# Advances

# In

# Management

**Journal of the**
**Department of Business Administration**
University of Ilorin, Ilorin, Nigeria.

***A Publication of***
*The Department of Business Administration*
*University of Ilorin, Ilorin,*
*Nigeria.*

**ISSN: 0795-6967**

**VOLUME 10, NO. 1 (2012)**

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# CONTENT

*Page*

Product Distribution Strategies for Improved Channel Performance in the Marketing of Sona Brewery Products in Kogi State, Nigeria.
— ***Dr. A. Ehikwe & Iyadi, Rollins C***..... 1

Entrepreneurship Education in Nigeria: A Tool for Socio-economic Development
— ***Dr. Ihinmoyan Timothy & Stanley Haruna***..... 17

Information Technology Revolution and the Future of Print Media in Nigeria: Usage Across Age Groups — ***Mahmud Abdulraheem, Rasaq M. Adisa & Abdulkadir O. La'aro***..... 29

Empirical Evaluation of Promotional Strategies and the Consumption Pattern of Aluminum Manufacturing Firms in Nigeria.
— ***Dr. S.C. Moguluwa & Iyadi, Rollins C***..... 41

Risk Management Practices in the Banking Sector: Empirical Evidence from Nigeria. — ***Sanni Mubaraq & Oladipo Ganiyu Taiwo***..... 54

The influence of Financial Institutions' lending policies on loan performance of Small and Medium Enterprises in Nigeria
— ***Tomola Marshal Obamuyi***..... 73

Credit Management In Nigeria Commercial Banking System
***Aun, Isaac Iortimbir, Ayinde, Moses Oladunni & Abdul, Falilat Ajoke***.... 85

An Empirical Investigation of Budgetary Control as a Strategic Tool for Organizational Efficiency: The Nigerian Experience — ***Adebisi, Sunday Abayomi, Obembe, Olufemi B. & Adebisi, Adebola Olubunmi***... 99

Effects of Strategic Planning on the Performance of selected Small and Medium Scale Enterprises in Lagos State, Nigeria.
— ***Oyedijo, A., Akewushola, R.O., & Saka, R.O***..... 115

A Study of the Impact of SME's Activities on Human Health and the Environment in Oyo State, Nigeria.
— ***Osemene, O. F., Kasum, A. S. & T. O. Asaolu***..... 127

# CREDIT MANAGEMENT IN NIGERIA COMMERCIAL BANKING SYSTEM

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## Abstract

*One of the primary functions of a commercial bank is to advance loans to its customers. A bank lends a certain percentage of the cash lying in deposits at a higher interest rate than it pays on such deposits. In the process of lending by banks. a possible problem envisaged is that of compliance with adequate repayment of loans issued to borrowers in the banking system. This study examined credit management in Nigeria Commercial banking system, the effect of government policy on economic activity, interest rate, and risk, and identity problems encounter by banks in credit management, The research is a descriptive study, two hypotheses were tested, and the data used for the study were primary data. Convenience sampling was used to select the banks and data were collected through the use of questionnaire. The data collected were analysed using tables, percentages and chi-square. The study concludes that; the dynamics of credit management are so much that there is need for regulators and operators to continuously review its application in the banking industry.*

## Introduction

Banking in modern time is indispensable for economic process: it serves the community in a number of ways. Banks and financial institutions are established for

keeping money and other valuables, which are paid on customers' demand and basically, one of the resource for its existence is to grant and administer credit. Credit in the sense, comprised of loan and advances. Orenuga and Adedokun (1989), the word CREDIT was derived from the Latin word "credo" meaning I BELIVE. Credit is purchasing power derived from income but credited by financial institution either as on offset to idle fund, laid by deposition in bank or as a note addition in the total amount of purchasing process, (Ettinger and Goirb. 1992).

William Stanley [1984] also defined credit as nothing but "deferred payment; it also frequently called "the life blood of business, since the sum which each person keeps to meet contingences are not full}' met by the customer such obligation are written off as bad and doubtful debit and are changed to the profit and loss account there by reducing the bank's profit for that period. In recent years, the reason for the provision of bad doubtful debts includes; lack of adequate collateral, second tier foreign exchange market and the general economic recession, miss-management and mal administration of credit, fraud, structural adjustment programmed. (SAP). The main goal of the banking is to reduce the risk to an acceptable level and this can be achieved through the management and control of credit, which is the concern of this study. Therefore, carrying out the stud\. one should be guided accordingly by the rules and regulation as stipulated in bank's handbooks and the credit and prudential guide line of the central bank of Nigeria (CBN)

The Introduction of second tier foreign exchange market (SFEM) may have made the duty of the money lender more complicated by creating cash crunch in the economy. This situation may have intensified the demand for bank loan and advances both from their corporate and individual customers, but the problem now is that the situation emanated at a time when the CBN had reviewed the commercial bank credit expansion rate from |12% to 18% and also the various CBN stabilization securities Orenuga (1986) and when there is possibly a high rate of unemployment.

Although, it is expected that the pressure on liquidity of bank would be aggravated when the privatization policy fully take off compared to the present housing policy in the government's plan to sell off land to worker who will in turn sell them to banks for loan plant to develop them. Eyinaya (1992), the take off of the two policies may surely increase the demand for loan -able funds.

Finally, the thought of a good lending banker at this period is how to make good lending and avoid bad debt knowing that loans and advances may subject the bank lo normal business hazard assuming customer fart to pay, whether deliberately through evasion insolvency, business failure, economic recession or due to political instability Thus there is the need for exercising proper control over the supply of credit.

## Statement of the Problem

In the process of lending by bank, possible problem envisaged could be the problem of reconciling short-term loan able funds, availability with long term loan able funds, availability to meet the withdrawal demand of depositors in zenith bank of Nigeria plc. Other problems include:

1. Problem of ensuring adequate repayment of available loan able funds issued to borrowers in zenith bank of Nigeria plc.
2. Problem of reconciling compliance with CBN sectional allocation directives with more profitable opportunities for award of loan in Zenith Bank of Nigeria plc.
3. Problem of ensuring profitability of all credit operations in Zenith Bank plc.

## Research Objectives

The broad objective of this study is to evaluate credit management in Nigeria commercial banking system, with emphasis to Zenith bank pic. The specific objectives are:

1. to examine the effect of government policy on economic activity. interest rate, and risk in order to best manage depositor's money.
2. to identify problems encounter by banks in credit management.
3. to make necessary recommendation to banks on how best to handle credit management

## Literature Review

Many writers have contributed in one way or the other to the issues of credit management in commercial banking system organization goal, with little or no controversy as to the manner and approach of such human resources development in an organization. According to Pandy (1985), various approach to top bank funds management have evolved over the years in response to the changing nature of banking and its environment. Until in 1920s, the dominant theory of credit, this approach which focused on the asset side of side of the balance sheets was adopted from the 18th century theory in England banking called the commercial loan theory (C.I.T).

The productive theory of credit [commercial loan theory] had that bank liquidity was assured as long as its earning assets were composed of short-term loan liquidity in the normal cause of business. More specifically, the theory states that banks should only make so-called short term self-liquidating loans i.e. loans which generate their own repayment.

These are loans made to finance the short-term productive seasoned or

temporal working capital need of business and agriculture. The loans are eligible as collateral to secure loans from the Federal Reserve, but the productive theory or credit had several shortcomings in providing credit and bank liquidity needs. Its basic shortcomings as a source of liquidity was that money of the loans were not affecting short-term or self liquidity. Pandy further stressed that credit facilities that are obstacles from commercial banks could be grouped into 2 main categories; Loans and advances and Bonds and guarantees.

**Loans and Advances**

Loans and advances could take the form of overdraft, advances short-term credit extension, medium-term loan and receivable of financing.

**OVERDRAFT:** Bank overdraft is the simplest and most common form of credit facilities and it is normally granted for the purpose of financing working capital. Overdraft could either be advised about or not. in which case the customer is not made aware of the facilities granted to him. Overdraft is normally applied for like any other credit facilities and banks statement.for the customer together with his application for the facilities usually constitute audience of indebtedness to the bank.

**ADVANCES:** An advanced is an extension of a short term credit which is granted for a definite period of time. The period is usually between thirty [30] and one hundred and eighty [180] day. They are normally granted for specific considerations. The risk within this type of facility is much more reduction as the banker knows the exact maturity of the advance, thus resulting in lower interest changes.

**LOANS:** According to Pandy. in loan arrangement, a specific amount at the customer's disposal by passing it to the credit of his current account [corresponding debit entry is to loan account in customer's name]. The borrower must maintain a current account at the bank. He pays interest on the whole amount standing to his debit in the loan account and the fact that such loan still standing to his credit in the current account. For control and statutory returns, loans are usually categorized according to maturity and their maturity period i.e. short-term medium term are usually identified but there has no general agreeable standard as to the duration of each.

**BOND AND GUARANTEE:** Pandy also said when a company wins a contract; the client would usually require a bond duly executive in its favour by a bank or a reputable insurance company before parting with its cheque. In effect, if the company for some reason is unable to perform after collecting the advance payment, the bank would be hold responsible for the client's primary losses on the payment facilities of this of this type are in the nature of contingent liability on the part of the bank and though the bank has recourse against the customer. However

in red term; resources are not usually available in case of any problem. Bank must therefore have and adequate security i.e. by a way of block deposit account in case of a marginal customer.

**Control of Credit Management**

It is the central banking authority in the country that is entrusted with the responsibility of exercising control over the lending capacity of commercial banks.

1. DIRECT INSTRUMENT

(a) Cancellation of licenses defiling commercial banks

(b) Selective credit control.

(c) Moral rathibury

2. GENERAL INSTRUMENT

[a] Stability of securities

[b] Open market operation [OMO]

[d] Discount rate of banks.

Thus, there are various methods of credit control in disposal of the central bank of Nigeria, which can be used to control the quantity and the sectional flow of bank's credit, so as to prevent it from becoming the cause of economic instability in the country. Banks should also strive to improve its position through the acquisition of additional securities or collateral. Financial statements of the borrower should be examined or determined on that entire asset that has been encumbered. Stocks of raw materials may be assigned. Individuals may pledge their personal assets, savings and fixed deposit accounts and their share of pension fund. Philips (1978) said that when faced with lending applications, the integrity and honesty of the person or people to whom you want to lend to must be evaluated for repayment is in their hands. He spoke on that must ask itself this question; Am 1 happy to entrust this person or these people with the bank's money? Answer to this question, he said arose from an element known as the three [3] Cs of credit character capacity and conduct.

**CHARACTER:** The author said that a judgment must be made on the character of the potential borrower. An ideal borrower said the author, is one commitments if necessary, putting aside other calls or income in order to meet the liability of the banks. He also said that the lifestyle of a borrower should suggest stability and such factors as length of time as the same address, with the same employer or in the same line of business.

**CAPABILITY:** A person or firm, requesting for one form of credit or the order, must have the ability to utilize the money and repay the loans as stated in the agreements: this would be evaluated on the assets base of the firm of the firm or

the company or person. Its past financial statement would be examined to reflect the level of turnover and the past pro lit made. The creditor [BANK] must also carry out some analysis of the financial statement using some ratios like liquidity and current ratios.

**CONDUCT:** A borrower conduct is a very important issue said the author. As one whose past records, with the bank should give useful dues, the customers" performance with the previous borrowing is an area to be considered. Similarly, the past record should enable the bank to access whether she [bank] can enter into a deal within the borrower the past dealing may suggest that the customer is careful in his or careless is his affair.

## Functions of commercial Banks

Commercial banks perform a variety of functions which can be divided as:

(1) Accepting deposits

(2) Advancing loans

(3) Credit creations

(4) Financing foreign trade

(5) Agency services

(6) Miscellaneous service to customers These functions are discussed as follows:

1) **Accepting Deposits:** This is the oldest function of a bank and the banker used to charge a commission for keeping the money in its custody when banking was developing as an institution. Nowadays a bank accepts three kinds of deposits from its customers. The first is the savings deposit on which the pays small interest to the depositors who are usually small savers. The depositors are allowed to draw their money by cheques up to a limited amount during a week or year. Businessmen keep their deposits in current accounts. They can withdraw any amount standing to their credit in current deposits by cheques without notice. The bank does not pay interest on such accounts but instead charges a nominal sum for services rendered to its customers. Current accounts are known as demand deposits. Deposits are also accepted by a bank in fixed or time deposits. Savers who do not need money for a stipulated period from 6 month to longer periods ranging up to 10 years or more are encourage keeping it in fixed deposit accounts. The bank pays a higher rate of interest on such deposits. The rate of interest increases with the period of the fixed deposit. But there is always the maximum limit of interest rate on fixed deposits over five years is 11 percent in India.

2) **Advancing Loans:** One of the primary functions of a commercial bank is to advance loans to its customers. A hank lends a certain percentage of the cash lying in deposits on a higher interest rate than it pays on such deposits. This is how

it earns profit and carries on its business. The bank advances loans in the following ways:

a) Cash Credit: The bank advances loans to businessmen against certain specific securities. The amount of loan is credited to the current account of the borrower. In case of a new customer a loan account for the sum is opened. The borrower can withdraw money through cheques according to his requirements but interest on the full amount.

b) Call Credit. These are very short term loans advanced to the bill brokers for not more than fifteen days. They are advanced against first class bill or securities. Such loans can be recalled at a very short notice. In normal times they can also be renewed.

c) Overdraft: A bank often permits a business to draw cheques for a sum greater than the balance lying in his current account. This is done by providing the overdraft facility up to a specific amount to the businessman. But he is charged interest only on the amount by which his current account is actually overdrawn not by full amount of the overdraft sanctioned to him by the bank.

d) Discounting bills of Exchange: If a creditor holding a bill of exchange wants money immediately, the bank provides him the money by discounting the bill of exchange. It deposits the amount of the bill in the current account of the bill-holder after deducting its rate of interest for the period of the loan which is not more than 90 days. When the bill of exchange matures, the bank gets its payment from the banker of the depositor who accepted the bill.

3) **Credit Creation:** Credit creation is one of the most important functions of the commercial banks. Like other financial institutions, they aim at earning profits. For this purpose, they accept deposits and advance loans by keeping small cash in reserve for day-day transactions. When a bank advances a loan, it opens an account in the name of the customer and does not pay him in cash but allows him to draw the money by cheque according to his needs. By granting a loan, the bank creates or deposit.

4) **Financial Foreign Trade:** A commercial bank finances trade of its customers by accepting foreign bills of exchange and collecting them from foreign banks. It also transacts other foreign exchange business and buys and sells foreign currency.

5) **Agency Services:** A bank acts as an agent of its customers in collecting and paying cheques, bills of exchange, drafts, dividends, etc. it also buys and sells shares, securities, debentures, etc. for its customers. Furthermore, it pays subscriptions, insurance premium, rent, electric and water bills, and other similar

charges, on behalf of its clients. It also acts as a trustee and executor of the property and will of its customers. Moreover, the bank acts as an income tax consultant to its clients. For some of these services, the bank charges a nominal fee while it renders others free of charges.

6) **Miscellaneous Services:** Besides the above noted services, the commercial bank performs a number of other services. It acts as the custodian of the valuables of its customers by providing them lockers where they their jewellery and valuable documents. It issues various forms of credit instruments, such as cheques, draft, traveler's cheques, etc. which facilitate transactions. The bank also issues letters of credit and acts as a referee to its clients. It underwrites share and debentures of companies and help in the collection of funds from the public.

## Regulatory Frame work

In Nigeria, as in most developed countries, observance of the principles of corporate governance has been secured through a combination of voluntary and mandatory mechanism. In 2003. the Atedo Peterside Committee set up a Securities and Exchange Commission (SEC) developed *a* code of Best Practice for public companies of Nigeria. The code is voluntary and is designed to entrench good business practices and standards for boards and directors. CEOs, auditors etc of listed companies including banks. Mandatory corporate governance provision relating to banks are contained in the Banks and Other Financial Institutions Acts (BOFIA) 1991. the Investment and Securities Act 1999. the Securities and Exchange Commission Act (SECA) 1988 ( and its accompanying Rules and Regulations) etc. And only recently CBN issued the code of conduct for Directors of Licensed Banks and Financial Institution and a code of corporate governance for banks in Nigeria following the consolidation of 2006. Compliance with the provisions of these codes is compulsory. The key highlights of the SEC and CBN codes include:

- Separating the roles of the CEO and the board Chairman.
- Prescription of non- executive and executive directors on the board.
- Improving the quality and performance of board membership.
- Introducing transparency, process and disclosure requirements.
- Introducing merit as criteria to hold top management position.
- Transparency on financial and non financial reporting.

## Research Methodology

Five branches of Zenith bank in Lagos were used for the study. Twenty respondents were selected from each of the branches using convenience sampling. The respondents who were available at their duty post during questionnaire

administration were selected. The banks were selected because of pressure from their numerous customers, who have so many transactions to make in the sample banks. The primary data were generated through questionnaires. Thus, 100 questionnaires were distributed. Respondents included branch managers, assistant managers, accountants, executive officers, and pro-managers. They were chosen because, they are directly involved in granting one form of credit or the other. Four of the returned questionnaires were not properly completed and one was not recovered. Therefore, five questionnaires in all were not returned. This gave a response rate of 95 percent.

The following research hypotheses were formulated:

Ho: Optimal profitability of credit activities in Zenith bank of Nigeria plc is significantly independent hinges on the experienced hands handling loans and recovery in the bank.

$HO_2$ Optimal profitability on loan award in zenith bank of Nigeria plc is significantly independent on skilled staff operation.

Percentages and tables were used to presentation and analysis of the data. Chi-Square was used to test the research hypotheses. The Chi-square test statistic is given by the formulae:

$$X^2 = \frac{\Sigma n(o_i - e_i)^2}{e_i}$$

Where: O - observed Frequency

$e_i$ = expected Frequency

n = Number of samples

$X^2$= Chi -Square

The decision rule says; accept Ho if the computed Chi-Square value is less the table value, otherwise reject it.

## Data analysis and Discussion

**Table 1: Credit management ensure optimal profitability in the bank**

| Information | Frequency | Percentage |
|---|---|---|
| Strongly agreed | 48 | 50.53% |
| Agreed | 43 | 45.26% |
| Disagreed | 3 | 3.16% |
| Strongly disagreed | 1 | 10.05% |
| Total | 95 | 100% |

***Source; Field survey 2011***

The table above reveal 48(50.53%) respondents strongly agreed that credit management ensure optimal profitability in the bank. 45(45.26%) respondents agreed. 3(3.16%) respondents disagreed while 1( 1.05 %) strongly disagreed.

**Table 2: Customers pay back loans as at when due.**

| Information | Frequency | Percentage % |
|---|---|---|
| Strongly agreed | 27 | 28.4% |
| Agreed | 43 | 55.3% |
| Disagreed | 22 | 23.15% |
| Strongly disagreed | 3 | 3.15% |
| Total | 95 | 100% |

***Source: Field survey 2011***

From the table above 27(28.41%) respondents strongly agreed that customer's payback. Loan as at when due. 43(45.3%) respondent agreed. 22 (2315%) respondents disagreed while 3(3.15%) strongly agreed.

**Table 3: Credit management ensure the recording of short term loan fund**

| Information | Frequency | Percentage % |
|---|---|---|
| Strongly agreed | 39 | 41.05% |
| Agreed | 41 | 43.16% |
| Disagreed | 10 | 10.05% |
| Strongly disagreed | 5 | 5.26 % |
| Total | 95 | 100% |

***Sources: Field survey 2011***

The table above reveal that 39(4.05%) respondent strongly agreed that credit management ensure the recording of short term loan fund, 41(43.16%) respondents agreed. 10(10.05%) respondents disagreed While 5(5.26%) respondents strongly agreed.

**Table 4: Repayment period of loan by customers**

| **Information** | **Frequency** | **Percentage %** |
|---|---|---|
| Strongly agreed | 29 | 30.53% |
| Agreed | 40 | 42.1% |
| Disagreed | 25 | 26.31% |
| Strongly disagreed | 1 | 1.05% |
| **Total** | **95** | **100%** |

***Source; field survey 2011***

The table above reveal that 29(30.53%) respondents strongly agreed that it has being observe that the repayment period for loan granted is often short term loan granted is often sh ort 40(42,1%) respondent agreed. 25(26.31%) respondents disagreed, while 1(1.05%) respondents strongly disagreed

**Table 5: Care is always taken to approve short term loan**

| Information | Frequency | Percentage % |
|---|---|---|
| Strongly agreed | 30 | 31.58% |
| Agreed | 50 | 52.63% |
| Disagreed | 10 | 10.53% |
| Strongly disagreed | 5 | 5.26%, |
| Total | 95 | 100% |

***Sources; field survey 2011***

The table above reveals that 30(31.58%) respondents strongly agreed that care is always taken to approve short term loan. 50(52.63%) respondent agreed. 10 (1053%) respondents disagreed, while 5(5.26%) respondents strongly disagreed.

**Table 6: Care is always taken to approve long term loan**

| information | Frequency | Percentage % |
|---|---|---|
| Strongly agreed | 37 | 38.95% |
| Agreed | 30 | 31.58% |
| Disagreed | 22 | 24.21% |
| Strongly disagreed | 5 | 5.26% |
| **Total** | **95** | **100%** |

***Sources; field survey 201 1***

The table above reveals that 37(38.95%) respondents strongly agreed that care is always taken to approve long term loan, 30(38.95%) respondents agreed. 22(24.21%) respondents disagreed, while 5(5.26%) respondents strongly disagreed.

**Table 7: Careless losses are prevented by employing experienced and competent hands in handling and recovery loans in zenith bank Information**

| Information | Frequency | Percentage % |
|---|---|---|
| Strongly agreed | 22 | 23.16% |
| Agreed | 58 | 61.05% |
| Disagreed | 10 | 10.53% |
| Strongly disagreed | 5 | 5.26% |
| Total | 95 | 100% |

***Sources: field survey 2011***

From table above 22(23.16%) respondents strongly agreed that careless losses are prevented by employing experienced and competent hands in handling and recovery of loan in zenith bank. 58(61.05%) respondents agreed. 10(10.53% respondent disagreed, while 5(5.26%) respondent strongly disagreed.

**Table 8: Prompt loan award in zenith bank is skillfully carried out**

| Information | Frequency | Percentage% |
|---|---|---|
| Strongly agreed | 43 | 45.26% |
| Agreed | 37 | 38.95% |
| Disagreed | 10 | 10.53% |
| Strongly disagreed | 5 | 5.26% |
| **Total** | **95** | **100%** |

***Sources; field survey 2011***

The table reveals that 43(45.26%) respondents strongly agreed that prompt loan award in zenith bank is skillfully carried out 37(38.95%) respondents agreed, 10(10.53%) respondents disagreed while 5(5.26%) respondents strongly disagreed

**Table 9: Optimal profitability of credit activities in Zenith in Nigeria plc is significantly dependent of showing sound judgment on professional credit management process in the bank**

| Information | Frequency | Percentage % |
|---|---|---|
| Strongly agreed | 36 | 37.89% |
| Agreed | 43 | 45.26% |
| Disagreed | 13 | 13.68% |
| Strongly disagreed | 3 | 13.16% |
| Total | 95 | 100% |

***Sources; field survey 2011***

The table above reveals that 36(37.89%) respondents strongly agreed that optimal profitability of credit activities in zenith in Nigeria plc is significantly dependent of showing sound judgment on professional credit management process in the bank. 43(45.26%) respondents agreed, 13(13.68%) respondents disagreed while 3(3.16%) strongly disagreed

## Test of Hypothesis

### HYPOTHESIS ONE

**Table: 10** Ho: Optimal profitability of credit activities in Zenith Bank of Nigeria PLC is significantly dependent centres on the experience hands handling loans and recovery in the Bank.

| ALTERNATIVE | SA | A | D | SD | TOTAL ROW |
|---|---|---|---|---|---|
| High | 12 | 35 | 4 | 2 | 53 |
| Average | 8 | 12 | 4 | 1 | 25 |
| Low | 2 | 11 | 2 | 2 | 17 |
| Total | 22 | 58 | 10 | 5 | 95 |
| Question | O | E | (o-e) | $(o-e)^2$ | $(o-e)^2 E$ |
| 1 | 12 | 12.27 | -0.27 | 0.0729 | 0.00594 |
| 2 | 35 | 32.36 | 2.64 | 6.970 | 0.2154 |
| 3 | 4 | 5.58 | -1.58 | 2.496 | 0.447 |
| 4 | 2 | 2.79 | -0.79 | 0.24 | 0.224 |
| 5 | 3 | 5.79 | 2.21 | 4.884 | 0.844 |
| 6 | 12 | 15.26 | -3.36 | 10.628 | 0.696 |
| 7 | 4 | 2.63 | 1.37 | 1.8769 | 0.714 |
| 8 | 1 | 1.32 | -0.32 | 0.1024 | 0.0776 |
| 9 | 7 | 3.94 | -1.94 | 3.764 | 0.9552 |
| 10 | 11 | 10.38 | 0.62 | 0.3844 | 0.0370 |
| 11 | 2 | 1.79 | 0.21 | 0.0441 | 0.0246 |
| 12 | 2 | 0.90 | 1.1 | 1.21 | 1.3444 |
| **TOTAL** | | | | **33.0567** | **5.58514** |

**DECISION RULES:** Table 10 shows that, calculated $x^2$ is 5.58514, while the tabulated $x^2$ is 12.592, at 6 degree of freedom. Since the $x^2$cal is less than the tabulated, the $H_0$ is accepted which state that; optimal profitability of credit activities in Zenith bank of Nigeria plc is not significantly dependent on the experience hands handling loans and recovery in the bank.

**HYPOTHESIS TWO**

**Table: 11** $H_0$: Optimal profitability of on loan awards in Zenith Bank PLC is significantly independent on skilled staff operation

| Alternative | SA | A | D | SD | ROW TOTAL | |
|---|---|---|---|---|---|---|
| High | 17 | 20 | 3 | 1 | 41 | |
| Average | 5 | 15 | 3 | 1 | 24 | |
| Low | 15 | 13 | 1 | 1 | 30 | |
| Column Total | 37 | 48 | 3 | 3 | 95 | |
| **Question** | **E** | **o-e** | | **(o-e)** | **$(o-e)^2$** | **$(o-e)^2/e$** |
| 1 | 17 | 15.97 | | 1.03 | 1.0609 | 0.066 |
| 2 | 20 | 20.71 | | 0.71 | 0.078 | 0.00385 |
| 3 | 3 | 3.02 | | -0.02 | 0.0004 | 0.000132 |
| 4 | 1 | 1.29 | | -0.29 | 0.084 | 0.0651 |
| 5 | 5 | 9.35 | | -4.35 | 18.923 | 2.024 |
| 6 | 15 | 11.37 | | 3.63 | 13.177 | 1.159 |
| 7 | 3 | 1.77 | | 1.23 | 1.5130 | 0.855 |
| 8 | 1 | 0.176 | | 0.24 | 0.058 | 0.076 |
| 9 | 15 | 11.684 | | 3.316 | 10.996 | 0.941 |
| 10 | 13 | 15.158 | | -2.158 | 4.657 | 0.307 |
| 11 | 1 | 2.211 | | -1.211 | 1.467 | 0.664 |
| 12 | 1 | 0.947 | | 0.053 | 0.00281 | 0.00297 |
| **TOTAL** | | | | | **52.0172** | **6.1641** |

**DECISION RULES;** From the table above, it can be noted that the calculated $x^2$ is 6.1641 while the $x^2$ tabulated is 12.592 at 6 degree of freedom. Since the calculated $x^2$ is less than the tabulated, the result from this analysis suggests that the optimal profitability on loan awards in Zenith bank plc is significantly independent on skilled staff operation. Consequently, the null hypothesis is up held.

## Conclusion

The two hypotheses that was accepted, clearly show that, bank credit management are efficient enough in enhancing creditable performance, and that there are vibrant credit control put in place by the Zenith bank for best practices. It can thus, be concluded that the dynamics of credit management are so much that there is the need for regulators and operators to continuously review its application in the banking industry. The success of these measures calls for concerted efforts

towards redeeming our banks from the strong hold of bad loans through efficient and effective credit management procedures.

## Recommendations

Management should make it as a matter of policy and rule never to give out loans and advances without reasonable collateral security so as to get back every credit exposure at the bank thereby avoiding the problem of bad and doubtful debts.

A regular examination of the customer credit will reveal the customer credit stands to the bank whenever the bank experience a change in customer paying habit or receive a request for extended credit terms, his credit file should be thoroughly scrutinized.

Lastly, the credit analyst and the entire management of Zenith Bank plc should adopt a conscious approach in making lending decision by being familiar with the banks handbook. CBN regulation and other principles of good lending. The bank should also be aware of any serious economic development which may likely affect lending activities rather than relying fully on the artificial and cooked-up balance sheet.

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