TOPIC: **CREDIT PORTFOLIO MANAGEMENT IN AFRI-BANK NIGERIA PLC**

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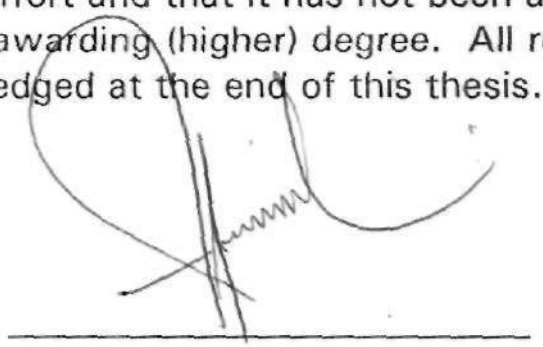
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DECLARATION

I, ABBAS YUSUF DABO declare that this thesis is the outcome of my own research effort and that it has not been accepted anywhere for the purpose of awarding (higher) degree. All references have been duly acknowledged at the end of this thesis.



DABO ABBAS YUSUF

DEDICATION

This thesis has been dedicated to my wife Hadijat and my children - Ibrahim, Aishat Hauwa'u and Yusuf.

CERTIFICATION

The Project entitled CREDIT PORTFOLIO MANAGEMENT IN AFRIBANK NIGERIA PLC by ABBAS YUSUF DABO meets the regulation governing the award of the degree of Master of Business Administration (MBA) of Ahmadu Bello university, Zaria, and is hereby approved for its contribution to knowledge and literacy presentation.

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All errors of omission and or commission are entirely my own responsibility.

DABO ABBAS YUSUF
AUGUST, 1998
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CHAPTER ONE

1.0 INTRODUCTION

A common feature of least developing economies (LDES) is the existence of a large quantum of Bad and Doubtful Debts (BDD) in their Banking Sector. For example, in Nigeria, Bad and Doubtful Debts (BDD) had generated a lot of ripples, in the Banking Industry, which in turn has threatened the survival of the National Economy. The earliest symptom of this mosaic syndrome has began to manifest itself with the demise of the National Bank of Nigeria in the early 1980's. Thereafter, it continued to spread such that as at the time of the Ministerial budget review by the Honourable Minister of Finance, in 1995, as many as 47 banks were certified as distressed, whereas many more banks were on their way to distress. Two major factors have been identified by Financial Analysts and Economists to be the immediate and remote causes of Bad and Doubtful (BDD) syndrome as well as the distress problem.

Bello (1996) opined that in the 1980's, especially during the era of Structural Adjustment Programme, the Nigerian Banking Industry has recorded a phenomenal increase in number of participants or new generation banks (due to the liberalisation policy on banks licensing) without a corresponding increase in the monitoring abilities of the regulating bodies namely the Central Bank of Nigeria (CBN) and the Nigerian Deposit insurance Corporation (NDIC). He stressed that lack of adequate capacity of the regulating authorities to check, cross-check and gauge the health condition of banks in the Nigerian Banking Industry against the specified safety indices or indicators has manifested into ever increasing large volume of portfolio of non-performing credits resulting into serious liquidity problems themselves resulting into the following failure of most banks to satisfy or meet their depositors demands:

(i) loss of shareholders' funds obligation

(ii) loss of depositors, or customers' confidence

(iii) serious Boardroom and shareholders squabbles and conflicts.

(iv) unprecedented record of frauds and insider abuses.

(v) Large number of liquidated banks with the resultant retrenchment/unemployment.

(vi) general lull in the level of economic activities.

However, Oladele (1988)believes that mere enhancing the monitoring capacities of the regulating authorities is not just enough to effectively arrest the BDD syndrome and its monstering distress or vices.
Olashore (Ibid), for instance, argued that the efficiency of the credit portfolio management determines the level of bank's profitability, the shareholders wealth and of course its survival.

He therefore, advises that all participants in the banking industry should, as a matter of necessity and urgency, adopt a philosophy of sound or effective management of credit portfolio which involves, to a large extent, proper documentations, proper credit analysis and evaluation, regular follow-up of existing facilities, concrete strategies for recovery of stuck-up advances, prompt feed-back with regards to customers' numerous requests for facilities etc. He further argued that the distress currently raking the Banking Industry in Nigeria, could be traceable to poor credit management and bookings.

1.1 PROBLEM STATEMENT

Prior to the introduction of the prudential guidelines in 1990, by the Central Bank of Nigeria), commercial and merchant banks in the country were not compelled to make provisions, with regards to their Bad

and Doubtful Debts, out of their profits hence their declaration of huge paper profits at their respective Annual General meetings. As a result of this development, the federal government of Nigeria decided to introduce the prudential guideline measures with a view to:

i. eliminating or curbing the paper profiteering tendencies of banks which involves the inclusion of un-earned interest from bad and doubtful loans and advances of the banks income and

ii. sanitising the banking environment by way of forcing banks to overcome the bad and doubtful Debt problems for them to remain in business.

Despite the implementation of these provisions by the CBN it not uncommon to find out that a large number of banks are saddled with large quantum of Bad and Doubtful Debts thus, suggesting the limitation of either prudential guidelines measures introduced by the Government or inefficacy of credit policy or both. The focus of this study therefore, is to assess the impact of the Credit Management policy on liquidity, profitability and growth with a view to identifying the factors, if any, responsible for story of success of Afribank despite the uncertainties and turbulences that characterise the Nigerian Banking Industry.

1.2 OBJECTIVES OF THE STUDY

The main aim of this research is to examine the efficiency of credit portfolio management in Afribank Plc. This aim is however, pursued through the following objectives.

1. An assessment of the performance of Afribank Plc ***vis-a-vis*** its primary role of mobilizing deposits from and extending same in the form of credits to the Nigerian populace since 1970 to 1997.

2. An assessment of the attitude of the bank's customers or clients with a view to establishing the level of satisfaction customers enjoy from the bank's services.

3. An assessment of the impact of the credit portfolio management policy on the bank's profitability and growth.

1.3 HYPOTHESES

For the purpose of this study we posit the following hypotheses

i. Credit-portfolio/landing constitute one of the most lucrative commercial banking operations.

ii Credit management structure has a positive impact on the efficiency and level of bank's operations.

iii The levels of bank's liquidity and profitability are positively related to the efficiency of its credit management policy.

1.4 SIGNIFICANCE OF THE STUDY

The assessment of the effectiveness of credit portfolio management in the Afribank Nigeria Plc with regards to its

impressive performance especially by reference to the bank's liquidity, profitability and growth over the years is an addition to similar studies done in other banks else where in the country and is envisaged to widen the basis for further vigorous research on the topic.

Furthermore, the outcome of the study could have serious policy implications with regards to the use of credit management by the captains of Nigerian Banking Industry.

For instance, if it is proved that there is a positive relationship between the banks level of profitability, liquidity and growth on one hand, and the

efficiency of its credit management instruments on the other hand, then this findings would widen the basis upon which the managers of Nigerian Economy could effectively influence or monitor the liquidity and profitability of the banking industry in particular and also the growth of the Economy in general.

Conversely, an observed negative relationship between the banks level of profitability and growth and its quality of credit management could justify the use of alternative instruments or options by banks as a guarantee for the continued survival as participants in the ever hostile banking industry characterised by the distress syndrome and steep competition.

1.5 SCOPE OF THE STUDY

The research covers the period between 1972 and the end of 1997 which coincided with the bank's celebration of its silver jubilee (i.e. for 25 years). All other issues or developments which have taken place in the bank after 1997 are not considered for the purpose of this thesis.

1.6 LIMITATIONS OF THE STUDY

Sequel to the security and confidential reasons the data obtained from the bank's officers, for the purpose of the study has not been exhaustive as some crucial questions were eventually not answered, at all. Conversely, though the response received from oral interviews was not an integral part of the data analysed (for the purpose of the study) nevertheless, it has helped in shaping the researchers' inferences and conclusions highlighted in chapter four of the study.

Furthermore, the scope of the study should have been wider to cover all commercial banks in Nigeria. However, due to time and financial constraints, the researcher has to contend with a single commercial bank.

It is also pertinent to mention at this juncture that due to the scanty nature of relevant text books, and related works on the area, the literature consulted has not been exhaustive in contents. However, notwithstanding, the above mentioned limitations, the researcher is of the opinion that the objectives of the study have been satisfactorily achieved.

1.7 METHODOLOGY OF THE RESEARCH

Pursuant to the objectives of the study, the primary data was collected by way of administering two sets of questionaires, one for the Banks officials (who are directly involved in the lending operations of Afribank Plc) and the other for the numerous customers of the Bank. These questionaires are marked as appendices "A" and "B".

In the administration of the questionaires, the random sampling technique was used not because of its superiority over others but due to simplicity, convenience and of course its suitability given the peculiarity of the research's problems.

Furthermore, the distribution of research's questionaires was occupation based (i.e. to farmers, manufacturers/merchants, civil servants, etc) so as to get broader spectrum of representation of the bank's customers.

Subsequently, out of 250 questionaires, 100 were distributed to farmers, 50 to civil servants, 80 went to manufacturers/merchants while the remaining 20 questionaires went to petty traders. The researcher also administered oral interviews to some illiterate customers of the bank so as to widen the horizon or scope of our sample representation. The overall feedback received was impressive considering the fact that out of 250 questionaires distributed 95, 47, 78 and 17 were duly completed by farmers, civil servants, manufacturers/industrialists and petty traders respectively. Similarly, all questionaires forwarded to the bank's officials were duly completed and received.

1.8 SOURCE OF DATA

In order to achieve the objectives of the study, we made use of both primary and secondary data. While, the primary data is obtained by way of conducting oral interviews and administration of questionnaires on both the bank's clients and the staffers in charge of credit administration, the secondary data is obtained from various sources of publications and statistics published by the Central Bank of Nigeria (CBN) (Bullion) International Financial Bodies such as the World Bank and international Monetary Fund (IMF), magazines, journals, seminar papers, published and unpublished works, publications by some commercial banks and financial institutions and text books which are considered to be very relevant to the research's problems and objectives.

1.9 ORGANISATION OF THE STUDY

The study has been structured into five chapters. Chapter one which is introductory highlights the research problem, its aims and objectives, its justification, its hypotheses, scope of the study, methodology, as well as the source of data used in the study. Chapter two, on the other hand, reviews the various literature on the relationship between the commercial banks level of profitability, liquidity and growth on the efficiency of the credit management policy. While, chapter three traces the historical background of Afribank Plc, its corporate goals and missions and of course the credit management policy guideliness etc.

Chapter four assesses the performance of Afribank Nigeria Plc over the years by reference to its profitability, liquidity growth levels and the customers attitudes or tastes towards the bank's services.

Whereas chapter five summarises the thesis and offers suggestions or options for further policy making and research. The bibliography and appendices are presented at the end of the thesis.

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CHAPTER TWO

2.0 REVIEW OF RELATED LITEREATURE

2.1 INTRODUCTION

The relationship between the process of economic development and the development of financial institutions has been well acknowledged and established in the literature.

For instance, in the process of economic development and growth, it is argued that as income level rises, so also the accumulation of both financial assets and real wealth. However, the rate of growth of real wealth tends to be lower than that of financial assets. What are debatable however, are the exact nature and direction of the relationship the development of financial institutions and the process of economic development.

Specifically the arguments, which relate to the linkage as well as the causation between the two processes are propounded and vigorously defended by quite a number scholars of varied schools of thought, notably the "Demand following" and that of "Supply leading finances school of thought".

In section 2.2, we shall attempt to highlight the major thrusts of the schools of thought; while in section 2.3 we would analyse the relationship between the financial institutions and the economic development processes in a developing economies so as to provide the basis for evaluating the relevance of these theoretical arguments in Nigeria.

In section 2.4 we examine the credit management in Nigeria and the issues involved in bank lending, while section 2.5 summarises and concludes the chapter.

2.2 THE ROLE OF FINANCE IN ECONOMIC DEVELOPMENT PROCESSES

As earlier pointed out, there are many theories which have been propounded to explain the instrumental role of finance in the development processes and such theories are categorised into two main schools of thought namely: "Demand Following Finance" and the "Supply Leading Finance respectively.

According to the supporters of the demand following finance, the development for financial services is dependent and as well determined by the growth in National output. Lewis (1955) ascertained that "As a consequence of real economic growth, financial market develops wider and becomes more perfect, thus increasing the opportunities for acquiring liquidity and for reducing risk which in-turn feed back as a stimulant to real growth".

In support of the Lewis (Ibid), Patrick (1966) and Robinson (1952) opined that the financial system is shaped by changes in economic environment, institutional frame work, individual motivations, tastes preference and attitudes. The duo (Ibid) further argued that growth in real output, commercialization as well as the monetarization of the agricultural and other traditional subsistence sectors determine the nature of demand for financial services.

On the other hand, the crusaders of supply - leading finance led by Cameron et al (1963) argued that economic development is preceded by the establishment of financial institutions and that the supply of their

assets, liabilities and other financial services therefore constitute its major determinants especially in the real sector. Thus, Cameron (Ibid) avows that financial institutions, apart from capable of transferring resources from the traditional sector to the modern sector (industrial sector) through financial inter-mediation, also are capable of stimulating an enterprenual response as well as providing substantial (favourable/exceptional) psychological effects to both savers and investors by widening their horizons.

2.2.1 THE RELATIONSHIP BETWEEN THE DEVELOPMENT OF FINANCIAL INSTITUTIONS AND ECONOMIC DEVELOPMENT

The relationship between development in the real sector and the development of financial institutions vary depending on the nature of the economy.

In a predominantly rural economies (i.e. where the economies are at the stage of development take-off) the supply leading finance is more relevant in the development process. If on the other hand the economy is fairly developed then the application of the demand financing approach is more appropriate. It is in the light of these complementarily, but opposing approaches that one could appreciate why the managers of Nigeria's economy (developing) have opted for establishment of rural and urban-oriented credit institutions with a view to stimulating positive growth development in the country.

Consequently, financial institutions notably, commercial, merchant and development banks etc., therefore play a significant role in the economic development of a nation by the way of providing advice on investment opportunities; take under-writing of shares; provide credit facilities to both individuals and organisations for the purpose of investment with a view to fostering steady economic growth and development.

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Of recent financial institutions have assumed new defined roles namely:-

i) Restructuring and diversifying the productive base of the economy in order to reduce dependence on oil sectors to other sectors.

ii) Achieving fiscal and balance of payment viability over the period.

iii) Provision of the basis for sustainable non-inflationary or minimal inflation growth.

iv) Lessening the dominance of unproductive investments in the productive sector, improve the growth potential of private sector.

The accomplishment of these roles however depends largely on the quality of the credit policy at any given time.

2.1.4 CREDIT MANAGEMENT POLICY/ADNINISTRATION IN NIGERIAN BANKING SECTOR

Credit or lending policy is a document detailing the lending philosophy, objectives as well as the modalities for the implementation/administration, monitoring, appraisal/review of lending activities in financial institutions with a view to ensuring healthy lending portfolios.

In the formulation of credit/lending policy, banks take into cognisance a number of factors namely internal and external constraints. On one hand, the former refers to bank's capital, earnings; liquidity; the size; structure, maturity; deposit volatility and management team.

On the other hand, the latter hovers around those factors which cannot be influenced directly by any individual bank. These are the macro-economic elements notably the impact of socio-economic and political factors, monetary and fiscal measures as well as environmental factors.

It is pertinent to note that there is no universal lending policy which is applicable to all banks everywhere. That means that different lending policies are abound depending upon the peculiarities of individual banks such as the size, mission and vision, market area, technical competence to mention but a few.

By and large, a good credit/lending policy should, according to Nwankwo (1990), comprise of three vital sections. Section one contains the general objectives and modalities; section two details the machinery for loan administration and for routine administration while section three outlines the guidelines for credit investigation and analysis as well as to ascertain

credit worthiness of borrower and his capacity/willingness to repay loans as agreed and maximise returns while minimising risks.

In this regard, there is therefore the need by banks to evolve a well-coded and articulated lending principles.

2.2.3 PRINCIPLES OF BANK LENDING

Mather (1963), a banking author and an expert in the practical aspects of banking has advocated three basic principles which should serve as a guide to lending bankers viz:-

(i) **SAFETY**

The safety of credit granted is of paramount importance to any lending banker. Consequently banks lay great emphasis on the character, integrity and reliability of borrowers so as to ensure that the amount granted can be repaid from profits and cash flow generated from the operations of the company. If the advance is granted to a personal borrower, the source of repayment must not

be doubtful. In support of the safety requirement, the borrower must be able to provide acceptable security which will serve as cushion to fall back in case the unexpected happens in terms of repayment.

(ii) **SUITABILITY**

The banker must satisfy himself about the suitability of credit sought. It is very important for the banker to ensure that the purpose of the loan is not in conflict with the monetary and economic policies of the Government as spelt out from time to time by the Central Bank of Nigeria through the issuance of annual credit allocation guidelines. The credit guidelines which vary from one year depending on the monetary policy the Federal Government intends to pursue' are essentially meant to especially control and monitor the cost and availability of credit in the economy. In essence the monetary guidelines clearly specify or tell the bankers what to lend, when to lend and where to lend etc.

(iii) **PROFITABILITY**

The banks are mainly established to make profits and not as charitable organisations. Therefore, credit facilities granted are expected to be repaid as well as yield some returns or profit to the bank.

The amount of profit is determined by the rate of interest charged by the bank.

2.3 FINANCIAL STATEMENT ANALYSIS AND INTERPRETATION AS IT RELATES TO BANK LENDING

Femi Adekanye, a renown author and a practical banker advised that:

"It is necessary for a commercial bank to analyse the financial statements of customers using facilities in order to assess their credit worthiness and to ascertain that, when a facility is extended, it will be fully repaid. By studying and thoroughly analysing his customers' financial statements, the branch manager can properly assess the degree of risk he is taking by approving a loan. Balance sheet analysis complements other considerations like the future of the company and the ability and experience of the proprietor."

The analytical documents comprises of the following:

1. Trading Account
2. Profit and Loss Account
3. Appropriation Account
4. Balance Sheet

The financial analysis is the process of identifying the financial strengths and weaknesses of the business by properly establishing relationships between the items of the balance sheet and the profit and loss account.

Purposely, customer financial statements are often analysed for credit decisions so as to come-up with whether the firm or customer is in a position to meet its current obligation, what sources of long term finance are employed. The finance will also indicate if there is any danger to the solvency of the firm/customer due to employment of excessive debt and how does the firm uses its assets, the earnings of the firm adequate and does investors consider the firm profitable and safe for the purpose of investment.

2.3.1 **RATIO ANALYSIS**

Ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. Several ratios can be calculated from the accounting data contained in the financial statement viz:

(a) Liquidity Ratio: - Liquidity ratio measures the firms ability to meet its current obligation.

(b) Leverage Ratio: - Leverage ratios show the proportions of debt and equity in financing the firm's assets.

(c) Activity Ratio: - Activity Ratios reflect the firm's efficiency in utilizing its assets and profitability ratio measures the overall performance and effectiveness of a business.

In credit analysis, the analyst will usually select a few important ratios . He may use the current ratio or quick asset ratio to judge the firm's liquidity or debt paying ability; debt equity ratio to determine the stake of the owners in the business and the firm's capacity to survive in the long run and any of the profitability ratios such as return on capital employed to determine the firm's earning prospects. If the profitability is low, the current ratio and the debt equity ratio are high the analyst, will not recommend the grant of credit to the firm. If the profitability is high the current ratio is reasonable, the extension of credit may be approved to the firm in addition, the analyst will have to consider other factors before making credit decisions such as the SWOT analysis.

In broader perspective, ratio analyses. It can be used to assess a company's performance, as well as for comparative analysis for especially of companies from the same industry and size. Ratios also help to make qualitative judgement about a firm's financial position and performance;

more importantly it provides information about a number of relationships which are not hitherto brought out in the company's account and it appraises a company's performance in terms of liquidity solvency, profitability and efficiency.

2.3.2 FEASIBILITY STUDIES

These are only used to analyse financial statements in credit appraisals. It is an information which shows the intended sources of application funds and whether the project will be feasible. Furthermore, feasibility studies will have to show ownership structure, management structure, types of products, marketability, extent of composition, prospects for success, sources of raw material and technical skill. However, the danger in this type of analysis is that it can be window dressed and could be rendered stale.

2.3.3 CASH FLOW FORECAST

It shows analysis the causation and/or change in the balances of firm's cash from one date to the other.

Cash flow statement is a statement of cash receipts and cash disbursements. In order to produce a meaningful statement it is necessary to modify and re-arrange the categories of cash inflows and outflows based on the sources and uses of cash.

The benefit of cash flow forecast is that it is a control tool for management. It enables analyst to know if a company can generate enough funds to meet its obligations based on inflow and outflow of funds. It also enables a lending bank to ascertain the maximum amount required by the company and when assistance can be rendered. The bank can also monitor actual performance against projections of the business. The method is limited since the analysis is based on assumptions and it

fails to highlight the significant movement in the company's working capital.

2.4 FACTORS INFLUENCING BANK LENDING

2.4.1 CREDIT CEILING AND SECTORAL ALLOCATION OF LOANS AND ADVANCES

These are special directives to banks and other Financial Institution with a view to monitoring the level of growth of loans and advances as well as aggregate money supply in the national Economy.

The permissible rate of growth allowed to both the private and public sectors is given by the Central Bank of Nigeria through credit guidelines. However, recently some banks have been exempted from the ceilings.

2.4.2 INTER-INDUSTRY PERFORMANCE

Major performance indicators based on the inter-industry comparison might pose a constraint to lending, depending on the existing exposure to the area. If risks and threats are greater than prospects and opportunities, given the choice of loan allocation between available sectors, banks will prefer to lend to the general commerce sector than to agriculture which has a greater degree of risks.

2.4.3 POLITICAL/SOCIAL CONSIDERATIONS

Government desired even spread of development all over the federation, since banks are the medium for the allocation for the allocation of financial resources i.e. by mobilising deposits from clients who have enough and lend such funds to other clients who need such funds for investment in new projects and expansion of

existing ones. This is one of the thrust of the rural banking policy of the Federal Government where the Central Bank allocates mandatory rural branches to be developed by the banks where government had share holding/investment.

2.4.4 THE LAW

Banks as legal entities operate within a given legal frame work of any nation where they exist. It is common knowledge that a bank should not lend to customer(s) whose purpose for a facility is outside the terms in its Articles and memorandum of association. Equally, also banks are not to allowed lend to infants no matter the viability of the project nor are they allowed to lend to any business that engages in in gambling.

2.4.5 DEPOSIT BASE

Loanable funds available are determined by the level of deposits a bank has. There is always direct a relationship between loans and advances and depositors. The higher the deposit base the bigger the amount of loanable funds and vice-visa, other things being equal.

2.5 CONSTRAINTS ON BANK LENDING

Most countries, particularly the developing nations of the world, have delibrately integrated banks and their lending activities into government's policy formulation to promote economic growth and development.

Bank's lending is a vital tool in banking operations which has direct effects on economic growth and business development. It is also the major source of bank's income. However, despite it role in influencing the overall economic growth and development, bank lending has some constraints.

2.6 CREDIT APPRAISAL

Credit analysts must be familiar with the various sources of relevant financial information in order to obtain the desired input for credit analysis. Credit information on potential borrowers forms a vital part of the decision making process. Familiarity with type of background will permit more informed decisions about company's performance new financing, temporary borrowing investments, credit capital budgeting and so on. In summary, it could be said that financial information is complementary to the historical and investigative information on the borrower which if well carried out would reduce the risk element in lending prepositions. In credit appraisal information is usually obtained from internal and external sources.

The internal sources of credit information include information from the individual applicant or management of the company requesting for facility.

The external source of credit information include the banks, trade unions, major customers patronising their products and competitors.

2.6.1 CREDIT INFORMATION FROM CUSTOMERS

The most suitable and tactful moment for obtaining complete information in respect of customer is the time when the application is made and before facilities are granted. During such discussions interviews and visits, the banker would be able to ascertain the purpose for which such funds would be applied and this would enable the banker estimate the actual amount and period for which such facilities would be required. If the customer is approached properly at this initial stage, the information required will most certainly be readily forth coming. With this formal discussion and interviews the analysts would be able to know the character

experience and expertise of the customer and to obtain from the customer at this stage. The customer's integrity must not be doubtful and he must also have a stake in the business.

2.6.2 BANKERS OPINION (STATUS ENQUIRY)

Bankers exchange opinion among each other to get some credit information on their customers. This exchange of opinion is usually referred to as status enquiry. They are brief assessment of the customers standing and it is performed in respect of both personal and business customers. Status inquiry is private and confidential. Replies to status inquiries are normally in specially worded and coded languages and presumably it is only banks that can understand all their credit information from the company.

Credit information is also obtained from management. The issue of integrity is also of paramount importance. The customer especially corporate, must submit its mandate, memorandum and Articles of Association to borrow. This is to enable the banker to know if the borrower is qualified and if its activity is covered legally. Management accounts dated as near a possible to the date of appraisal must always be obtained.

2.6.3 TRADE ASSOCIATIONS

Trade Associations are a prime source of information about their respective industries. A great deal of statistical information is made available in their annual or bi-annual returns

2.6.4 REPORTS FROM COMPETITORS

Reports from competitors in the same industry could be very useful. This refers to industry information only from competitors. An

enquiry could be made on the reputation and standing of the company from this source. A competition opinion is valuable although their judgment but extreme caution is required in evaluating information from competitors.

2.6.5. PERIODIC FINANCIAL INFORMATION:

The most commonly used reference source about the current affairs of publicly held corporation is the annual report furnished to shareholders. The Annual Report is generally an important source of financial information since the disclosure requirement of Security and Exchange Commission and Standard of financial reporting must be adhered to.

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CHAPTER THREE

3.0 BRIEF HISTORY AND CORPORATE GOALS OF AFRIBANK NIGERIA PLC

3.1 INTRODUCTION

This chapter presents discussions on the background of Afribank as well as credit management in Afribank.

Afribank Nigeria Plc, formerly known as International Bank for West Africa Limited (IBWA), was granted a license to carry on banking business on 20th October, 1959 and began operations with the opening on 4th January, 1960 of a branch in Kano and another shortly afterwards in Apapa, Lagos.

The Head Office of the Bank was subsequently established in 1961 at 94 Broad Street, Lagos. The Bank was originally owned by Banque De l'Afrique Occidentals, but with the promulgation of the Nigerian Companies Decree in 1968, the ownership structure changed to accommodate the interest of Nigerians in accordance with provisions of the decree.

Afribank Nigeria Ltd (Plc), like any other Bank in Nigeria, was established in accordance with the banking act of 1969 to undertake among others:

"The business of receiving monies from outside sources and deposit irrespective of the payment of interest or the granting of money loans, and acceptance of credits or the purchase of bills and cheques or the purchase and sell of securities for the account of others or the assumption of guarantees and other warranties for others or the affecting of transfer and clearings and such other transactions as the Minister finance may on the

recommendation of Central Bank order published in the Federal Gazette designated as banking business".

Consequently, on May 30, 1969, BIAO was Incorporated as a limited Liability Company under the name International Bank for Africa (IBWA) - the English equivalent of BIAO.

In 1976, the Federal Government of Nigeria acquired 60% ownership of the Bank, later 10% was off-loaded to the staff trustee ownership Scheme, while BIAO retained 40% share holding as a technical partner.

As approved by the Federal Government, based upon the recommendation of the Technical Committee on privatisation and commercialisation (TCPC), the Ministry of Finance incorporated had in 1993, relinquished all of the Federal Government's 50% equity holding in Afribank Nigeria Plc for the public.

The shares of Afribank Nigeria Plc were admitted and listed on the first-tier market of the Nigerian Stock Exchange on 20th October, 1993.

Over the years, Afribank has grown into a big and strong financial conglomerate consisting of:

- Afribank Nigeria Plc
- Afribank International Ltd. (Merchant Bankers)
- Afribank Insurance Brokers
- Afribank Estate Company Ltd.
- IBWA Finance Company Ltd. Dublin (Off-shore Investment CO.)
- Afribank Trustees and Securities Ltd.

3.1.1 CORPORATE GOALS OF AFRIBANK NIGERIA PLC

Afribank's vision is to achieve the position of a leading International Financial Group providing comprehensive and quality banking/financial services which meet the changing needs of its customers through the employment within the group of high calibre personnel and utilisation of up-to-date technology while ensuring optimum returns to its share holders.

Other goals of the Bank include:

a) to provide the best possible banking services in Nigeria

b) Consciously pursue policies which are capable of protecting the value of shareholders' investments and guarantee fair return on such investments.

c) Promotion of welfare programmes for Nigerian children, sports, education and culture by way of supporting research activities in Nigerian Universities.

d) The development of a high state of staff morale and to inculcate a sense of belonging in them.

e) Constantly develop and market new financial products to cope with the ever dynamic business environment.

f) The establishment of a unique image projection package and a strong intellectual posture in policy dialogue.

3.1.2 CORPORATE MISSION OF AFRIBANK NIGERIA PLC

In Afribank Nigeria Plc, mission plans focus on selling a quality (differentiated) service to a selected clientele and special market segmentation with high turn-over, thereby ensuring the resource to pursue a well-defined and planned growth. The Bank relies heavily on its blue-chip corporate clients and its very supportive foreign associates which cannot be matched by any other Bank in Nigeria. Still pursuing

the quality service concept, a gradual but controlled expansion of the Bank's branches network is also sustained and which process is further re-enforced by a unique programme of Bank owned premises development.

Another vital segment of the Bank's mission is the demonstration of its social responsibility by way of financing of MSL programme in banking and finance at University of Ibadan. The idea to finance the programme was sequel to the Management's realisation of the inadequacy of professionals in the industry. This basic factor consequently encouraged Afribank not only to donate towards the establishment of the course, but to fund the entire programme, (building and other over-head costs) for the first 5 years.

One very rewarding strategy which the Bank employs is the evaluating of unique in the banking services which are targeted to astonish its numerous clinets.

Therefore unlike most of its contemporaries, the advertising budget of the Bank is the least. The Bank rarely advertises in either the print or electronic media.

In order to sustain its leadership in the industry the Bank pioneered Agricultural Credit Facility Scheme, the Afribank cash evacuation scheme, express service on the counters, week-end Banking scheme, the granting of Direct Credit in salary-fed accounts to public servants in respect of their monthly salary cheques and other personalised services.

The Bank also has an avowed policy of adequate training and retraining of its staff. The Bank parades the most dedicated and qualified staff in the industry today. Finally, the Bank draws up periodic strategic plans which are religiously implemented. For instance, the 4th strategic plan is now in force and would cover the period 1997 - 2000, the thrust of which is to consolidate on the gains of the previous plans and improve on their competitive positioning in the industry by developing and marketing new financial products as well as reviewing old operational procedures to enhance the efficiency and profitability of the Bank. The Bank has in its agenda, full computerisation and radical improvement of its corporate image and aggressive branch network-development especially in those commercial centres/areas of the country.

3.2 CREDIT CHARACTERISTICS OF AFRIBANK NIGERIA PLC

Generally, in the banking industry there are certain laws or prescribed principles to guide lending bankers, ceteris paribus (ie. other things being

equal) in decision making with regard to granting of loans/advances. In other words, proposals received from clients in respect of one form of advance or the other will normally be subjected to acceptable and tested criteria or principles, prior to grant and eventual disbursement. Thus, the lending banker should usually ensure that customers proposals should according to Olashore (1995) conform or comply with three basic principles, namely safety, suitability and profitability. Olashore (Ibid) further advises that in order to consider any proposal, a lending officer should consider in broader perspectives the following:

1. Borrower
2. The business of the borrower

AHMADU BELLO UNIV... ABUBAKAR IBRAHIM LIB.

3. Capital resources of the borrower
4. Amount required
5. The purpose of the advance or loan.
6. The source of replacement
7. Security and
8. Profitability.

In general, borrowers, (individual or corporate) the chance of securing bank's loan depends not only on his integrity, ability and willingness to pay but also on certain factors called the Five 'Cs' of credit namely character, capacity, capital, collateral and connection. In determining whether or not to lends, and if so how much? The loans and advances officers/analysts should have always be by these above mentioned principles in order to minimise quantum of bad debts.

Credit Administration in Afribank Commences after a customer shows his interest in writing: followed by filling an application request format called credit Application form. It is either in single page format which is for small amounts or salary customers which are repayable within six months or double page format designed for large and corporate customers.

3.2.1 **Credit approvals: These are categorised into three (3) namely:**

i) Branch Approval: Branch appraises and approves loans/advances which are within limits approved.

ii) Regional Office Approval: Relates to analyses/approval of loan/ advanced which are in excess of the authorized limits of the branches under its jurisdiction.

iii) Head Office Approval: Relates to appraisal/approval of all credit which are in excess of regional offices powers.

3.2.2 BRANCH CREDIT APPRAISAL

Where the bank receives an application for a credit facility from the customer, preliminary discussions are held to obtain all relevant information required for consideration of the customer's request. The customer's letter of intent must include the following:

- general information
- facility required, purpose of the facility, amount, duration, customer's financial, repayment plan schedule, socio-economic prospects, pricing and security.

The information is usually summarised on a format for ease of reference. The objective of the information will enable the bank to establish the viability of the proposal and where possible to advise the customer on the best way to utilize the funds. The purpose of the facility will indicate the source of repayment and also determine the maturity period. The socio-economic environment of such as government fiscal and monetary policies which may

have direct/indirect impact on the project must be thoroughly assessed. If the customer is proposing a landed property as a collateral it must be on State government C of O (Certificate of Occupancy). The customer must also present certificate of registration of the company, tax clearance of company and at least 2 (two) of its directors and evidence of payment of ground rent for at least 5 years as may be reviewed by the government.

Furthermore, other documents to be forwarded include valuation report as at the time of the appraisal and coloured pictures (5"-7" size) of the security in questioned. After providing the above items the customer will execute the following:

a - sign in blank legal mortgage forms in quadruplicate.

b - signed guarantee forms and application for consent to mortgage forms all in blank in case of default. This enables the perfection of the property at the land registry and corporate affairs commission.

While all these processes are in progress a status enquiry is being sought to determine the customer's exposure in other Banks.

However, if customers are giving cash as a collateral i.e cash in locked-up accounts, savings or fixed deposit accounts, they are expected to sign the Banks authority to debit forms and letter of set-off. If they are business concerns, they are expected to write on a letter headed paper of their company proposing to give the bank as security the balance in their fixed or savings account etc. Requests for facilities are normally granted to customers that have operated their accounts for at least six months.

3.2.3. TOOLS OF ANALYSIS OF CREDIT APPRAISAL IN AFRIBANK

i) **Customer Financial:** From the customer's financial the following information can be obtained:

- Customers' level of participation in their business.
- Customers cash flow projections and the real customer cash need.

ii) **Customers Turnover Analysis Form:** The customers turnover analysis form will help to confirm if the customer is doing split banking or Kite-flying, with a view to generating false turnover. In other words, customers turnover analysis will establish the worthiness or otherwise of the customer assertion and show in clear terms if the turn-over is epileptic. Generally the Bank insists that the customer should have at least 2/3 stake in the business or new project to ensure commitment towards success of the project.

3.2.4 VISITATION REPORT

Another vital tool in credit appraisal is the visitation of the project site or shopping complex or property intended to be pledged by the customer. The physical inspection of the property by the credit personnel is a must, whereas location and suitability of property must be ascertained. The location must be sited on the survey's map (report) of the state. The environmental analysis of the location property must be appraised to ensure its safety or otherwise as its marketing prospects. Furthermore, the summary of the merits and demerits of the property's location must be given at a glance in the analysts report.

Finally, it can be observed that credit appraisal in Afribank involves rigorous and painstaking exercises all aimed at ensuring that credit proposals are adequately analysed so as to ensure that in case of default, the Bank's exposure is adequately covered.

After rigorous evaluation of the branch's level, the recommendation is send to the Regional Office. In other words, decisions exceeding the power of the Branches are sent to the Regional Office for attention and approval. Where such requests exceed the powers of the Regional Office, they are further passed to corporate clients bureau at the Head office for doing the needful. Where applications have been declined for one reason or the other, customers are quickly advised of the outcome of the request in writing. But once a facility has been approved, all terms and conditions of the approval governing the financial arrangement between the customer and the Bank must be clearly communicated to the customer in writing and acknowledgment by the customer (in accordance with the mandate) duly received before draw down is allowed.

3.3 POLICIES ON CREDIT MANAGEMENT

Bank lending Nigeria like in many developing economies is hinged on security consideration by way of emphasising on collaterals and guarantees. This is so due to the absence of adequate information on the character, integrity, and credit worthiness of the borrowers. Thus, banks in developing economies, including Nigeria, place more emphasis on the use of ortodox approach to tending i.e using the issue of collateral in deciding whether or not to grant loans or advances.

This approach is in sharp contrast to the modern and more elastic approach otherwise known as project-viability based approach. This approach emphasis more on the integrity of the borrower and the management's

capability to harness and utilise the resources available to it to generate enough earnings to repay the principal/interest.

Afribank Plc uses a combination of the orthodox approach (which is security/collateral based approach) and the modern elastic approach (project liability based approach) in formulation and execution of its credit management policy. A detailed analysis of which would be undertaken in chapter 4 of this study.

3.4 **PRODUCTS/SERVICES PROVIDED BY AFRIBANK PLC**

Afribank Nig. Plc provides quite a number of services to its clients these include among others:

3.4.1 Acceptance of savings and current accounts deposits from retail and corporate customers.

3.4.2 Provision of professional advice on investment opportunities to its customers.

3.4.3 Transactions of foreign trade, and basic travelling allowance (BTA) on behalf of its customers.

3.4.4 Safe custody of items and warehousing of goods for its customers

3.4.5 Provision of credit facilities of its numerous clients in the key sectors of the economy.

TYPES OF FACILITIES/PORTFOLIO PROVIDED BY AFRIBANK PLC

Credit facilities provided by Afribank Plc are many and they are as follows: Overdraft, Bank Loans, Bonds/Guarantees, Export Finance, Leasing, Bankers Acceptance, Direct Credit and Short Term Working Capital (STWC).

We shall now examine each of these facilities listed above thus:

3.5.1 OVERDRAFT

This facility is on a short term basis to business/corporate customers to serve as a form of reserve for unforeseen expenses affecting their daily transaction. The facility is usually repaid on demand and may be cancelled by the Bank without prior notice. However, when in force the Bank must honour cheques covered by limit agreed with the customer.

3.5.2 BANK LOANS

Loans are generally used to finance an Investment or Project. The loans may be principally sub-divided into:

i) Sort term advance: These are advances which have maturity of one to to twelve months.

ii) Medium term loan: These are advances with maturity period between one to five years.

iii) Long term loan: These are advances with maturity period between five to ten years or more.

Loans differ significantly from overdrafts in that they are mainly negotiated agreements for the advance of particular sums of money for stated periods, and at a stable interest rate over the life of the loan (which may depend upon the economic climate when the loans was contracted). In Afribank all loans are secured and securities perfected.

3.5.3 BONDS AND GUARANTEES

Bonds and guarantees are another set of facilities being offered by Afribank. It is not all the time that customers of Banks propose cash related facilities. Sometime requests are made for non-cash facilities that may ultimately warrant the bank in parting with funds when customer fails to perform either a contract or any other allied obligations. Such facilities which entail future liabilities are described as contingent facilities. Afribank enters into such contingent commitments directly with their customers locally or on behalf of

the customers of their foreign correspondents. Which ever way, the facility will be treated as a normal lending preposition and in most cases must be properly secured. The security acceptable by Afribank in issuing bonds guarantees or indemnities on behalf of its customers, within Nigeria, is full cash cover or in the alternative very good tangible collateral(s).

3.5.4 LEASING

Leasing is a form of medium/short-term finance. Lease is simply a contractual agreement between an owner (Lessor) and another party (the Lessee) which conveys to the lessee the right to use the lessor's property for an Agreed period of time in return for a consideration usually periodic payment called rents." Advances to customers under finance leases are stated net principal repayments. Lease finance income is recognised in a manner which provides a constant yield on the outstanding principal amount over the lease term. The leased assets should have a good second hand value so that in case of default by lessee they could easily be sold. Banks tend to favour assets that are not easily movable, this is to ensure proper monitoring of the leased assets.

3.5.5 BANKERS ACCEPTANCE

This is another form of facility provided by Afribank. It is a bill of exchange drawn on and accepted by a bank. When a customer of the Bank draws a bill wherein the Bank acknowledges its obligation to honour the bill usually by writing "accepted" with the appropriate signature across the face of the bill, it becomes an acceptance, other are known as Bankers acceptance.

Bankers acceptance generally serves to assist the bank in the restructuring of some its existing loans and advance by enabling it to reclassify some of these commitments under contingent liabilities in Bankers acceptances through the sale of these acceptances to other banks.

In a situation where the bank would be unable to grant a new request solely because of the possibility of exceeding the present ceiling on loans and advances, the credit could be extended under Bankers acceptance facility since the ceiling on credit expansion doesn't apply to credit facilities under this category.

Bankers acceptance also provides a first line of defence against liquidity pressures as investments in Bankers acceptance could be rediscounted in the Money Market to meet immediate cash needs.

Finally, the facility could also be a source of off-balance sheet earnings for the bank. This can be possible when the bank accepts a bill without necessarily providing the funding required.

3.5.6 DIRECT CREDIT FACILITY

As a result of slow process of clearing cheques, which has been much improved since the introduction of the "All Nigeria Clearing System" on the 1st of July, 1985, banks give direct credit facilities up to specified limits to their very valued and trusted customers. In assessing whether a customer should enjoy direct credit facility, Afribank considers the following:

- the volume of operation of the customer's account
- healthiness and the turn-over of his previous account operations;
- past performance in honouring credit obligations.

Customers enjoying this facility do not need to wait for three (3) working days before clearing local cheques and drafts, 11 (eleven) days for intra-state cheques and drafts and 15 (days) for inter-state cheques. Infact, ofcourse not all customers enjoy the benefits of having immediate credit for cheques in

areas mentioned above. It all depends on the banks assessment of their customers credit worthiness. Furthermore the Head Office approves facility mostly to corporate customers and well valued and trusted individual customers. Upon recommendations by the branches in the Bank's network.

3.5.6 SHORT TERM WORKING CAPITAL

Short term working capital facility is broadly categorised into two. Firstly, the Short-Term working Capital (D/P) Document against payment. The amount made available by the Bank shall be repaid on collection of the shipping documents.

Secondly, Short-Term Working Capital (D/A) i.e Document against acceptance. This is payable between 60 - 90 days after the collection of the shipping documents. The facility is mainly enjoyed by customers of the Bank transacting foreign trade. The purpose of the facility is for purchase of foreign exchange for importation of raw materials etc.

3.6 CREDIT CONTROL

Conditions (precedent to draw down) as stipulated in the accepted letter of offer of the facility must be satisfied prior to disbursement of approved facility. The Branch as the Primary lending unit should ensure that disbursement is strictly in accordance with the terms and conditions of approval and for the purpose for which the facility has been approved. This is very important in order to avoid diversion of funds which could disrupt eventual repayment of the facility. Other control measures put in place by the bank include:

Follow-ups and close monitoring are very critical after the facility must have been approved so as to ensure that interest and maturing installments are paid as and when due.

Close-up close monitoring of facility account is crucial for early identification of potential problem accounts and for prompt remedial action. The following are some early signals when accounts are going bad.

- Increase in facility not resulting in increase turn-over.
- Fall in credit turn-over indicating reduced sales.
- Fall in debit turn-over with or without increase in average utilization of facilities.
- Frequent excess over limits especially when prior arrangement are not made.
- Lodgments made in accounts to meet anticipated cheques as presented.
- Developing a hard-core i.e failure to revert to credit or low debit figures when over draft is expected to be fluctuating.
- Failure to meet loan repayment or interest when due.
- Large cheque payments to parties with whom customer would not have been connected business-wise.

3.6.2 Approved facilities should be fully re-imbursed or adjusted on or before the expiration date unless otherwise renewed or extended. Such renewals or extensions must have been approved by the appropriate authorities before the initial or subsequent expiration date.

3.6.3 Cancellation of Facility: Facilities are cancelled under the following conditions:

1) Where an offer is rejected or not acknowledged by the customer within 30 days.

(2) Facility not utilized within Six Months of approval.

(3) Where facility has been liquidated.

(4) Improper utilization of the facility whether actual or anticipatory.

The Head Office Corporate clients unit is basically responsible for the continued monitoring of branches to ensure that they adhere to laid down credit guidelines and procedures of the Bank. In pursuant to this tasking responsibility, the unit undertakes continuous review of reports from the Branches and such reports include:

(i) Monthly Engagement Reports.

(ii) Central Bank Loans and Advances Report

(iii) Customer Liability Report

(iv) Excess Report

(v) Quarterly Returns.

In addition, the Bank also has put in place a credit Bureau which conducts and examines the credit portfolio report of all the Branches and Head Office's corporate clients so as to ensure formity with the generally accepted standards.

CHAPTER FOUR

ASSESSMENT OF THE PERFORMANCE OF AFRI-BANK PLC CREDIT/PORT-FOLIO POLICY/MANAGEMENT.

4.1 INTRODUCTION

Pursuant to the Research's objective of examining or assessing Afri-bank Plc's credit/port-folio management as well as the customers attitude to the policy in particular and bank's services in general, section 4.2 discusses the Afri-bank's credit/port-folio management policy, as well as its instruments while section 4.3 highlights the implementation and assessment of the performance of credit policy in Afri-bank Plc. Section 4.4 presents the impact of credit delivery whereas section 4.5 discusses the targets/achievements of credit port-folio in Afri-bank Plc. The chapter concludes with section 4.6 which periscopes the loan recovery strategies of the bank.

4.1.2 BACKGROUND

The key to success in most organisations or going concerns is the promoters' knowledge and/or ability to know what they do; how they do it, when they do it and then ensuring that what they do is done right always. No wonder therefore we discover that, for example, a number of Banks and financial institutions put in place some documents or manuals containing guidelines for smooth running of such organisations. As the organisations vary by reference to size, level of bureaucracy, ownership structure, degree of delegation of authority, quantity and quality of human resources etc the choice of the best possible text or modus operandi for each organisation should take cognisance these factors. For instance, it would be almost impossible for the Managing Director and the Chief Executive of any of the big four bank namely First Bank Plc, Union Bank Plc, United Bank for Africa Plc and Afri-bank Nig. Plc to insist or approve all requests for all credit facilities whereas down the hierarchy, officers in both the senior and middle level management cadres are equally

competent reliable to do so. Intuitively, there must be the best way out of this dilemma and that is possible by way of approving sanctioning limits for the various cadres of authority within the bank. In the next section we shall discuss what a credit policy is all about and its workability or otherwise in Afri-bank Nig. Plc.

4.2 IMPLEMENTATION OF AFRIBANK PLC CREDIT POLICY

4.2.1 *Credit policy is a document, living for that matter, which clearly spells out the* way and manner in which a lending institution carries out its lending business. The contents of the policy should be very clear and precise so that the employees, especially the lending managers could comprehend it whereas the management staff should respect and practice it religiously - Uduk (1994).

In a broader perspective credit policy should clearly highlight among others:

i) The nature of the lending institution. In essence this aspect of the policy tells the public at large what the organisation stands for and what it aims to achieve by way of mission and vision statements. It also articulates the customers bases and/or market target(s).

ii) Risks objectives/Risk profile. Credit Policy framework should as a matter necessity define in unambiguous terms the nature or type as well as the conditions for accommodations or credit facilities. This is so in order to provide the credit officers with proper definitions of the various risks, how to identify and evaluate such risks vis-a-vis the organisations numerous clients and the rate of return on such credit exposures etc.

iii) Lending/credit procedures: Most lending institutions found it expedient to evolve well documented and systematic credit procedures so as to ensure qualitative credit port-folios as a pre-requisite for profitability and growth. The procedures highlight a number of vital areas which should be of paramount importance to all lending officers such the types of facilities to be entertained and their conditionalities; processing fees payable, repayment schedules; processing time/period; exposure limits for clients. Sanctioning limits for credit officers and key management staff (involved in the credit process/administration) terms/conditions and securities should be clearly stated.

iv) Lending/credit exposure criteria. These have been discussed earlier in section 3.2 of this study.

4.2.2 CREDIT MANAGEMENT STRUCTURE IN AFRI-BANK PLC NIG. PLC

Further to the above, the Board of Directors of Afri-bank Nig. Plc has approved the settling up of the following structures to ensure the smooth implementation of credit policy of the bank viz:

i. Board All Purpose Committee (BAPC)
ii. Board Technical Committee (BTC)
iii. Management Credit Committee (MCC)
iv. Branch Lending Committee (BLC).

- The responsibility of the Board All Purpose Committee include:

  - Approving significant revisions to credit policies.
  - Approving the Banks Credit Management Structure

- ♦ Establishing portfolio distribution guidelines which must conform with government regulations.
- ♦ Establishing credit approval authority including level of delegation and charges off.

Board Technical Committee:- (BTC) is responsible for overseeing the day to day running /management of the bank.

Management Credit Committee (MCC):- The management of credit committee is saddled with reviewing and approving submission of all credit items which are received by the bank and forwarding those to be submitted to the Technical Committee. Other functions include:

- Establishing the bank's minimum and prime lending rate.
- Approving minimum and prime lending rate in consonance with government regulations.
- Approving all credits which are within its approval limits.
- Reviewing the portfolio diversification in line with guide line given by the board.
- Reviewing credit related systems and operational issues and their implementation.
- Approving target market definitions and risk accepting criteria for lending units.
- Approving new financial products and credit products and credit products initiatives and
- Establishing discretionary approval limits.

In a nutshell, the credit policy of the bank provides the credit officers/analyst, with the rudimentary tools/guides for the effective credit delivery/managements.

4.2.3 OVERDRAFT/LOAN MANAGEMENT VIS-A-VIS CREDIT POLICY IN AFRI-BANK PLC

Customers requests for overdraft/loans are regionally subjected to Acid-test by way of application of the banks lending canons codified as **PAPER CHAMPS** and this is decoded as follows:

- **P** - stands for period within which the facility will be repaid.
- **A** - stands for the amount being requested for and how adequate or otherwise it is for the clients business.
- **P** - denotes the purpose for which the facility is requested for and should be legally permissible by law.
- **E** - connotes the experience of the client in his chosen line of business.
- **R** - is for the repayment capacity of client it facility is approved.
- **CHA** - implies the clients character and attitudinal values.
- **M** - stands for clients ability to manage his/her business.
- **P** - refers to the prospects of the proposals to succeed/pay-back the facility if granted.
- **S** - takes care of the collateral which serves as cushion which the bank could realise incase of default.

From the foregoing, it is certainly clear that lending Afri-bank Nig. Plc is not done by chance but based on well-documented and codified procedures which must be strictly adhered to by all lending officers on one hand and on

the other hand, clients must ensure compliance with the bank's conditionalities attached to the grant of facilities as highlighted above. The reason/justification for meeting these conditions are to ensure sound assets quality, healthy credit portfolio and handsome profit level at all time. By and large the workability/performance of credit policy of the bank can be judged as very impressive by reference to table 4.3 which defects very good profit levels as well as sound assets quality over the period of the study.

4.30 NALYSIS OF THE PERFORMANCE OF AFRIBANK PLC

4.3.1 BRANCH NETWORK

Afribank Nig. Plc was established in 1959, has by reference to table 4.1 recorded tremendous growth in branch network. The bank which started with only two branches in 1961 has by the end of 1981 registered Forty Six branches. The figure rose to Ninety One in 1983 and by the end of 1995 the branch network in Afribank Nig. Plc stood at One hundred and twenty nine. While as at 1997, the branch network increased to are hundred and thirty five.

TABLE 4.1

BRANCH GROWTH (NETWORK) IN AFRI-BANK NIG. PLC 1981

YEAR	NO. OF BRANCHES
1981	46
1983	91
1993	122
1995	129
1996	131
1997	135

Source: *Afri-Bank Nig. Plc Annual Report for various Years.*

The increase in branch network as indicated in the above table suggests the workability and/or success of the bank's expansionary policy or drive itself profiled by the increase in the customers patronage as evidenced by the very increasing levels of deposit over the years as shown table 4.2. Furthermore, an interesting aspect of success is that the Bank's ownership of branch premises building using shareholders funds thereby solidifying/consolidate the asset base of the bank. In the area of deposit mobilisation, the bank has experienced the same growth pattern with the growth in branch network. A cursory look at table 4.2 indicates that deposits generated by Afribank Nig. Bank Plc during the period understudy were the increase.

TABLE 4.2:

DEPOSIT GENERATION BY AFRI-BANK NIG. PLC 1978 - 1997

YEAR	DEPOSIT GENERATED IN MILLIONS
1978	344.6
1979	469.5
1980	633.3
1981	793.2
1982	871.0
1983	846.5
1984	851.2
1985	1,115.1
1986	1,041.8
1987	1,633.2
1988	1,733.8
1989	1,654.4
1990	2,479.3
1991	3,388.4
1992	4,907.3
1993	8,476.8
1994	10,097.3
1995	13,547.5
1996	18,868.0
1997	N.A

Source: *Afri-Bank Nig. Plc Annual Reports*

4.3.2 ASSESSMENT OF DEPOSIT

By reference to the table 4.2 above, the bank's deposits of ₦ 344.6 million in 1978 have more than doubled in 1982 when the bank recorded a figure of about ₦ 871.0 million. However, the bank recorded a slight decrease in deposit mobilisation during the years 1983 and 1984 which to was ₦ 846.5 million and ₦ 851.2 million respectively. By 1995, the deposit generated by the bank astronomically rose to ₦ 13,547.5 billion from ₦ 9,307.4 billion in the proceeding year (i.e 1994).

This remarkable performance of Afribank Nig. Plc in the area of deposit mobilisation implies that the bank campaign for patronage through comprehensive/aggressive marketing strategies has been very satisfactory as well as indicative of the customers satisfaction/appreciation of the bank's services in general.

4.3.3 ASSESSMENT OF PROFITS

Assessment of profits which constitute one of the most lucrative commercial banking operations, we make reference to table 4.3 which outlines the profit levels of Afribank Nig. Plc from 1998-1995.

TABLE 4.3 PROFIT GROWTH IN AFRI-BANK NIG. PLC 1978 - 1995

YEAR	PROFIT GENERATED IN MILLIONS
1978	7.1
1979	8.3
1980	11.5
1981	14.7
1982	14.6
1983	- N.A
1984	15.4
1985	23.7
1986	36.6
1987	51.7
1988	52.8
1989	84.5
1990	45.8
1991	45.3
1992	88.5
1993	232.7
1994	190.5
1995	458.5
1996	214.5
1997	369.7*

Source: *Afri-Bank Nig. Plc Annual Reports*

* *Profit before tax. As the final accounts are yet to be audited as at the time of the research.*

From table 4.3 above, the bank has been recording impressive performance by reference to the growth in the level of profit from 1978 to 1995. For instance, the figure rose from as low as 7.1 million to ₦ 458.5 million in 1995. The combination of developments in tables 4.3 and 4.4 confirms our hypothesis that loans and advances constitute one of the most lucrative commercial banking operation as well as our hypothesis that the rate of growth of deposit in positively related to the level of profitability.

TABLE 4.4 CREDIT EXPANSION/GROWTH IN AFRI-BANK NIG. PLC 1978-1995

YEAR	CREDITS EXTENDED IN MILLIONS
1978	210.2
1979	257.5
1980	370.8
1981	528.6
1982	539.0
1983	N.A
1984	485.9
1985	512.5
1986	730.6
1988	953.0
1989	1,051.5
1990	1,065.2
1991	1,062.9
1992	1,400.4
1993	1,097.0
1994	4,257.8
1995	8,010.2
1996	9,450.5
1997	30,740.0

Source: *Afri-Bank Nig. Plc Annual Reports*

4.3.4 ASSESSMENT OF CREDIT GROWTH:

By reference to table 4.4 above credit extended by Afribank Plc rose from N20.10M in 1978 to N30.74 billion in 1997. Specifically total advances stood at N30.74 billion as at the end of 1997 compare with the sum N9.45 billion recorded as at the end of the year ended 1996. The 219% increase when compare with the much lower increase in deposit still defects healthier advances deposit ratio. The ratio as the end of December, 1998 stood at 61% which is prudently below the statutory maximum of 70% and well below the Basle standard.

4.3.5 ASSESSMENT OF ASSET QUALITY

Despite the severe or hard conditions characterising the Nigeria banking industry over the years, as manifested by the large quantum of non performing loans and advances (bad debts) Afri-bank Nig. Plc has continued to record very impressive asset quality management as indicated in table 4.5 shown below.

TABLE 4.5 ASSETS QUALITY OF AFRI-BANK NIG. PLC 1989 - 1995

YEAR	TOTAL LOAN & ADVANCES IN MILLIONS (A)	TOTAL PROVISION MADE ON LOANS & ADVANCES IN MILLION (B)	PERCENTAGE OF (B) TO (A)
1989	1,312.8	24.6	18.86
1990	1,635.6	572.8	35.02
1991	2,048.5	648.1	31.64
1992	2,942.3	1,029.8	34.99
1993	3,330.3	1,523.4	45.74
1994	4,257.8	1,715.2	40.28
1995	8,010.2	2,170.3	27.01
1996	9,450.5	3,074.0	-
*1997	N.A	N.A	N.A

Source: *Afri-Bank Nig. Plc Annual Reports for various Years*

* *Final Accounts for the year 1997 not yet audited at the time of the research.*

From table 4.5 above, it could be seen that the asset quality (as represented by the proportion of classified loans and advances to total loans in percentage) has generally been below the internationally accepted level of 50%. This achievement is not unrelated to quality of credit management policy put by the Bank's Management.

The asset quality was relatively higher in 1993 and 1994, and this was as a result of the economic down turn which incidentally resulted in many borrower being unable to service their loans. Furthermore, the increase in bank lending rates especially from 1992 - 94 and beyond had significantly affected borrowers ability to service their facilities.

4.3.6 ASSESSMENT OF CAPITAL ADEQUACY POSITION

Table 4.6 shows the capital adequacy of Afribank from 1990 - 1995

4.4 IMPACT OF CREDIT DELIVERY OF AFRI-BANK NIG. PLC TO ITS CUSTOMERS

In order to ascertain the impact of credit delivery of Afri-bank Nig. Plc to its numerous clients, the researcher administered randomly 250 questionnaires among 80 businessmen, 50 civil servants, 100 farmers and 20 petty traders. Subsequently, the number of questionnaires duly completed and refund was 78, 47, 95, and 17 for businessmen, civil servants farmers and petty traders respectively. Thus representing 97.5 percent, 94%, 95% and 85% response from the respective occupational groups.

Table 4.7 - Depicts the percentage of the various occupational/couple groups to the types of facility(ies) offered by the Afri-bank Nig. Plc.

TABLE 4.6

CAPITAL ADEQUACY POSITION OF AFRI-BANK PLC FOR THE PERIOD BETWEEN 1990 - 1995

YEAR	NON-PERFORMING ASSETS (A)	SHARE/HOLDERS FUND (B)	RATIO OF (A) TO (B)
1990	1,635,689	288,354	56.70%
1991	2,048,502	311,900	65.70%
1992	2,942,388	390,978	75.26%
1993	3,330,263	1,968,157	16.9%
1994	4,257,808	651,150	7.0%
1995	8,010,180	969,053	82.7%

Source: *From various Annual Accounts*

The above table shows the capital adequacy provision of Afribank Plc from 1990 - 1995.

Going by the table 4.6 above it is evident that the bank has been adequately capitalised within the period 1990 - 1995. For instance the ratio rose from 56.7 percent in 1990 to 75.26 percent in 1992 which, indicated the existence of sound capital base in the bank. A more favourable position was

attained in subsequent years (i.e 1993 and 1994) when the ratio stood at 16.9 percent and 7 percent respectively but rose to 82.78 percent in 1995 percent sequel to the bank's embarkment of capital projects without resort to external sourcing of funds for the project. The capital adequacy ratios recorded from 1990 - 1995 have been oscillating with in the internationally accepted maximum of 100 percent.

TABLE 4.7

NUMBER OF RESPONDENTS CLASSIFIED BY TYPE OF BANKS FACILITIES

Occupational Classification	No. of Respondents	Types of Banks Facility			
		Loan	Overdraft	Short Working Capital (SWC)	Bond/Guarantee
Businessmen	78	1	73	3	1
Civil Servant	47	25	11	6	5
Farmers	95	62	11	13	9
Petty Traders	17	12	2	1	2

From the above table it can be observed that 73 representing 93% of business men prefer overdraft facilities for the simple reason that such facilities do not require vigorous costly procedures in the perfection of their collateral more so, the facilities provide the customers with timely working capital and as well as boost the bank's earnings by way of interest chargeable on the customers accounts. On the other hand the table shows 25 of civil servants and 62 of farmers and petty traders representing 12 representing 53%, 65%, 70% respectively prefer loans facilities over others in view of the longer repayment/maturity periods of the facilities which normally spans from 3 to 12 months.

Other criteria used in advancing facilities to customers apart from collateral by bank officials is shown in table 4.8

TABLE 4.8

FACTORS USED IN ADVANCING FACILITIES TO CUSTOMERS APART FROM COLLATERAL BY BANKS OFFICIALS

TYPE OF OFFICIALS	NO. OF BANK OFFICIALS	% OF RESPONDENTS
Character	15	20%
Condition	7	9.3%
Connection	3	4%
Capital	10	13.4%
Capacity	40	53.3%

By reference to the above, it could observed that apart from requiring of traditional collaterals such as credit life insurance, legal mortgage, stocks/bonds, monetary deposits etc. Afri-bank Nig. Plc. relies significantly on the clients capacity to repay facilities granted, followed by customers character and capital adequacy in that order. The least referred criteria is that of connection of the borrower as the bank does not believe in granting political loans/advances.

4.5 LOAN RECOVERY IN AFRI-BANK NIGERIA PLC

Apart from the Natural factors which remain uncontrollable to an extent, the borrower (existing or prospective) has been considered an important source of worry to financial institutions due to possibility in change of position by the borrower such as typified by willful default immediately after obtaining a facility.

As a result, in Nigeria to day, Banks and other financial institutions do take their time more than ever in ensuring that they finance only viable and economically justifiable projects. Furthermore, the establishment of failed Banks Tribunals' and the supervision of Central Bank of Nigeria and the NDIC has fueled the Bank quest for only quality loan portfolio with a view to:

- remaining in good business, while protecting the interest of shareholders
- Safeguarding depositors funds and
- Optimising returns on the funds employed in business while financing the cost of maintaining the deposit.

Consequently, Afribank Plc has put in place a series of well documented strategies targeted towards identify problem loan, their causes, detection and avoidance.

4.5.1 **What is a Problem Loan?:** Problem loan can be defined as one where there has been a default in the repayment agreement thereby signaling potential loss.

4.5.2 **Detection of Problem Loan:** It is essential to understand the causes of bad debt before any attempt is made remedy same. Some scholars have identified five major causes of bad debt.

(i) **Lending Error:** Lending error, may arise as a result of inadequate loan analysis where personal and other considerations inhibit the ability of the credit analyst to ask detailed questions and properly assessing the borrower. There may also be poor financial analysis from unrealistic or misleading financial statements from the borrower which is very prevalent in the Nigeria business cycle.

ii) Others errors include inadequate documentation where the borrower may take advantage of loopholes and evade repayments. Finally, there may be inadequate monitoring on the loan where insufficient care is made to regularly monitor the condition of the borrower through on site inspection, regular checks and a financial statements.

(i) **Poor Business Practice:** This is where the management is kept and incapable of running the company in a prudent and profitable manner other, factors include deficient sales and marketing methods.

(ii) **Fraudulent Practices:** Lack of proper financial discipline which could lead to frauds, outright theft and other losses will push event he most profitable company to insolvency.

(iii) **Adverse External Developments:** Natural disasters, economic factors competition stringent regulatory factors, previously absent all of which may adversely affect the borrowers operation.

4.5.3 **Banks Strategy for Recovery Bad Debts:** Loans and advances are rigorously monitored in Afribank Plc so as to ensure that they do not go bad. However in the event of any loan/advances going bad, there are various options available to the borrower and they include restructuring of the loan, and consideration of additional financing, enhancement of existing security and additional guarantees, take-over of the loan by another lender institution etc.

Conventional Methods of Loans Recovery: When any of these above cited measures failed, Afribank Plc will in the alternative arrange for the termination of the relationship by invoking its convetional methodsu as :

(a) Legal proceedings against the borrower

(b) Liquidation of collateral

(c) Bankruptcy/Receivership.

(d) Arbitration option.

(e) Compromise settlement (Interest Waiver)

Bankruptcy: The borrower may be declared bankrupt when its liabilities are far above its assets and it can obviously not honour its obligations both in the present and in the future. Consequently the Bank may take a recourse by way of appointing a receiver manager to manage the borrower's business/company or liquidate as the case may be. This is however not the last option to the bank.

Arbitration: Arbitration is an agreement to refer to disputes between no less than two parties for determination or resolution in which judgment of the arbitrator is binding to the parties. This is not common in all the commercial banks in the country especially for recovery of debt because it takes an average of 10 years before a dispute could be settled.

Liquidation of Collateral: Where the Bank is an possession of legal mortgage on the assets of bad borrowers.

Compromise Settlement: This involves substantial debt forgiveness. The assets could be realized on court's or to recover the debt. debts forgiveness. Where the principal or interest element has been partly or wholly written-off by the lender.

In Afri-bank, persuasion and compromise - settlement is more often emphasized as against other options.

Non Conventional Methods of Loan Recovery: Non conventional methods often employed by the bank to recover bad debts include among others:

(a) Use of Police and other security agents. This seems to be yielding good results as debtors position in the society is being exposed.

(b) Use of Native Intelligence or community leaders and religion leaders to persuade bad debtors to repay.

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

This study attempted an assessment of credit portfolio management in Afri-bank Nig. Plc; the attitude of the bank's clients with a view to establishing the level of the customer satisfaction from the bank's services as well as ascertain the impact of credit portfolio management policy on the banks liquidity, profitability and growth. In pursuant of these objectives, the study posited among others, the foregoing hypotheses i.e the level of banks liquidity and profitability are positively related to the efficiency of its credit management policy.

The role of financial intermediation in the development process and the nature of the relationship between the development of financial institution and development in the real sector was argued under the auspices of "demand-following finance" and "supply-leading finance" schools of thought. The proponent former school argued that development of financial institution is a function of development in the real sector whereas the supporters of the latter school held that the development in the real sector is a function of the development of financial institution. From the foregoing debate it could be argued that the relationship between the development in the real sector vis-a-vis the development of financial institution depends to a large extent to the nature of the economy. In a predominantly rural based economy, such as Nigeria, the supply-leading finance is more relevant in the development process whereas in fairly developed economy the demand following finance approach is more appropriate.

Chapter three highlighted the major trusts of credit management policy; the major credit characteristics of Afribank Nig. Plc as well as the various types of facilities offered by the bank. By and large Afribank Nig. Plc uses a combination of security/collateral based approach (orthodox) and the modern project liability based approach (elastic approach) in formulation and execution of its credit management policies hence the story of success of the bank over the years especially with regards to profitability, liquidity and growth.

In order to examine the effectiveness as well as the efficiency of credit management policy of Afribank Nig. Plc, chapter four analysed the performance of Afribank Nig. Plc's credit port folio and also the impact of the bank's credit delivery to its numerous clients. The study discovered that the bank had, over the period of the study, registered an unprecedented growth in Branch Network from 46 branches in 1981 to 135 branches in 1997, thus, representing an increase of about 193%.

The chapter also discovered that the bank has recorded a remarkable performance in the area of deposit generation over the years. Specifically, the bank recorded a paltry amount of₦ 344.6 million in 1978 as deposits but by the year 1995 the bank's deposits stood at₦ 13.547 billion. This wonderful performance could be traceable to the bank's successful campaign for patronage through comprehensive and aggressive marketing strategy as well as customers' satisfaction and acceptance of the services offered by the bank.

Furthermore, the study revealed that the bank's profitability, like its deposits/liquidity bases, has continued to increase significantly over the period of the study sequel to steady and continuous expansion in credit growth as well as sound credit management policies laid down by the bank.

The study further revealed that:-

- Afribank Nig. Plc has on its employment a pool of well-trained manpower to offer addition as post credit advances to its numerous customers with a view to ensuring that their lines of businesses succeed.
- The bank's consistent credit support has elevated it to the fore-front of the battle to promote strong and Verile industrial base in particular and the economy in general.
- The loans and advances of Afribank Nig. Plc has grown astronomically to the tune of ₦ 30.8 billion as against ₦210 million in the corresponding period in 1978.
- The bank has put in place what could be called as pro-active and progressive loan recovery strategy has been instrumental for safeguarding the quality of the bank's assets of the bank over the years and is bound to sustain this tide.

- Re-engineering process embarked by the bank has enhanced the efficiency as well as efficiency of its operations thereby pushing-up its earnings.

The bank's pre-tax profit rose to N369.69 in 1996 from meager amount of N7.1 million in 1978.

In summary, we are of the opinion that the Bank's achievement of commendable successes over the period of the study could be traced to among other, the most dedicated staff/professional management; effective credit policy; consolidating domestic branch network; innovative banking habit characterized by introduction of new products/customer oriented services; adoption of functional organization structure devoid of bureaucracy and ofcourse the use of modern information technology.

5.2 CONCLUSION AND RECOMMENDATIONS

We have, within the framework of this study, assessed the credit management policy in Afribank Nig. Plc, and the impact of the bank's credit deliver to its numerous clients in particular and the economy in general. The Bank, has over the years been able to create a niche in its targeted market and has gained global acceptance from its customers as a solid, successful and safer customer oriented financial conglomerate worthy of emulation by others. It is therefore our ardent opinion that, if other participants in the banking industry, especially privately owned banks could have well documented/codified policies in all their operational areas especially on issues relating to credits; strong internal control mechanism (i.e. inspection division) to enforce these policies and above all have the ability to run their banking business with prudence, expertise, innovative skills they can relied upon to bring about positive revolutionary changes in the Nigeria Economy.

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APPENDIX I

QUESTIONNAIRE FOR THE ORGANISATION PERSONNEL

CREDIT PORTFOLIO MANAGEMENT IN AFRIBANK NIG. PLC.

I am an MBA Student undertaking a research on the above topic, and your organisation has been chosen in the industry for this study, and so I will be much grateful if you can help me answer these questions. However any information got will be purely used for academic purposes only.

1. Name of your Bank
2. Present position
3. How long have you been with your present employer.
4. Does your Bank operate any loan scheme? If Yes, Please list them
5. How long does it take for evaluate an application for each type of loan.
6. When assessing an applicant ability to repay which of those sources of information do you usually use?
   i. Personal Interview
   ii. Application Forms
   iii. Investigating the Applicant
   iv. Others (please specify)
7. Does your Bank always require collateral security for any amount and category of loan?
8. If Yes, what are the acceptable collaterals.
   a. Credit Life Insurance
   b. Claims to Personnel and real Property

c. Stocks and Bonds

d. Monetary Deposits

e. Others please specify.

9. Apart from collateral which of these is used along with it to judge the credit worthiness of a customer?

a. Character b. Condition c. Connection d. Capital

e. Capacity

10. Which among the Cs does your Bank consider to be the most important.

11. Does your Bank have any standard procedure(s) for collecting loans.

a. _____ No b. _____ Yes

12. If answer is Yes, state the procedure(s)

_____

_____

13. Which facility do you prepare to Administer to the customers & why?

14. What is the impact if any of the various facilities in terms of contribution to the profitability and growth of the Bank over the years?

15. What are the factors or criteria do you use in Advancing facilities to your customers apart from those mentioned in questions (8 & 9).

Please state

_____

_____

_____

16. In default case what step(s) does your Bank normally take to recover the outstanding balance.

17. What grace period is normally giving to defaulters before taking any legal action

a. 3-6 months b. 6-9 months c. 9-12 months

d. 1 year and above e. Specify.

18. Does your Bank have legal department separately from the credit department

a. YES b. NO

19. What functions are perform by the legal department?

a. _____

b. _____

c. _____

20. If and (18) is Yes is the department in all

a. Branch levels b. Regional office

c. Head office d. All of the above.

21. Is the individual branch responsible for approving loans and collecting over due accounts.

22. Does the Bank usually penalise defaulter

a. YES b. NO

23. If Yes what penalties and what stage of default?

_____

_____

_____

24. Does your Bank provide any incentive for early payments.

If Yes, state the Nature of the Incentive(s).

_____

_____

_____

_____

25. How will you rate loan recovery in your Bank?

a. Good b. Poor c. Satisfactory

d. Very poor

26. How would you rate the cooperation your Bank receives from the government and other agencies is granting and recovery loans from borrowers?

a. Full co-operation

b. Partial cooperation

c. No cooperation.

27. For the period 1990 - to date, How much did your Bank spend (Expenses) in collecting areas of recoveries. Please give a break down if possible into year, items, loan category.

_____

_____

_____

_____

28. Does your Bank usually review repayments terms for over due accounts.

a. YES b. NO

29. What condition(s) is/are attached to accounts that are reviewed, if applicable.

_____

_____

_____

_____

30. How often are these accounts reviewed from the overdue date?

a. 3 months b. Half year c. Years

d. 1 year and above.

31. How often is the landing policy and collection policy reviewed in your Bank.

a. 3-6 months b. 6-12 months c. 1 year - 5 years

d. When need arises.

32. Is customer repayment of loan commensurate with his character, collateral condition?

a. YES b. NO c. Have not observed.

33. Current interest charge on different categories is the same e.g for Agric, Overdraft, Personal etc.

a. YES b. NO

34. Does your Bank always let customers know the Risk associate with default payment?

a. YES b. NO

34. When does your Bank stop recording interest on overdue loans

a. 2-5 months b. 6-9 months c. 9-12 months.

c. 1 Year and above

35. After what period of default is a debt considered bad.

_____

_____

_____

_____

36. When does a debt be written often and what is the maximum amount.

37. Please can you asses the loan disbursement of your Bank as target set have

a. Been achieved b. Not achieved for the period of 5 years.

38. Please quantify the % of contribution of each facility to the profit/loss to the Bank from 1992 - to date.

39. What measures if any should be introduced by the management of Afribank Plc so as to enhance the efficiency of credit management of the Bank.

APPENDIX II

CUSTOMERS QUESTIONNAIRES

Any information collected will be used purely for academic purposes. Tick only one response.

1. What is your occupation
   a. Civil Servant
   b. Business man
   c. Farmer
   d. Any other (please specify) _____
2. Which is your Bank
3. How long? Have you been Banking with the Bank?
   a. 1-6 months b. 6 months - 1 years c. 1-4 years
   d. 5 years & above.
4. Have you ever enjoyed any loan or overdraft from the Bank.
5. How long does it take you to get the loan from date of submission of application.
   a. 1-3 months b. 3-6 months
   c. 6-1 years d. 1 year and above
6. What where the requirements before you got the loan?
   a. Collateral b. Introductory Letter from Employer
   c. Stocks & bonds d. Others (Please) specify

7. What was the mode of payment
   i. monthly ii. half yearly iii. yearly
8. Are you happy with the method your Bank uses in giving loans to customers?

a. Yes b. No

9. If Yes or No, Please can you give reason(s) briefly.

_____

_____

_____

_____

10. Do you like their repayment policy?

a. Yes b. No

11. If No, can you briefly suggest the policy that you feel will help both the bank and the customers.

_____

_____

_____

_____

12. Have you ever defaulted in your payments?

a. Yes b. No

13. What step(s) did the Bank took to recover the money from you, please state.

_____

_____

_____

_____

14. Where you happy with step(s) taken by the Bank?

a. Yes b. No

15. If not, please can you suggest a better method which the Bank can adopt in collecting this over due accounts from the defaulter, that will be of benefits to both parties.

_____

_____

16. Does the Bank inform you of the Risk associated with default payment?

    a. Yes b. No

17. Which of the facilities do you prepare, please mention them in order of preference

18. Why do you prepare the first over the rest, state briefly your reasons.

19. What impact (if any has this facility on you or your business).

    - Very significant
    - Significant
    - Fairly significant
    - Not significant
    - Not applicable.