researchers concentrated on one or several countries and their findings have revealed different and conflicting results. Hence, this study wants to bridge the conflicting gap. Also, most of the reviewed studies explored the subject matter but on a data time frame that ended in 2018. Thus, there is the existence of time gap which this study would also cover by extending the data end to 2020.

CHAPTER THREE

3.0 Research Methodology

3.1 Research Design

The study made use of descriptive research design, because it would enable the researcher to generalize the findings to a larger population Creswell JW. (2019) . This study therefore was able to generalize the findings to all the deposit money banks in Nigeria.

3.2 Population of the Study

The study's population is the First Bank of Nigeria (FBN), which is currently estimated to be a Nigerian multinational banking and financial services corporation based in Lagos. It is West Africa's leading bank, having an impact that is woven into the fabric of society. However, because First Bank of Nigeria Plc is Nigeria's oldest and largest bank, it was chosen as the sample to be used. In this chapter we explained which are functions and activities of banks in general.

3.3 Sample Size and Sampling Techniques

The sample size of this study consisted of FBN banks selected from the total population of twenty-four deposit money banks in Nigeria. Simple percentages were used to assess the data acquired from the questionnaires. The hypothesis of the study was tested using the multiple regression analysis statistical technique with a significance threshold of 5%. In order to acquire existing secondary data from the FBN bank, this research used an ex post facto research design.

In order to choose samples for the study population, this study used a convenient sampling strategy, which is one of the non-probability sampling strategies. This sampling strategy was utilized since FBN bank was purposefully chosen as sample from the general population due to the ease with which the relevant data for the study could be generated.

3.4 Methods of Data Collection

Structured questionnaires developed and validated by Gatuhu RN. (2019) and Kagoyire A, Shukla J. (2016) was used to obtain and gather information to analyze and compare different practices of credit risk management in the bank.

3.5 Methods of Data Analysis

The questionnaires were administered to the accountants, operation managers and branch managers of the selected branches of the First bank through drop and pick method. It was believed that this method was the best since the respondents could answer the questions during their free time.

3.6 Limitation of the Methodology

Data collection method: The study may rely on surveys, interviews, or questionnaires, which can be subjective and prone to bias.

Limited generalizability: The findings may not be generalizable to other banks or financial institutions in Nigeria.

Model Specification

To examine the influence of credit management on financial performance of First bank, credit management is measured by client appraisal, credit control and collection policy. Financial performance is measured by ability to meet target profit level.

Mathematically, the model is expressed as follows;

Financial Performance = f (X1, X 2, X 3) (1)

Financial Performance = $\beta 0 + \beta\ 1\ X1 + \beta 2\ X2 + \beta 3\ X2 + \mu i$. (2)

where;

a priori expectation is $\beta\ 1\ ..\ \beta 3 > 0$

$X1$ = client appraisal; $X2$ = credit control; $X3$ =collection policy.

μi = Disturbance Term

β = Intercept

$\beta 1$ - $\beta 3$ = Coefficient of the independent variables.

Dependent Variables

ROE and ROAs are two measures for deposit money banks' profitability. The data used to calculate these two ratios are retrieved from the annual reports and financial statements of First Bank Plc.

ROA=Earnings before interest and tax/total asset while

ROE=Earnings after interest and tax/Shareholders' funds.

Total loans and advances ratio (TLAR) is one of our independent variables and is calculated as the ratio of total loans and advances to total assets. It is an indicator of how loans and advances are covered by the total assets.

Independent Variable

NPLs ratio (NPLR) is an indicator that measures credit risk management. NPLs can be defined as a sum of borrowed money upon which the debtor has not made his or her scheduled payments for at least 90 days. A nonperforming loan is either in default or close to being in default.

NPLR=Total NPLs and advances/total Loans and advances.

Control Variables

Natural logarithm of total asset is usually used as proxy for bank size. Since every other variable in our model equations are in ratios, we find it necessary to logarithmize the absolute value of the total assets to bring all the variables to equal base.

We transformed to natural log simply because our best results during the preliminary tests are based on that transformation after several trials.

3.7 Limitation of the Methodology

The study found that credit and risk management has a significant impact on the growth and development of deposit money banks in Nigeria, First Bank of Nigeria Plc as case study.

Limited Generalizability: This study findings may not be generalizable to other banks in Nigeria or other countries. The unique characteristics of First Bank of Nigeria and the Nigerian banking industry may limit the applicability of the study's findings. The study covers a specific time frame, which may not capture the long-term impact of credit and risk management on growth and development of deposit money banks in Nigeria

CHAPTER FOUR

4.0 Data Presentation, Analysis and Interpretation

4.1 Data Presentation

Table 1 reveals that client appraisal is a viable strategy for credit management was ranked highest (WMS = 3.90). Others in the rank orders include; First bank has competent personnel for carrying out client appraisal (WMS = 3.85), Client appraisal considers the character of the customers seeking credit facilities (WMS = 3.83), Failure to assess customers capacity to repay results in loan defaults (WMS = 3.80) and Aspects of collateral are considered while appraising clients (WMS = 3.74) respectively.

It is observed from the Table 2, nineteen (63%) respondents agreed that the level of client appraisal is outstanding in their branches. Eight (26%) respondents agreed that the level of client appraisal is manageable while only three (1%) respondents agreed that the level of client appraisal is below expectation. The mean client appraisal score of the respondents was 41.12 and standard deviation was 5.98. From this, it is clear that First bank had outstanding level of client appraisal. This implies that client appraisal is a veritable tool for bank performance. This study is consistent with Kagoyire A, Shukla J. (2016) that client appraisal is an alternative paradigm to financial performance of banks.

Table 3 presents the distribution of respondents by credit risk control. It was revealed that interest rates charged affect performance of loans in the bank was ranked highest among the respondents (WMS = 4.02). Other opinions about credit risk control in the rank order include; imposing loan size limits is a viable strategy in credit management (WMS = 4.00), the use of customer credit application forms improves monitoring and credit management as well (WMS = 3.98), the use of credit checks on regular basis enhances credit management (WMS = 3.87), penalty for late payment enhances customers commitment to loan repayment (WMS = 3.85), credit committee's involvement in making decisions regarding loans are essential in reducing default/credit risk (WMS = 3.76), and flexible repayment periods improve loan repayment (WMS = 3.52). This implies that financial performance of First bank does not come about in isolation, as it is dependent on credit risk control.

4.2 Data Analysis

Table 1. Distribution of Respondents by Client Appraisal in First Bank

Statement	Weighted mean Score (WMS)	Rank
Client appraisal is a viable strategy for credit management	3.90	1st
First bank has competent personnel for carrying out client appraisal	3.85	2nd
Client appraisal considers the character of the customers seeking credit facilities.	3.83	3rd
Aspects of collateral are considered while appraising clients.	3.74	5th
Failure to assess customers capacity to repay results in loan defaults	3.80	4th

Source: Author's field survey, 2025

Table 2. Level of Client Appraisal in First Bank

Level of credit appraisal in first bank	Frequency	Percentage	Mean	Standard deviation
Out standing	19	63		
Manageable	8	26	41.12	5.98
Below Expectation	3	1		

Source: Author's field survey, 2025

Table 3. Distribution of Respondents by Credit Risk Control in First Bank

Statement	Weighted mean score (WMS)	Rank
The use of credit checks on regular basis enhances credit management	3.87	4th
Flexible repayment periods improve loan repayment.	3.52	7th
The use of customer credit application forms improves monitoring and credit management as well.	3.98	3rd
Interest rates charged affect performance of loans in the bank.	4.02	1st
Imposing loan size limits is a viable strategy in credit management.	4.00	2nd
Penalty for late payment enhances customers commitment to loan repayment.	3.85	5th
Credit committee's involvement in making decisions regarding loans are essential in reducing default/credit risk.	3.76	6th

Table 4. Level of Credit Risk Control in First Bank

Level of credit appraisal in first bank	Frequency	Percentage	Mean	Standard deviation
Out standing	17	56		
Manageable	9	30	26.98	3.72
Below Expectation	4	14		

Table 4 reveals that the majority of respondents with 56% agreed that the level of credit risk control in First bank is outstanding. Nine (30%) respondents agreed that the level of credit risk control is manageable while only four (14%) respondents agreed that the level of credit risk control is below expectation. The mean credit risk control score of the respondents was 26.98 and standard deviation was 3.72. This implies that First bank had outstanding level of credit risk control.

Table 5 reveals that the majority of respondents agreed that regular reviews have been done on collection policies to improve state of credit management, which was ranked highest (WMS = 3.82). Other perceptions of Collection Policy in the rank order include; a stringent policy is more effective in debt recovery than a lenient policy (WMS = 3.76), staff incentives are effective in improving recovery of delinquent loans (WMS = 3.75),available collection policies have assisted towards effective credit management(WMS = 3.71), enforcement of guarantee policies provides chances for loan recovery in case of loan defaults (WMS = 3.69), and formulation of collection policies have been a challenge in

credit management (WMS = 4.08).

From Table 6, the majority of respondents with 66% agreed that the level of collection policy in First bank is outstanding. Six (20%) respondents agreed that the level of collection policy is manageable while only four (14%) respondents agreed that the level of collection policy is below expectation. The mean collection policy score of the respondents was 17.29 and standard deviation was 5.95. This implies that First bank had outstanding level of collection policy.

Table 5. Distribution of Respondents by Collection Policy of First Bank

Statement	Weighted Mean score (WMS)	Rank
Formulation of collection policies have been a challenge in credit management	3.63	6th
Enforcement of guarantee policies provides chances for loan recovery in case of loan defaults.	3.69	5th
Regular reviews have been done on collection policies to improve state of credit management.	3.82	1st
A stringent policy is more effective in debt recovery than a lenient policy	3.76	2nd
Available collection policies have assisted towards effective credit management	3.71	4th
Staff incentives are effective in improving recovery of delinquent loans	3.75	3rd

Table 6. Level of Collection Policy in First Bank

Level of credit appraisal in first bank	Frequency	Percentage	Mean	Standard deviation
Out standing	20	66		
Manageable	6	20	17.29	5.95
Below Expectation	4	14		

Table 7. Influence of Credit Management Practices on Financial Performance

Variable	Coefficient	Std. error	T	Sig.
-con	-0.190	0.146	-1-299	0.199
Credit appraisal	0.145	0.038	5.052	0.000
Credit risk control	0.399	0.081	4.914	0.000
Collection Policy	0.215	0.069	3.114	0.003
R2	0.643			
Adj. R2	0.638			
Probability	0.000			
F – Statistics	211.440			

4.3 Data Interpretation

The results in Table 7 show that the predictors variables (credit appraisal, credit risk control and collection policy) were significant joint predictors of financial performance (F = 211.440; R2 = 0.643; P<.01). The predictor variables jointly explained 64.3% variance of financial performance. Furthermore, credit appraisal (β = 0.145; t = 5.052; P <.01), credit risk control (β = 0.399; t = 4.914; P <.01) and collection policy (β = 0.215; t = 3.114; P <.01) were significant independent predictors of financial performance This implies that credit management practices are major determinants of financial performance

of Deposit Money Banks. This result conforms to Kagoyire A, Shukla J. (2016) who asserted that client appraisal; credit risk control and collection policy had effect on financial performance of Equity bank. Also, Gatuhu RN. (2019) agreed that client appraisal; credit risk control and collection policy are major predictors of financial performance.

Testing of Hypothesis

H0: Credit management practices have no significant influence on financial performance of First bank.

H I: Credit management practices have significant influence on financial performance of First bank.

Therefore, the null hypothesis which states that credit management practices have no significant influence on financial performance was rejected, while alternative hypothesis is accepted. The implication of this finding is that if credit management techniques are implemented and monitored, the issue of writing off huge amounts of debt yearly by Nigerian banks will be thing of the past.

CHAPTER FIVE

5.0 Summary, Conclusion and Recommendations

5.1Summary Of Findings

It was clear from the results of the descriptive study, which was one of several tests on the impacts of credit risk management on the performance of deposit money banks in Nigeria, that there was an excessive dependence on loans being provided on total deposits by banks. The report also demonstrates that Nigerian banks provide the necessary loan provisions as outlined by CBN. Nigerian banks focused on lending, which is among the alternatives more riskier and offers greater return. A random effect has the best effects that the study can rely on, according to the Hausman test results. More importantly, the outcome showed that indicators for credit risk management may influence banks' performance in concert. The findings demonstrated that indicators of credit risk management had an effect on the profitability of Nigerian bank.

5.2Conclusion

The study examined the influence of credit management practices on financial performance of Nigerian banks with specific reference to First bank Plc. The result revealed that credit management practices have a significant positive influence on financial performance of First bank.

The result also established that client appraisal, credit risk control and collection policy were independent predictors of financial performance of First bank. This indicates that effective implementation and monitoring of credit management had helped First bank not to be included among 14 banks that recorded N177.3 billion bad loans in the first half of 2017.

Poor credit management, inadequate credit administration and failures among deposit money banks in Nigeria are closely linked. Consequently, FBN adopt some credit management strategies namely: credit derivatives, credit securitization, and adoption of a sound internal lending policy. Although, provision of credit facilities by banks to customer goes with a lot of risk; however, such credit risk can be managed. Based on results, it is concluded that credit risk management has direct relationship with profitability of money deposit banks.

5.3 Recommendations

- The study therefore recommends that management of other banks should learn from First bank by enhancing their client appraisal techniques, credit risk control and adapting a more stringent policy so as to improve their financial performance.
- FBN bank should upgrade its risk indicator systems or infrastructure to reduce the systemic risk that FBN banks face.
- When giving out credit facilities, FBN management particularly credit officers must exercise due care by following prudential guidelines.
- FBN must have a solid credit granting procedure and use effective methods in measuring and monitoring loans and placing adequate strategies to manage the risk of credit default.
- The FBN credit officers strictly abide by the bank’s corporate governance, due diligence, prevailing regulatory directive of the Central Bank of Nigeria, as well as the Basel Accords while giving out credit facilities.
- FBN must ensure that they diversify loans to various sectors of the economy in order to avoid credit concentration and also to serve as a means of controlling credit risks.
- Bank Managers need to put more efforts to the credit risk management by critically evaluating borrowers’ ability to pay back.

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