MANAGEMENT AND CONTROL OF CREDITS IN COMMERCIAL BANKS:

AN OVERVIEW OF COMMERCIAL BANKS IN NIGERIA

BEING A PROJECT WORK SUBMITTED TO THE

DEPARTMENT OF BUSINESS ADMINISTRATION

A.B.U. ZARIA

IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF

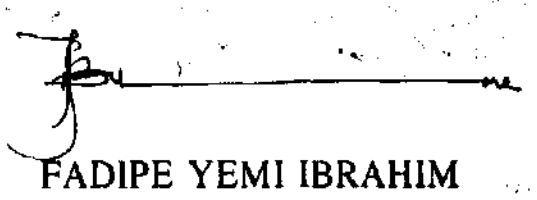
MASTERS IN BUSINESS ADMINISTRATION (M.B.A.)

BY

FADIPE IBRAHIM YEMI

G92 BAF 7037

I hereby declare that this thesis written by me is a personal product of my research work. I therefore, take sole responsibility for all the errors and omissions found therein.



FADIPE YEMI IBRAHIM

1994.

MUKHTAR ABUBAKAR

NAME OF SUPERVISOR .....

SIGNATURE

DR. ALHAJI SHEIKH ABDULLAHI 17/11/97

NAME OF HEAD OF DEPARTMENT SIGNATURE

DR. A. D. SHEIZU ....

EXTERNAL EXAMINER SIGNATURE

....

DEAN OF FACULTY SIGNATURE

....

DEAN POST GRADUATE SCHOOL SIGNATURE

DEDICATION

I dedicate this work of mine to my Loved ones and to those whose belief in the upliftment of humanity is unshaken.

ACKNOWLEDGEMENT

This piece of work would not have become a reality without the endorsement of the almighty Allah. I therefore, would want to be grateful for this everlasting favour.

A lot of people contributed in one way or the other to the successful completion of this programme.

First and foremost, I am indebted to the Head of Department, Dr. Alh. Sheik Abdullahi who has shown genuine concern towards my academic pursuits and has generously assisted me during my times of needs.

I also benefitted immensely from the understanding, support and valuable comments of my supervisor, Mal. Mukhtar Y. Abubakar, he in the true academic tradition gave me unlimited opportunities to develop my views, working with him was both intellectually stimulating and rewarding. I am also grateful particularly for his comments which greatly improved the style of presentation and reduce the work into a more coherent, lucid and compact form.

I should also acknowledge and be personally grateful to my bosses in the office without whom this exercise would be more tedious than it was and helped to see to the materialization of my aspirations. Mr. S. O. FALADE, ALHAJI BASHIR AHMED

ALH. S. M. SUWAID. To them I say thanks and may Allah reward them back in two folds.

I would also like to be grateful particularly to the staff of Union Bank, Bank Road, Kano, the likes of BINTA YUSUF (MRS) who was to me more than a sister, a friend and a colleague of importance too are the staff of Union Bank Samaru, Zaria for their assistance and cooperation.

I cannot of course conclude this acknowledgement without mentioning my profound appreciation and gratitude to my brother WOLE AYANLEKE for all he had done and for making me find true brotherhood in him.

My parents, my younger ones and my elder ones on whose recommendation I took to academics in which I am now discovering the liberating value of knowledge are acknowledged and appreciated. My elder sister's critical and lively lessons not only nourished me with the weapon of theory that enhanced my scholarship and daily life.

My unflinching thanks and love goes to LABAKE PHYLIPS for the enormous zeal shown towards this study and her constant encouragement in seeing me through.

Finally I would like to acknowledge the likes of hitmen of M.B.A class 92-93 Maxwell Bashir, Audu Ali, Baba Waziri, Benjamin Angbo, Lydia, Misky, Oyes Muda and also to thank my very good friend Nuhu Dauda Yani for making my stay with him in Kano a memorable one. These people among others have strengthened my views on the possibilities of a more humane society.

IBRAHIM YEMI FADIPE

1994

ABSTRACT

This project work on management and control of credit in commercial Banks an over view of the commercial banks Nigeria takes into consideration the extent to which commercial banks disburses and manages credits (in commercial banks). While a lot of emphasis is given to good and qualitative credit management in the literature review a lot of light is also shed on effective monitoring of loans and management of problem loans.

Credit management which comprises of the analysis of credit, credit policy and statutory monetary and credit policies will be discussed. In this work the literature review is limited to the management and control of credit only, since a relationship exist between loan portfolio and other assets of a bank, alot of restrain was taken by not delving into the asset portfolio management as it is a point of fact that credit level is determined partly by the reserve requirements of banks and it's liquidity ratio.

The commercial banks put under litmus test here solely because of it's involvement in variety of credit facilities and since a major share of it's assets are in loans and advances. Thus it will go a long way in explaining credit and management of credit due to its long varied scope of activities.

Several banks had to contend with the issue of liquidation and none up to date have had to merge. The major reasons for insolvency of this banks largely is due to the ineffective

credit management by bank and the poor and unqualitative manner of controlling credits. Thus the analysis therein has shown that the banks have failed to perform certain essential functions that will guarantee effective and qualitative management of their asset portfolio. This has led to the numerous folding up of most of this banks , and is continually threatening survival of majority of them in existence. It is common knowledge that since this is prevalent in most of the banks, the stability of the banks will be threatened and the trust depositors have in them will diminish not only depositors, the trust between themselves too is lacking. It is partly because of this tha**t** the CBN has had to issue circulars on how loans and advances will be and ought to be disbursed while the NDIC covers the insurance of this banker. It is of note and belief that the activities of this two parent bodies will go along way to sanitise and rid the system of ineffective controllers of credit and thus bring back the confidence it has always enjoyed from the public and the industry itself.

TABLE OF CONTENTS

CONTENT	PAGE
TITLE PAGE	I
DECLARATION	II
CERTIFICATION	III
DEDICATION	iv
ACKNOWLEDGEMENT	v
ABSTRACT	viii
TABLE OF CONTENTS	x
LIST OF TABLES	
CHAPTER ONE	
1.1 General Introduction	1
CHAPTER TWO	
2.1 Introduction	2
2.2 Financial Institution and Credit Facilities	5
2.2.1 Introduction	5
2.2.2 Types of Financial Institution in Nigeria	6
2.2.3 Commercial and Merchant Banking	6
2.2.4 Development Banking	7
2.2.5 The Insurance Industry	8
2.2.6 The Nigerian Stock Exchange	8
2.3 Overview of Credit Facilities in Nigeria	9
2.3.1 Short Term Credit Facilities	9
2.3.2 Long Term Credit Facilities	11

2.3.3 Significance of Provision of Credit to the Nigerian Economy..... 12

2.3.4 Credit and Monetary Policy in Nigeria: A Spiral Analysis..... 14

2.4 Conclusion.....

CHAPTER THREE

3.0 Management of Credit Theoretical and Practical Overview.....

3.1 Introduction..... 23

3.2 Credit Policy..... 23

3.2.1 Loan and Advances Policy..... 23

3.2.2 Organization and Monitoring..... 25

3.3 Credit Management..... 25

3.3.1 Analysis of Credit..... 26

3.4 Monitoring Corporate Risks..... 28

3.5 Management of Problem Loans..... 30

3.6 Strategy for Managing Problem Loans..... 30

CHAPTER FOUR

4.0 Management of Credit in Commerical Banks in Nigeria - An Analysis.....

4.1 Financial Conditions of the Commercial Banks..... 31

4.2 Loans and Advances within Commercial Banks..... 33

4.3 Management of Funds..... 34

4.4 Ineffective Credit Management in Commercial Banks - Its Reasons..... 35

4.5 Conclusion..... 36

CHAPTER FIVE

5.0 Recommendation and Summary.....

5.1 Management Role.. 37

5.2 Effectiveness of Human Resources Management..... 39

5.3 Conclusion and Summarization..... 42

5.4 General Conclusion..... 44

APPENDICES..... 45

REFERENCES..... 56

LIST OF TABLES

TABLE		PAGE
2.1.1	Number of Commercial and Merchant Banks in Nigeria between 1894 - 1990.....	3
4.1	Ratio of Loans and Advances to Deposits for Commercial Banks.....	34

CHAPTER ONE

1. INTRODUCTION

The focal point in the activities of all financial institutions is the availability of credit. Credit to all sectors like the private sector, the public sector and the general individual sector. This credit forms the apex of all banking activities since it is on the backbone of the Bank that credit to all the sectors mentioned above functions effectively. In other words the profitability of a bank credit depend on how well credit is being given and how well it is managed. Since lending is a sub-strata of credit and the main source of profitability in commercial banks, It therefore follows that the assets of banks i.e. loan portfolio that provides majority of the source of it's income and profits, should be properly and efficiently managed.

In recent 1989 World Bank report, the failure of a private bank sparked off a banking crisis in Argentina between 1980 and 1983 where 71 of 470 financial institutions had be liquidated. While the rate of bank failures in the United States has risen from 10 a year in the 70's to more than 150 a year in the 80's. In Guinea the banking system was thrown into confusion in 1984 as a result of bad loans - Almost 99 percent of its loans were certified irrecoverable. Bank failures were frequent between 1929 and 1952 while in 1990 Central Bank of Nigeria in its routine examinations of banks discovered eight were technically insolvent.

Nigeria had been expanding at a moderate pace but recently the expansionary rate if fast becoming alarming. In the country today we have such specialised ankh like the Mortgage Banks the Community Bank, Finance houses, Stockbrokers and the Peoples Bank table 2.1.2 shows a lot of mortgage and finance houses in the country to date (presently the number of Commercial and Merchant Banks operating in the country is 64 and 54 respectably as at 31st December, 1993.

COMMERCIAL AND MERCHANT BANK IN NIGERIA 1894 to 1990

YEAR	COMMERCIAL BANKS	MERCHANTS BANKS
1822	1	-
1894	1	-
1917	2	-
1933	3	-
1937	4	-
1945	5	-
1953	6	-
1959	8	-
1960	9	-
1961	13	1
1971	17	1
1972	17	1
1973	13	2

1974	17	3
1975	17	5
1976	18	5
1977	19	5
1978	19	5
1979	19	5
1980	19	5
1981	20	6
1982	22	8
1983	25	10
1984	27	11
1985	28	12
1986	29	12
1989	47	34
1990	56	48

TABLE 2:1:1

Within the period 1822 and 1959 when the first bank was established there was free banking regulations and that period witnessed bank failures and frauds. This inevitably led to the establishment of the Central Bank in 1959 to oversee the activities of these banks thus, this started the era of banking regulation and legislation. Monetary and financial policies thus started to appear in the same year. It was the same year that the first issue of treasury bills was made in April, 1990. Also, the idea of stock exchange was concerted in the year 1959 and it was the same year too that the Federal Government's first development loan stock was issued

The contribution of the financial sector (finance and insurance) to the economy can be measured by its contribution to the Nations gross domestic product. The contribution of the financial sector to the G.D.P has been raising since 1985. In 1988, contribution was #3.7 billion i.e. 4.8 percent and this rose to 4.4 billion in 1989, 5.3 percent while the contribution of the financial sector in 1980 was #4.6 billion or 5.3 percent of the of the G.D.P. at these low figure in the 90's could be attributed to the fact that most of the bank were trying to take advantage of the foreign exchange market an activity that does not add value to the economy.

2.2 FINANCIAL INSTITUTION AND CREDIT FACILITIES

2.2.1 INTRODUCTION

The increasing number of financial institution in the economy is a healthy development for the economy in a way. Since it increases competition among the banks, it also creates a situation whereby customers would have a variety of products from which to choose. Thus, in a way it increases the efficiency of financial intermediation in the country. In another way it has led the populace not to really have trust in the new upcoming ones with the series of frauds and closures we hear of every day. Recently a publication from the Nigeria Deposit Insurance Corporation came out with a list of five distressed banks and it was in a bid to stimulate trust within the financial industry and to guarantee depositors funds that the NDIC came into existence.

2.2.2 TYPES OF FINANCIAL INSTITUTION IN NIGERIA

The financial institution in Nigeria can be said to have reached a moderate stage in its development. The range of financial institutions and the services they offer has extended to almost adequate level. This along side the commercial and merchant banks, one can issuing, and specialized banks such as the Nigeria Agricultural and Co-operative BBank (NACB) and the Nigeria Bank for Commerce Industry (NBCI).

2.2.3 COMMERCIAL AND MERCHANT BANKING

This group has continued to dominate the scene at least today they form 74.5 percent of local credit in the economy. The fundamental issue here is the ability of banks to source funds at terms acceptance to lenders and meet the needs of borrowersn in the use of funds.

Lending by commercial banks rose over the years with a slight drop in 1989 and then rose continously thereafter table 2.1.4 Appendix 1 illustrates this better. The lending and credit of the commercial banks is heavily controlled by the governments. They must comply to stringent credit guidelines, where the government always set a credit ceiling and at the same time, the anks have to accord priority to certain sectors of the economy as may e directed.

The lending and credit of the commercial anks is heavily controlled by the Federal Government.

They comply to stringent credit guidelines, where the government always set a credit ceiling and at the same time, the banks have to accord priority to certain sectors of the economy as may e directed y the government or its monetary policy guidelines. Most commercial anks diversity into financial services such as life insurance, pension funds, credit cards, advisory services and leasing. Banks now learn more towards investment banking (income based activities) but still loan portfolio comprises a significant portion of their assets. the loan portfolio of most banks in Nigeria includes personal loans, overdraft, term loans, export and import financing commercial papers, project financing and many more. Appendix V shows the composition of the liabilities and assets of commercial banks in Nigeria from 1980; while Appendix (VI) shows the loans and advances from the banks. Appendix VI shows that the loan portfolio differ considerably from that of the commercial banks in that they offer corporate finance which involves medium to long term facilities, capital issue, merger and acquisitions and many more. In 1988 there were 18 merchank banks in operation and by the end of 1992 the figure rose remarkably to 54 and their total assets from #166,770,000 to #505,420,000 (Appendix V).

2.2.4 DEVELOPMENT BANKING

The first development bank started operation in the country was the Nigeria Local development board in 1946 with a capital grant of #290 million. Later in March 1949 it was substituted by three regional development board in the West, East and North. The three were the ENDC, WNDC, and NNDC. In 1964 the first of the specialized development banks came into existence in 1973 these are the NBCA and NACB.

2.2.5 THE INSURANCE INDUSTRY

As at the end of 1990 there were 105 insurance companies in operation in Nigeria the first was the Royal Exchange Assurance Company which was established in 1884., The development of the industry was very slow from the beginning but by 1978, there was a total of sixty three (63) Insurance Companies operating in the country. Loans and advances of the insurance companies as at the end of 1990 stood at #1908 million over the 1989 figures of #182.0 million. Under the Insurance companies regulation 1968 they are allowed to engage in other business activities other than under writing risk. Some of the investment engaged in by the Insurance firms are government securities, stock, share and bonds.. Others are mortgage and loans.

2.2.6 THE NIGERIAN STOCK EXCHANGE

This was incorporated in September 1960 and development has been moving moderately since then, it started business fully in June 1961 with 19 securities listed on the Nigerian Stock Exchange rose to 251 securities listed as at the end of December 1992. The market capitalisation value of securities has also grown appreciably form N4.5 billion in 1991 and N32.5 billion to date, transaction in the exchange have also increased apace over the 5 years from 634 securities valued at N491.7 million at the end of 1992. Recently activities on the stock exchange has risen due to the privatisation program of the Federal Government and the increase in awareness and enlightenment by the public.

2.3 OVERVIEW OF CREDIT FACILITIES IN NIGERIA

The types of credit facilities that are offered by financial institution in Nigeria can be classified into two, short term credit facilities and long term credit facilities. The former has maturities of one year or less and they are the most common form of credit in commercial bank. On the other hand, long term facilities have maturities in excess of one year.

Finance from short term facilities are usually engaged in activities that are short term and can generate cash quickly, thus enabling repayment within the maturity period. In the case of long term facilities borrowed funds are generally employed for purpose that have lasting benefits to the firm. Purpose such as acquisition of fixed Assets, funding of long term investments, retiring or refinancing of long term debts are financed by long term, credit facilities. Traditionally commercial banks have been engaged in wholesale of financial products/services. But, recently, commercial banks are getting into the wholesale business too by offering financial services such as loan syndication, equipment leasing, hire purchase and capital issue now being offered by commercial bank. This is mostly through their subsidiaries.

2.3.1 SHORT TERM CREDIT FACILITIES

This are loan with maturities of one year of less and they form part of what is called the money market. They are a valuable source of finance for corporations.

They can be the only available source of finance for small, new or weak companies who cannot get access to the capital market. The basic types are as follows:-

A.	LINE CREDIT	This is an agreement between a bank and its customer which allows the customer to have access to a certain amount of credit for a given period of time. This agreement is usually unlegally bounding and can be amended or cancelled anytime.
B.	COMMERCIAL PAPER	This consist of unsecured, single named prommissory notes of large denominations having maturity of less than 9 months.
C.	FACTORING	This involves the sale of debtors (account receivables) by a company on a non-recourse basis to a factor in return for discount cash proceeds. Non recourse arrangemment means that as the factors purchase the debts from the company, the responsibility to collecting the debts now lies with the factors takes the loss. another type of *arrangement is that of factoring with* recourse. Hence any loss fron non payment by the debtors will fall on the company not the factors. The costs involved in factoring are the interest rate and the factor's commission fee.

2.3.2 LONG TERM CREDIT FACILITIES

Long term credit facilities are used to finance long lasting need such as fixed assets and the perceived increase in receivable and inventory. They have assets and they have maturities in excess of one year and are available from banks Insurance firms, merchant banks and finance houses. This facilities are non-expensive than short term ones and can even be more expensive than long term bonds. Thier maturities and repayment schedules can be repressive when compared to other types of financing. The following are the different types of long term credit facilities.

A. TERM LOANS

Is a formal, legal arrangement to provide facility of a certain amount, of a particular purpose for a stated period of time (usually up to 7 years). The maturities depend on the size of the company lacking the facility. Term-loans are flexible and the flexibility can be deduced by their repayment pattern. Chase Manhattank Bank of New York classified the repayment schedules as:-

(i) CONVENTIONAL: pay back is in equal installments over the life of the loan

(ii) MORATORIUM: no payment are schedule for the first one or two years, with pay back in equal annual instalment thereafter.

(iii) UNEQUAL: pay back is schedule in unequal instalments

(iv) BALLLOON: pay back is made in small equal payment over the life of the loan with a large lump - sum payment at maturity.

(v) BULLET: repayment in full is made at maturity

REVOLVING LOANDS: This is a formal, legal arrangement in which the bank agrees to lend up a certain amount for a specific purpose over a specified period of time usually 2-4 years. The amount taken and the repayment schedule are at the discretion of the borrower. But repayment has to be commplete when due. Revolving loan with a term loan option is sometimes preferred, because of its greater flexibility.

CONDITIONAL SALES CONTRACT

This is a medium term facility for equipment financing usually manufacturers sell equipment or credit to business, the manufacturers later sell the contrats (the arrangements) to commercial bank or finance companies who becomes the final creditor. This usually requires a down payment and the payment schedule is on instalmental basis over an agreed period of time.

2.2.3 SIGNIFICANCE OF PROVISION OF CREDIT TO THE NIGERIA ECONOMY

In the economy of Nigeria today the need to place emphasis on all sectors of the economy is desirable if the standard of living of the citizenry is to be improved. The important sectors thus to be immproved include one of the Agricultural, utilities etc. This sectors require capital investment in capital goods which are necessary for increasing the country net output. It would be noteworthy to point out that the economy of Nigeria for quite some time has been sustained by the petroleum industry.

This is apparent in the contribution to G.D.P./ of the oil Agricultural and manufacturing sectors over the years. The agricultural sector over the years has been plagued by the problems of lack of adequate credit/capital lack of storage facilities and transportation. This problems could be solved to a reasonable extent if enough credit is pumped into this sector. Since it is the mainstream of the Nigeria economy. The problems that affect the agricultural sectors also affects the manufacturing sector, large scale industries and smaller ones find it difficult to operate in the country now because of inadequate capital for investment. The low capacity utilisation in the nations industry is primarily caused by the non availability of credit facilities, even where they abound the cost of getting this credit are so high that it discourages firms to borrow. Adequacy of credit in the manufacturing concern will go a long way in raising production capacity vis-a-vis increase on net out put in the economy.

The importance of credit provision to the economy particularly of the productive sectors i.e. Agriculture, anufacturing etc. is depicted by the patterns of controls, guidelines and regulations outlined by the central Bank. Over the years the Central Bank has placed much emphasis on these sectors of the economy since

they are always regarded as priority areas, Thus it is quite essential for enough credit to be given to the sector and enough enlightenment on the path of the financial institutions to the operations of these sectors instead of going head long into funding quick-return ventures such as L.P.O. financing forex deals.

2.2.4 CREDIT AND MONETARY POLICY IN NIGERIA: SPIRAL ANALYSIS

Monetary Policy can be defined to as the combination of measures aimed at regulating the supply of money to an economy, particularly it is designed to regulate the cost, quantity and allocation of credit to achieve set national economic objectives; it therefore, becomes appropriate to include it into this project on a spiral analysis.

Depending on the economic situation, monetary policy involves the contraction or expansion of money supply. It is used to encourage or discourage borrowing through the use of interest rate, mostly it is used to direct funds to productive sectors for increase output.

Some of the main objectives of monetary policies are:-

[i] The control of inflation.

[ii] Keeping low the level of unemployment

[iii] The promotion of rapid economic growth and development.

[iv] To maintain a prudent and efficient financial system.

The effectiveness of monetary policy influences the supply of money in a country through the expansion and contraction of the volume of purchasing power by the control of the supply of money. When there is an increase in the supply of money to the economic this will increase the volume of purchasing power and thus stimulate demand and investment which consequently increases output and reduces unemployment. Conversely a reduction in the supply of money will result in having the exact contrary effects. Increase in investment means economic growth and development but this sometimes contradicts efforts and sometimes, this result in a debit balance in the balance of payments.

The prevailing economic condition may require emphasis on one or more of the objectives. The main way employed to achieve policy objectives are market intervention and portfolio constraints. Market intervention involves the control of financial market instruments such as treasury securities and commercial papers, portfolio constraints on the other hand controls the level and type of assets and liabilities that financial institutions hold particularly bank. The central bank form the authority vested with the power to administer monetary policy circular as directives for compliance.

The central bank uses such instrument when determining monetary and credit policies to the economy. This are:-

[i] **OPEN MARKET OPERATIONS**

The aim of this instrument is to influence the short term and long term rates of interest, the apex body does this by controlling the cash reserves and liquidity of the financial institutions. The only disadvantage of this is that, banks with excess liquidity cannot be affected by this method of control.

[ii] **BANK RATE (REDISCOUNT RATED)**

This is the minimum rate at which the CBN will re-discount approved bills of exchange. The rates are sometimes lowered or raised by the bank to regulate the supply and demand of money in the economy. It would be important to note that rates go up as it rises and comes down as it falls since this has a marked effect on the other rates of interest.

[iii] **SPECIAL DEPOSITS**

It is designed to restrict credit, it is often employed when the economy needs credit control, it requires all banks to make special deposits with the CBN, thus reducing the banks liquidity and their ability to create credit.

[iv] **CASH RESERVE REQUIREMENTS**

It is used to control credit and banks liquidity. The ratio of liquidity or cash is prescribed by the CBN and helps to ensure that all banks are liquid at all times to satisfy depositors as well as control banks growth of excess reserve in order

held up to maturity which is always 90 days. Interest is paid in the security the rate being equal to the prevailing treasury bill issue rate plus a small margin.

[vii] **MORAL SUASION**

This is monetary instrument with no legal backing. It is usually a method of persuading bankers and businessmen to comply to policies which are believed by the CBN to be in the interest of the national economy.

MONETARY AND CREDIT POLICY GUIDELINES FOR 1994.

The Nigerian economy has over the past few years witnessed some serious macro economic problems which include slow down in economic activities, low capacity utilisation, accelerated inflation, high and perverted regime of interest rate, growing unemployment, heavy debt burden, intensified exchange rate depreciation, persistently high and rising government deficit. The monetary policy for 1994 was therefore, formulated against the above back drop principally with the objective of reducing inflation rate and resumptions of sustainable growth and employment opportunities.

In the credit sector, no ceiling has been imposed in the current fiscal year. Liquidity ratio, capital adequacy ratio will be allowed to expand in 1994. Also

interest rate is also a bold step to make the financial market more closer to giving out credit and to be more competitive consequently making services and operations more efficient.

OVERVIEW OF THE NIGERIAN ECONOMY

Whilst the persistent recession which plagued almost all the countries in the world has not spared even the strong economies of Japan and Germany on one hand, the economic reforms and political realism undertaken by these several African countries are starting to yield limited gains. Despite this visible gains, however, the Nigerian economy has been experiencing severe imbalances and aggravated distortion since 1991.

Production in all major sectors was severely constrained by high unstable interest rates, fast depreciation of the Naira exchange rate and a high and rising rate of inflation resulting on further decline in the gross domestic product (GDP) Gross rate which fell to about 2.9% in 1993 as against 3.6% and 4.8% in 1992 and 1991 respectively. Industrial output has continued to be adversely affected by low and decreasing capacity utilization as a result of firms inability to refurbish or replace their ageing machineries.

On the foreign scene, our external debt widened to U.S. $ 28.7 billion from the U.S. $ 27.6 billion recorded in December 1992 partly as a result of changes in

the value, of Naira and default charges on debt services. Total debt service which fell due during the year amounted to U.S.$ 4.5 billion against the projected US $ 2.4 billion could not be paid because of the U.S. $ 3777.3 million 1992 deficit that was brought forward in 1993.

However, the nation recorded a trade surplus of U.S. $ 163.5 million (N3.59 billion) between January and November last year with exports standing at U.S. $ 968.9 million (N153.3 billion) against import worth of US $ 6,804.4 million (N149.6 billion) also both import and export showed a 27.5% and 10% declined respectively compared to their levels a year earlier, similarly foreign exchange flows during the review period indicated a net inflow of U.S. $ 36.5 million in 1993 against the U.S. $ 281.6 million net outflow recorded same period in 1992.

In fact the acute short fallhave become noticeable in the first quarter in this year to the extent that in all the four bidding session at the foreign exchange market so far this year (1994), the CBN was able to supply a mere U.S. $ 600 million or about 1% of the staggering U.S. $ 6.06 billion demanded by the manufacturers and other forex users. Incidently total amount demanded was U.S. $ 3.56 billion or 142.4% more than the U.S. $2.6 billion earmarked for the market this year-more importantly about 60% of the amount supply went to the manufacturing sector as opposed to the 50% budgeted following their complain of inadequate supply. Whereas the Naira depreciated in official market by an average of 7.1% in the first quarter in 1993, the exchange rate has affective January 1994 being

3.0 MANAGEMENT OF CREDIT THEORETICAL AND PRACTICAL OVER VIEW

3.1 INTRODUCTION

This chapter tries to discuss credit management via examination of relevant literature. However if credit is to be effective if has to be through a well documented credit policy.

3.2 CREDIT POLICY

The B.B.C. I.M.D. "Advances manual" 1984 difines credit policy as a combination of certain internationally accepted, time listed standards, and other dynamic factors dictated by the realities of changing situations in different market place. Credit policy is a necessary prerequisite for effective credit management while the rules and procedures guiding credit policy are meant to provide bank management with detail and accurate informmation base for lending decisions, the key to safe, liquid and profitable credit operation lies in the credit officers making this decision for proper organisation and monitoring of credit. Some issues have to be analyzed properly.

3.2.1 LOAN AND ADVANCES POLICY

The series of loan to be granted by a bank in a given period should be ascertained after reserve requiremments and liquidity needs have been met. It is also note worthy to point out that the guidelines for loans and advances cover such aspects

as size of loan portfolio, economic sectors that the bank should consider for credit extension require security for each particular type of loan, pricing of facilities and repayment terms. This guidelines includes:-

1. *SHORT TERM INVESTMENTS GUIDELINE*
2. *CREDIT APPROVAL PROCEDURE*
3. *LOANS AND ADVANCES GUIDELINES*
4. *LOAN LOSS PROVISION AND CHARGE-OFF GUIDELINES*
5 *CONTINGENT LIABILITIES GUIDELINES SALISBURY IN 1984 EXAMINES HOW CREDIT FALL THAT IS THROUGH*

1. Failure to consider industry risk properly.
2. Failure to consider impact of economic risks. It is also very essential for a bank to have an idea on where to place its money and the economic sector to focus its attention on credit extension.

Lending policies should specify the securities that ate required for each particular type of loan. The act of specifying the required securities helps minimize the number of loans that are declared as bad., doubtful and lost. These factors guide the pricing of credit facility, this factors are:-

applications for funds. Thus, through this approach credit worthiness of a potential borrower can be ascertained and a decision taken.

FINANCIAL STATEMENT

This refer generally to statements of income and expenditure of statement of conditions of a business enterprises.

The importance of these cannot be over - emphasized in credit analysis in that it provide indicators for the likelihood of successes or failures in a firms ability to repay back any loans. This statement also provide a bank with essential data on a company's operations and management. Accordingly to the CMB training manual (1988) it indicated three areas of management performance that could affect a firm ability to repay a bank loan.

These areas of management performance are:-

(i) *Managing the operations and cost to generate profits.*

(ii) *Completing the operating cycle (asset conversions cycle) and efficiently managing the asset investment to generate the maximum sales revenue.*

(iii) *Managing the financing of the assets investment to minimize risk to creditors.*

ENVIRONMENTAL ANALYSIS

A bank credit analysis should analyze the environment in which the prospective

borrower operates in relation to other factors that may likely jeopardize its ability to pay back any loan. Such analysis should include industry analysis, economic and political analysis.

3.3 STRUCTURING OF LOANS

When a decision has been taken to extend a loan to customer, the bank then decide on what type of loan will best be suitable to the customers borrowing need. A credit officer should in this case possess a solid knowledge of the fundamentals of lending and use his credit analysis and loan documentation as a guide. In structuring of loans, it could either be short term with a maturity of less than one year or long term with maturity of more than one year.

3.4 MONITORING CORPORATE RISKS

Most banks lose money because they do not monitor their borrowers properly and they fail to recognize warnings early enough. Effective and early recognition of a company's weakness gives a bank enough time to take appropriate corrective measures. The main purpose is to recognize weakness as well as a useful marketing tool. Such information gathered from monitoring advises the banks on strengths and weaknesses, thus indication the banks interest in the Company.

There are three major sources of information on customer performance these information are derived from:-

be noteworthy to point out that during the yearof issuance, profit bases of most commercial banks reduced drastically e.g. Union Bank in 1990 posted a profit after task of 97.7 million which dropped to 7.9 million 1991.

The Nigerian Deposit Insurance Corporation further came out with a list of seven (7) banks in 1990 and this rose to nine (9) in 1991. These distressed banks had non-performing loans in excess of 50% of their loan portfolio and 100% of their capital reserves. Most of these banks are the state own banks and the first on the list was National Banks of Nigeria.

The ratio of classified assets to total loans and advances is a good indicator of how a bank is managing its loan portfolio, while higher ratios indicates poor handling of lending operations. The ratio of classified assets to shareholders funds indicate the degree of safety of a bank's shareholders funds and the bank it self, by any standard, any bank with classified asset that exceeds 100% of shareholders funds is termed a problem bank. In essence, it therefore, becomes imperative to imply that the classified assets position for most commercial banks in Nigeria is poor. In 1990 for every one Naira (N1.00) of loans and advances, about 69 kobo could be said to be unrecoverable in state government. Appendix VII shows the liquidity ratio, cash reserve requirement and loan to deposit rations of Banks, owned commercial banks, about 42 kobo in other commercial banks and about 76 kobo in the 9 distressed banks. Poor financial position of the commercial banks which could be attributable to ineffective credit management

has profound effect in the banks; this has lead poor operation within the banks and poor earnings from lending which is supposed to be the major source of income for the banks; This has therefor led to the bank changing form their traditional roles into fixing priority attention towards the deals in foreign exchange; Consequentially investment in value added project are ignored, thus exposing the banks to the slightest shocks in the economy. These shocks have over the years contributed to the under capitalization of out commercial banks for example in 1990 the ratio of classified assets to shareholders funds for bank was 4:3:2 percent.

Banks too over the years have been unable to play their economic role in Agricultural and Industrial Development of the country. The high cost of funds has over the years made manufacturers and agriculturalist to shy away from the banks and look for other sources which are most times, inadequate to finance their projects or operational needs.

4.2 LOANS AND ADVANCES WITHIN COMMERCIAL BANKS

The primary business of banks in Nigeria is lending, it forms a major segment of the banks credit. In 1992, over 32% of the commercial banks total assets are in loans and advances and it has continued to be prominent in the continuing years. It then becomes imperative for commercial banks to be more effective and efficient in their management of credit so to remain financially sound. See Appendix VI

4.3 MANAGEMENT OF FUNDS

Before a bank ascertains the size of loans and advances to be granted, it has to have adequate provision for statutory reserve requirements and liquidity needs. This helps to protect the interest of depositors and the owners of the bank. In the country, the prudential ratio of loan advances to deposit for insured banks is 70% between 1989 and 1994, some banks found themselves in serious liquidity problems. This were partly caused by the withdrawal of governmental account from the banks and the high ratios of loan and advances to total deposits. Appendix VI shows loans and advances for a five year period and also shows the classified loans and advances for the period while table 4:1 shows the ratio of loans and advances to deposits for commercial banks.

TABLE 4:1

GROUP	NO OF BANKS	RATIO OF LOAN AND ADVANCES TO DEPOSITS %
STATE GOVERNMENT'S	23	79.1
OTHER BANKS	25	80
ALL BANKS	48	77.4
DISTRESSED BANKS	9	100

sources: NDIC ANNUAL REPORT

This clearly shows the condition of commercial banks within the country and its efforts at managing their loans effectively. To successfully solve a problem, the cause of that problem should be established.

4.4 INEFFECTIVE CREDIT MANAGEMENT IN COMMERCIAL BANKS-ITS REASONS

Within 1990 to date the number of distressed banks has had to increase from (9) to an unannounced figure of twenty-three (23) with state government banks forming majority of the list. The poor liquidity of these banks can be routed through bad handling of their loan portfolio which were discovered to be laden with non-performing loans which resulted in the eroding of their capital base and deteriorating reserves. Appendix VI shows the clear picture of loans and advances for some banks.

The following factors could be adduced to be the reasons for ineffective credit management within the commercial banks:-

i. *Political influence and the Nigerian factor.*

ii. *Non adherence to statutory and corporate credit policies and guidelines.*

iii. *Absence of professional approach to credit appraisal.*

iv. *Poor organisation for lending.*

v. *Poor monitoring of loans.*

vi. *Poor organisation for lending and poor quality management.*

CHAPTER FIVE

5.0 RECOMMENDATION AND SUMMARY

This chapter tries to posits effort towards presenting recommendation at solving the problem of poor credit management in Nigerian banks, showing the causative factors as well as helping to improve the general financial industry.

5.1 MANAGEMENT'S ROLE

Over the years, it has been observed that most of the banks have a weak management (including lack of professional staff, poor reporting on income accrual, inadequate internal controls absence of arm's length arrangement with borrowers, inadequate internal and excessive political interference with credit auditors, inadequate staffing and on-site surveillance capability, outdated laws and regulation and inadequate punitive control powers).

Poor quality of banks management has been at the root of many bad credit, thus banks failures. Daiz Aiejandro, claims that in Chile there was no investigation into new entrants banking credential after denationalization nor was there any supervision until 1981.

Lending to uncredit worthy individuals at the behest of director or of government. In Nigeria, closed ownership links between banks and their borrowing clients have been at the roots of problem. A case in view is that of key ventures and Savannah Banks of Nigeria approved an overdraft of thirty five (35) million Naira when in actual the ceiling on credit by central bank to any single individual is N25 million. It should however be noted that negotiation has permitted risky lending and ineffective supervision and permitted banks to ignore their losses.

The management's role therefore, over the years has been eroded. It has been found out that the top management of our commercial banks do not know what they are there for: the significant importance of a top management is shown by the success of that bank both in generating revenue and in collecting approved loans. The tasks of top management therefore, is a multi-dimensional one. It involves the selling of standards which controls the ever pressing gap between what the organisation stands for and what it practically does. Secondly, it involves the task of selling the mission of the organisation through selling objectives, developing strategies and plans and making today's decision for future results. Thirdly, the task of surging qualifiable and sustenance of human resources needed both for today and future for the organisation. This resource though human should be capable of taking over when there is a major crisis in the organisation.

Finally, their task should also include creating and maintaining relations with an organisations stockholders; for example, the relation with creditors, major depositors and government agencies.

All of these tasks require people who are decisive and quick for action taking. Not only that, they require boldness and intuitive courage, Peter Drucker, suggested that there are four different kinds of persons. There are persons of thought, person of action, with people person's it is therefore imperative to look for persons who poses these qualities to work together as a team. Drucker further suggested functions to be performed by this board. These are the task of removing a top management that proves incompetent and non-performing, the task of public relations, the task of giving counsel and advise to top management.

5.2 EFFECTIVENESS OF HUMAN RESOURCES MANAGEMENT

Management of human resources in our banks today could be said to be poor in all aspects and ramifications. They are in most cases poorly trained and demotivated. It is a part of life that if one is not motivated, his inputs into what ever he is doing will be negatively affected and this negativity in banks are always the root causes of banks frauds which subsequently leads to banks failures.

In today's organisation, modern management system have to be adopted; Systems that consider human resources as capital investment not as costs. Effective management of these employees should centre on imbibing the culture of

responsibility and achievement on themselves and getting their input into selling objectives for the job. Thus, employees should also be motivated fully and be fully integrated into the organisation as partners in business. Modern management practice in essence encourages leadership of people not personnel management. In his book "Dynamic strategic management for the 90s" Ralph D. Stacey, stated the following point that bring about a complete change in organisational structure and behaviour and consequently, set in the required control system to manage open ended change situations.

The first, allowing employees to act more on intuition and judgement and making rule, procedures and modes of communications less formal.

The second, is improving ability to detect small changes occurring now that will have important long term consequences. In other word, making monitoring more important than planning.

The third, is selling objectives that are long term, tentative, changeable and flexible because the future is uncertain.

The fourth, is defining roles in terms of the attributes of collaboration and initiative to allow opportunistic experimentation.

The fifth, is constraining roles only through power personality and organisational culture, not formal position.

The sixth is developing role perceptions which are holistic in the sense that they are more concerned with the goods of the whole organisation than with the goods of a part of it alone. We look for synergies and new ways of doing things, not mere efficient ways of doing all things.

The other is matching roles to people using selection instruments where the criteria are personal competencies, which are difficult to identify rather than specific skills and knowledge. It means using management development instruments which seeks to develop intuitive, team work competence which are no longer related to short term individual performance, but to team performance and willingness to experiment.

Finally, developing radical cultures which foster the questioning of objectives, perceptions and actions.

This management practices if adopted will give a bank better control over its market operations, manpower and stockholders. A bank thus, will be able to market its credit facilities efficiently and profitably in a lending situation. It can also attract more depositors which means more funds available for lending and consequently, higher earnings while the banks' operation will be much more efficient as control systems and management information become more effective with the dynamic strategic management in place.

5.3 CONCLUSION AND SUMMARIZATION

In today's banking environment, there is increasing competition in the financial system with different kinds of financial institutions cropping up. Attracting and retaining customers is getting more difficult for the banks and so does survival in the present environment getting more difficult for the banks and does survival in the present environment getting aggressive. There is the need therefore, to develop new and competitive product for better share of the market. Impliedly, commercial banks have to handle their loans and advances with great care. Credit management ensures that banks have a safe, liquid and profitable lending operations; Functionally too, credit management specifies the nature, size and condition of loans to be granted. Credit management gives bankers an impartial view of the borrowers strength and weakness, thus, identifying risk and the ability of the borrowers to repay loans. Thus, its absence means lending on subjective factors such as personal knowledge of a customer and experience. Credit management also involves in ensuring complete repayment of borrowed money through the monitoring of customers performances and early warning signs to provide enough time for investigation and the subsequent rescheduling, re-writing of the loan or liquidation.

The analysis in this project work discovered that poor financial condition of the banks was a result of ineffective credit. Therefore, survival in this present environment would entail aggressive marketing based on high level

professionalism, efficiency, swiftness and flexibility in service delivery. Customers too should be provided with prompt efficient and personalized services with decision making process shortened to the minimum possible time. The analysis further highlighted the following reasons as the cause of ineffective credit management in our commercial banks.

(i) Non-adherence to statory and corporate credit policies.

(ii) Poor organisation for lending

(iii) Absence of professional approach to credit policies

(iv) Poor management of bad loans

(v) Poor monitoring of loan

(vi) Political influence

These factors though salient,hinders effective credit and it must be solved. In this work, some recommendation were given which hopefully, will continue towards eliminating the problems. The recommendation therefore, are the installation of effective top management team, a shift from traditional management practice to a more modern human resource management, adoption of dynamic strategic managements and improving facilities. This will leave in no small measure at solving the root cause of problems which leads to poor credit management in banks.

5.4 CONCLUSION

Credit management is a prime objective of any commercial bank since it provides a bank with a safe, liquid and profitable lending operation with lending being the pivot function in all commercial banks; The need for effective and efficient credit management in commercial banks cannot be over - emphasized. The importance of credit facilities to the economy and the subsequent poor financial condition of banks in Nigeria prompted this survey.

Chapter (4) focuses on the causes of poor credit management in banks while chapter (3) was more of a literature review on credit management. This study concluded with recommendations on how to improve credit management. It is hoped that this project will stimulate further research into the problems of poor credit management in the commercial banks; since it is quite topical and timely.

APPENDIX ii

(A) HIGH PRIORITY SECTOR (MINIMUM 70% OF TOTAL LENDING

(i)	**Agricultural Production**	**Minimum**	**(18%)**
(ii)	**Manufacturing**	**Minimum**	**(42%)**
(iii)	**Non-Oil Export**	**Minimum**	**(10%)**

(B) OTHER SECTORS **MAXIMUM 30% OF TOTAL LENDING**

TOTAL A + B 100%

APPENDIX iii

COMPARED

	UBN MAR. 93	% TOTAL	UBA MAR. 93	% TOTAL	FBN DEC. 92	% TOTAL
Earning Assets	13,331	47.0	13,469	58.7	9,968	41.3
Non-Earning Assets	15,016	53.0	9,481	41.3	7,081	58.7
TOTAL ASSETS	28,347	100	22,950	100	16,986	100

APPENDIX iv

FUNDS RAISED (N'M)

	CBN	AS AT		MARCH		UNION	BANK		U.B.A			FIRST	BANK	
PERIOD	(1) MI + M2	(2) MI	Growth	Commercial Bank Deposits	SHARE (3 + 1)	DEPOSITS As at 31st March	SHARE (5 + 3)	Mix	DEPSITS 31st March	SHARE (5 & 3)	Mix	DEPOSITS As at 31st March	SHARE (6 & 3)	Mix
1989 Demnd						1,967.5		42	2,383.3		32	1,630.4		32
SAVINGS						1,552.1		33	1,019.9		14	1,760.6		34
TIME						1,215.6		54	4,025.4		54	1,781.2		34
TOTAL	46,679.4	422,645.0		31,482.7	72.0	4,735.2	15.0		7,428.6	23.6		5,172.2	16.4	
1990 DEMAND						1,837.3		37	2,220.5		28	2,255.8		36
SAVINGS						1,943.6		38	1,319.7		16	2,407.7		39
TIME						1,175.1		25	4,544.0		56	1,781.2		25
TOTAL	49,268.6	26,722.2	18.0	28,666.3	58.2	4,956.0	17.2		8,074.2	28.2		5,230.0	21.7	
1991 DEMAND						2,826.9		30	3,302.8		35	3,302.8		40
SAVINGS						3,979.9		24	3,445.5		24	3,445.5		42
TIME						3,143.7		46	1,476.2		46	1,476.2		18
TOTAL	69,752.2	39,364.1	447.3	42,516.5	61.0	11,021.8	20.8		8,224.5	24.9		8,224.5	19.3	
1992 DEMAND						3,898.2		30	3,524.3		30	4,759.5		42
SAVINGS						2,849.2		24	2,849.2		24	4,387.4		39
TIME						5,561.6		46	5,561.6		46	2,126.9		19
TOTAL	96,405.8	54,259.5	37.8	57,353.8	59.5	11,935.1	20.8		11,935.1	20.8		11,273.8	19.7	
1993 DEMAND						4,546.6		38	5,327.9		44.3			
SAVINGS						4,063.1		34	3,563.9		29.6			
TIME						3,490.0		28	3,141.0		26.1	N/A		
TOTAL	135,524.8	71,678.8	32.1	96,909.0	64.0	12,099.7	13.9		12,032.8	13.8				

TABLE 3: INTER-BANK LOANS (=N='MILLION)

	COMMERCIAL BANKS			MERCHANT BANKS		
	To Other From Others			To Other From Other		
1980	0	n.a				
1981	1	n.a				
1982	12	n.a				
1983	4	n.a				
1984	14	n.a				
1985	16	n.a				
1986	45	20				
1987	83	54				
1988	0	12				
1989	516	17				
1990	582	347				
1991	1433	586				
1992	1575	704				
1993'	2081'	655				

APPENDIX V

AGGREGATE OF COMMERCIAL BANKS' ASSETS AND LIABILITIES (#MILLION)

ASSETS	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993
Cash & Cash items	1532	1376	2002	1267	1032	1488	1488	2193	2152	2080	3735	7173	12425	10042
Cash Bal. with other Bank	860	869	623	997	837	2227	2227	4664	7274	8434	8901	13110	23923	26957
Loans & Advances	6379	8605	10277	11100	11503	15702	15702	17532	20045	22221	26084	31782	41576	57891
Treasury Bills	1601	918	2190	4362	7297	7991	3062	5251	5274	2518	7666	6254	5181	9682
Treasury Certificates	834	856	629	779	1430	2264	1361	2322	2036	1096	1037	559	325	331
Other Investment	680	576	588	590	512	621	1293	1142	256	992	1366	640	456	916
Stabilisation	0	0	0	0	0	0	0	0	0	0	1032	6563	14718	27643
total Assets	4454	6256	6353	8294	8283	8170	14913	19390	20992	27533	33138	51450	83132	66528
Total Assets	16340	19458	22662	27388	30893	40045	52493	52493	58027	64874	82958	117512	181736	199989
LIABILITIES														
Capital Account	389	477	668	845	967	1129	1299	1545	1932	2692	3713	1434	8157	9235
Other Banks' Bal held	171	220	333	411	300	310	985	1419	896	1212	841	250	1693	2133
Money at call - other Bank	13	135	132	66	270	54	155	413	513	970	1826	79	1539	1893
L & A from CBN	n.a	n.a	n.a	n.a	67	0	0	7	83	144	95	704	102	123
L & A from Other Banks	n.a	n.a	n.a	n.a	n.a	20	54	12	17	3471	586	69	655	676
Other L & A	95	90	115	76	n.a	64	65	23	107	165	0	22049	70	448
Demand Deposit	4846	4881	5181	5856	6433	7046	6650	7998	10668	10188	15589	10964	33640	37116
Time Deposits	3574	3817	4517	5204	6030	6851	7218	9882	11275	7739	10175	-	16202	20911
Saving Deposits	1590	1979	2321	2879	3361	3700	4270	5207	7123	9238	13014	19395	26232	2882
Certificates of Deposits	44	34	116	108	48	20	50	102	72	194	213	136	209	93
Other Liabilities	5620	7824	9278	11944	13507	13624	19300	25676	25343	31986	36907	58132	93238	98478
Total Liabilities	16340	19458	22662	27388	30893	32819	4005	5293	58027	64874	82958	117512	181736	199989

APPENDIX VI

Category	Loans & Advances (N'M)					Classified Loans & Advances (N'M)					Propotuon of Classified Loans and Advances to Total Loans & Advances				
Year	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
Commercial Banks	18515	21209	25086	29354	-	8769	10794	10671	14399	23347	47.36	55.65	49.3	49	39
Merchant Banks	4610	5743	7823	12082	20073	676	1111	2146	.4417	9511	14.7	19.3	.27	37	46
Total	**231125**	**26952**	**31879**	**41436**	**80416**	**9427**	**11905**	**12817**	**18816**	**32858**	**40.8**	**44.17**	**40.21**	**45**	**41**

Source: NDIC Annual Reports

APPENDIX VIIIA

DATA ANALYSIS AND DISCUSSION OF RESULTS

ANALYSIS OF INTEREST RATES ON LOANS AND ADVANCES, AND PROVISION FOR DOUBTFUL/BAD DEBTS OF COMMERCIAL BANKS

1983 - 1992

	DESCRIPTION	1983 N'000	1984 N'000	1985 N'000	1986 N'000	1987 N'000	1988 N'000	1989 N'000	1990 N'OOO	1991 N'000	1992 N'OOO
1.	Loans and Advances	1,456,840	1,512,217	1,701,711	2,186,415	2,487,137	2,814,862	3,182,732	3,474,477	4,068,368	
	Provision for Bad Debts	80,135	109,761	227,770	177,043	237,896	276,811	762,079	1,199,948	1,965,642	
	Percentage (A)	5.50	7.26	13.30	8.09	9.57	9.83	23.94	34.54	40.32	
	Bad Debts								1,743,399	2,393,225	
	Percentage (B)								50.82	50.10	
2.	Loans and Advances	1,645,883	1,698,444	1,676,191	2,142,694	2,287,931	2,849,931	3,248,520	3,431,786	4,377,932	6,287,876
	Provision for Bad Debts	108,934	163,800	183,211	220,531	621,052	621,052	1,281,575	1,281,575	1,600,732	2,514,700
	Percentage (A)	6.62	9.65	10.93	10.68	21.79	21.79	37.34	37.34	38.57	39.99
	Bad Debts									2,206,889	1,467,299
	Percentage (B)									50.14	23.34
3.	Loans and Advances	1,722,403	1,698,977	1,607,954	2,192,749	1,752,597	2,534,881	3,645,972	3,329,597	4,634,764	5,886,132
	Provision for Bad Debts	102,712	145,714	198,717	394,121	281,178	526,743	601,841	824,197	1,599,284	2,235,946
	Percentage (A)	5.93	12.36	12.36	17.97	16.75	20.78	16.51	24.75	39.64	37.99
	Bad Debts									312,508	1,063,289
	Percentage (B)									7.75	10.06
4.	Loans and Advances	545,463	530,851	571,147	802,546	1,048,105	1,182,506	1,312,842	1,300,608	2,048,502	N/A
	Provision for Bad Debts	38,945	44,965	50,672	71,917	95,553	130,993	155,288	277,100	648,107	
	Percentage (A)	7.14	8.47	10.27	8.96	4.12	11.08	11.83	17.46	31.64	
	Bad Debts									527,013	585,574
	Percentage (B)									40.32	10.06
5.	Loans and Advances	454,983	491,518	574,450	718,031	718,031	833,194	919,415	1,090,823	1,444,736	1,416,799
	Provision for Bad Debts	27,589	41,893	54,356	58,110	58,110	94,481	115,063	191,750	506,215	514,183
	Percentage (A)	6.06	8.52	9.467	8.09	8.09	11.34	12.51	17.58	4.22	36.29
	Bad Debts								30,200	31,218	109,682
	Percentage (B)								2.77	2.73	7.74

APPENDIX VIIIB

	DESCRIPTION	1983 N'000	1984 N'000	1985 N'000	1986 N'000	1987 N'000	1988 N'000	1989 N'000	1990 N'OOO	1991 N'000	1992 N'OOO
6..	Loans and Advances	141,154	166,581	173,007	247,559	287,556	360,500	417,359	508,084	506,303	N/A
	Provision for Bad Debts	7,686	9,844	9,563	15,293	20,962	25,594	65,100	89,579	136,490	
	Percentage (A)	5.45	5.91	5.53	5.53	7.29	7.10	15.59	17.63	26.60	
	Bad Debts										
	Percentage (B)										
7.	Loans and Advances	74,386	86,570	104,862	124,594	148,713	183,510	240,159	304,886	380,909	435,121
	Provision for Bad Debts	2,190	2,190	3,130	5,077	8,323	16,403	41,506	50,345	78,015	107,149
	Percentage (A)	2.94	2.53	2.98	4.07	5.59	8.94	17.28	16.51	20.64	24.63
	Bad Debts									52,221	54,161
	Percentage (B)									13.77	12.45
8.	Loans and Advances	68,593	98,880	116,605	186,908	359,908	410,884	541,761	896,837	1,051,697	1,202,558
	Provision for Bad Debts	1,289	2,882	4,046	5,366	5,774	13,274	19,655	32,211	330,453	416,275
	Percentage (A)	1.88	3.04	3.47	2.87	2.44	3.23	23.63	3.59	31.22	31.61
	Bad Debts									255,188	472,235
	Percentage (B)									24.26	39.27
9.	Loans and Advances	212,043	223,654	236,114	461,980	629,104	876,424	939,621	962,204	1,994,829	N/A
	Provision for Bad Debts	13,758	13,342	16,991	23,475	28,703	36,698	91,788	213,693	285,236	
	Percentage (A)	6.49	5.97	7.19	5.08	4.56	3.96	9.77	22.21	26.29	
	Bad Debts								122,409	468,577	
	Percentage (B)								12..70	43.19	

APPENDIX VI

Category	Loans & Advances (N'M)					Classified Loans & Advances (N'M)					Propotuon of Classified Loans and Advances to Total Loans & Advances				
Year	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993	1989	1990	1991	1992	1993
Commercial Banks	18515	21209	25086	29354	-	8769	10794	10671	14399	23347	47.36	55.65	49.3	49	39
Merchant Banks	4610	5743	7823	12082	20073	676	1111	2146	.4417	9511	14.7	19.3	.27	37	46
Total	**231125**	**26952**	**31879**	**41436**	**80416**	**9427**	**11905**	**12817**	**18816**	**32858**	**40.8**	**44.17**	**40.21**	**45**	**41**

Source: NDIC Annual Reports

SCHEUDEL D.E. & HOPER G.N. (1979). Strategic Management. A New View of Business Policy and Planning.

SIMEON, IBI AJAYI & OLADEJI, O. OJO (1984) - Money and Banking Analysis and Policy in the Nigerian Context.

WOLE ADEWUNMI (1985), 25 Years of Merchant Banking in Nigeria.