

Credit Management Strategies and Loan Performance of Selected Deposit Money Banks in Ogun State, Nigeria

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Abstract:- The banking industry is important as it contributes to the financial performance of numerous sectors of the economy. Banks provide deposit services, advisory as well as loan facilities. The exchange rate is currently rising and this in turn affects banks' interest rates and adversely reduces the purchasing power of citizens. The objective of this study was to examine the effect of credit management on the loan performance of selected deposit money banks in Ogun State, Nigeria. This study adopted cross-sectional survey research design. The examined independent variable is credit management, measured by credit terms and conditions, credit collection policy, credit policy, credit control, credit appraisal/documentation, and credit monitoring while the dependent variable is loan performance, measured by timely loan repayment rates, number of loans closed by customer and number of loans extended. Primary data for the variables were sourced from questionnaires and analysis was run with SPSS (IBM Statistical Package for the Social Sciences). The findings of the study revealed that there was a significant effect of credit management on loan performance of selected DMBs in Ogun, Nigeria excluding the moderating variables. The results of the study further revealed that credit management negatively affected loan performance, inclusive of moderating variables in Nigeria. The study concluded that credit management have a positive relationship on the loan performance of selected DMBs in Ogun, Nigeria. It was recommended that the CBN ensure the adequate monitoring of borrowers on a database. The study also recommended that public and private stakeholders should ensure the proper utilization and repay their loan facilities.

Keywords:- Credit Management, Loan Performance, Nigeria, Deposit Money Banks.

I. INTRODUCTION

Banks have continually performed the intermediary of mobilizing funds from the surplus to deficit sectors thereby enhancing saving-investment function in the economy. Nigeria's financial system consists of a compendium of markets, tools, operators, and institutions that interact to provide financial services to their varied customers. The country's financial system comprises of 2991 bureau de change, 22 commercial banks, 6 development finance institutions, 5 discount houses, 20 finance Companies, 5 merchant banks, 975 micro-finance banks, 3 non-interest banks, 33 primary mortgage institutions and 3 payment service banks (Central Bank of Nigeria, 2021).

Banks mobilize deposits to extend to book risk assets in form of credit facilities with the aim of collecting back such loans with interests that form the bulk of their revenue. However, when such loans given out by the banks are not paid at the required time or not paid at all, they become non-performing loans (NPL) or bad loans. Credit management analyzes the pace at which the loans are funded and the risk or cost of default to enable administrative decision be made. A credit facility is deemed non-performing when; interest or principal is past due for more than 90 days; or interest past due for 91 days or more have been capitalised, rescheduled or rolled over into a new loan; or off balance sheet obligations crystallise (CBN 2019). According to Computer and Enterprise Investigations Conference (CEIC), Nigerian non-Performing loans (NPL) stood at 11.4% as against 6.01% at the end of the fourth quarter in 2020. However, this is still 20% above the regulatory limits of 5% set by the country's apex bank.

Kure, Adigun and Okedigba (2017) revealed that credit expansion, inflation, and lending rates were the main NPL causing factors. They suggested that improvements in the production environment may be able to slow the increase of NPLs, given the evidence of a negative inverse relationship between economic growth and NPLs. They also submitted that, decline in credit and bank assets, increase in risk taking by banks and reduction in economic growth affect the going concern of banks. Abubakar, Suleiman, Usman and Mijinyawa (2018) opined that credit risk is a major risk that impends the going concern of banks and other financial institutions that engage in disbursing loans. Kalui and Kiawa (2015) agreed that if credit risk management is weak it would pose a key reason of several corporate disasters. Credit management incorporates the systems, procedures, and controls which banks enforce for the collection of loans effectively and efficiently and thus minimizes the menace of non-performing loans. Credit risk exposes banks through direct lending and duties to issue credit facilities, letters of guarantee, letters of credit, securities purchased under reverse repurchase agreements, bank deposits, brokerage activities, and irrevocable fund transfers to third parties via electronic payment systems that is prone to settlement risk (Zenith Bank, 2016).

Akinselure and Akinola (2019), Alobari, Naenwi, Zukbee and Grend (2018); and Uwalomwa, Uwuigbe and Oyewo (2015) agreed that a major risk affecting banks and its environments is credit. Davis and Ngozi (2019) studied credit risk and economic growth in Nigeria and concluded that lending and borrowing are activists of growth of the economy. Credit management, according to Kolapo, Ayeni,

and Oke (2012), is an endogenous basis for loan performance. Muthoni, Mwangi, and Muathe (2020) discovered that debt collection and lending policies had a positive impact on loan performance of Kenyan commercial banks, which can reduce the volume of non-performing loans. According to Ayunku and Uzochukwu (2020), non-performing loans, loan loss provision, and equity to asset ratio have a significant impact on bank performance. Kennedy and Oluoch (2021) in their work concluded that there is a positive relationship between loan standards, credit period, and loan performance in Kenyan microfinance banks. According to the study, borrowers should be allowed to make suggestions on the type of loan standards they prefer, as this can improve loan performance. As a result, on borrower's lending terms and conditions, a deeper understanding of the best loan standards should be involved. The study recommended that microfinance banks offer flexible payment options and terms during the credit period.

Using an explanatory research design, Barus (2017) investigated how asset quality affected the financial performance of Kenyan savings and credit organizations. According to the study, management should exercise caution when establishing a credit policy that will not have a negative impact on profitability, and they should understand how credit policy affects the operation of their banks to ensure prudent use of deposits and profit maximization. The study also recommended that Savings and Credit Co-Operative Societies (SACCOs) edit their information because it will have a significant impact on the performance of deposit taking SACCOs.

A. Objective of the Study

The study's main goal is to investigate the impact of credit management on the loan performance of selected deposit money banks in Ogun State, Nigeria. The specific goals are as follows:

- Evaluate the influence of credit management on the loan repayment rates of selected deposit money banks in of Ogun State
- Investigate the effect of credit management on the number of loans closed of selected deposit money banks in of Ogun State
- Determine the influence of credit management on the number of loans extended of selected deposit money banks in of Ogun State.
- Appraise the moderating influence of cost of funds, insider abuse and organizational structure on the loan performance of selected deposit money banks in of Ogun State.

B. Research Questions

The research questions drawn after the listed objectives are as follows:

- How does credit management affect the loan repayment rates of selected deposit money banks in Ogun State?
- How does credit management affect the number of loans closed of selected deposit money banks in Ogun State?
- How does credit management affect the number of loans extended of selected deposit money banks in Ogun State?

- How do cost of funds, insider abuse and organizational structure affect the loan performance of selected deposit money banks in Ogun State?

C. Hypotheses

The main proposition of this study was that credit management has no significant effect on loan performance of deposit money banks in Ogun State. Taking 5% level of significance, the sub-propositions are articulated as the following null hypotheses:

Ho1: Credit management has no significant effect on the loan repayment rates of selected deposit money banks in Ogun State.

Ho2: Credit management has no significant effect on the number of loans closed of selected deposit money banks in Ogun State.

Ho3: Credit management has no significant effect on the number of loans extended of selected deposit money banks in Ogun State.

Ho4: Cost of funds, insider abuse and organizational structure have no significant effect on the loan performance of selected deposit money banks in Ogun State.

II. LITERATURE REVIEW

This section has been grouped into conceptual, empirical, and theoretical reviews:

A. Loan Performance

Among the other risks that banks face, credit risk has a significant impact on their profitability (Ndubuisi & Amedu, 2018). Credit risk can be assessed as the likelihood that the borrower will fail to fulfil its commitments as stated in the loan agreement (Odion, 2016). The history of the Nigerian banking industry shows that most of the challenges faced were results of rash lending that finally led to default loans and some other unethical factors including approved loans that were diverted into unprofitable ventures which resulted to non-performing loans.

Kolapo, Ayeni, and Oke (2012) and Poudel (2012) agreed that these non-performing loans, especially when they are deemed lost are the utmost barriers to the profitability and survival of banks because they hinder banks from reaching their set goals. Banks are aware that of rate of non-performing loans that can be lessened by enforcing logical credit policies and these policies must encompass risk evaluation and monitoring. However, due to the 2005 banking system recapitalization and reforms program, some policies have been entrenched to enhance banks' efficiency and several strategies have been instituted to reduce the adverse effect of credit defaults on banks operations.

Lawal, Abiola and Ikhu-Omoregbe (2017) viewed that banks should mandate borrowers to provide collateral as security for the loans and riskier customers should provide huge collateral and should be charged high-interest rates to encompass the high risk. On the contrary, Aigbomian and Akinlosotu opined that rising interest rates increase the likelihood of loan default. Banks are run by humans and thus experience challenges for some reasons which could be directly linked to weak credit terms and appraisals, poor portfolio risk management, poor cognizance of changes in

economy or other conditions that can give rise to a decrease in the creditworthiness of a bank's counterparties (Nwude& Okeke, 2018).

Loan performance includes payment rates, the number of borrowing clients, security pledged, and the rate of arrears recovery (Basel, 2006). The loan repayment rate encompasses the initial loan rate, cash or early payment discount, as well as the amount or rate of late payment penalty discount for cash or early payment and the amount or rate of late payment penalty (Gurley & Shaw, 1960); but Afolabi (2021) opined that credit management strategies have no effect on the lending rate and Kangogo&Olweny (2015) agreed that the only price mechanism is interest rates. In the case of loan restructuring, Akwu (2013) opined that the loan rate may be reviewed and restructured; this new rate is called the loan re-application rate. Also, loan performance is evaluated by the number of successfully closed loans (that is loans that were successfully paid) and loans that were extended due to restructuring (Sung, Thomas, Hyungchan& Mohammad, 2021).

B. Credit Terms/Condition

In credit analysis, the terms and conditions under which the loan will be granted must be clearly stated (Nyawera, 2013). A loan proposal may satisfy all the requirements of a good introduction, but economic conditions may deem the extension of the credit unwise. Hence, banks attempt to perform some forecasting of economic trends. The aim is to ascertain those areas in the economic environment that might affect the ability of the borrower to repay in. It is significant to note that the longer the maturity of the loan, the more the necessity for economic forecasting. Loans are regularly backed by a loan agreement between the bank and the borrower. The conditions to be met before acquiring a loan is called conditions precedent to drawdown (Akwu, 2013).

This agreement will normally state the terms and conditions of the loan, and other important features such as: a preamble which contains the parties to the loan and the purpose of the loan; the loan amount, the lifetime and maturity of the loan is usually well specified; repayment schedule (term loans generally specify that a repayment schedule be in the form of an annuity); interest rate (this is usually specified and may vary from fixed rates to floating rates); security/guarantee (there are usually specifications for collateral but when a revolving credit agreement that does not require collaterals is converted into a term loan, the borrower may then have to secure the loan according to the conditions of the loan agreement); representations and warranties; and covenants of the borrower (this usually contains affirmative covenants, the negative covenant and other restrictive clauses. An example of a restrictive clause/negative clause are restrictions on the borrower from special actions such as increasing its dividend payments, making loans to its officers and/or directors, and purchasing or leasing fixed assets); events of default/acceleration clause and miscellaneous matters.

C. Collection Policy

A credit collection policy should outline the terms and conditions for loans and credit facilities in clear writing (Antoine, 2015). Business Dictionary, 2022 added that there should be customer qualification standards, the procedure for making collections, and the actions to be taken in the event of a borrower breach. The creation of collection policies is difficult in the context of credit management. In the event of loan defaults, the implementation of these policies offers opportunities for loan recovery. According to Ogunlade and Oseni (2018), a strong policy is more effective at recovering debt than a lax one, but banks can improve their collection practices by loosening up their rigid standards just a little to collect credit effectively. They also stated that the application of guaranteed policies offers opportunities for debt recovery in the event of loan defaults, contributing to good credit management. Credit risk management and collection practices can enhance the financial performance of commercial banks (Kagoyire and Shukla, 2016). Gatuhu (2013) concurred that client evaluation, credit risk management, and collection policies are important indicators of financial performance.

D. Credit Policy

Banks must establish and execute credit policies to guide its lending decisions in line with its general corporate objectives. These corporate objectives should influence its overall banking operations including liquidity management, profitability posture and earning capacity, bank portfolio management, service delivery and level efficiency (Akwu, 2013).

Credit management is the most important aspect of banking operations besides liquidity considerations. It regulates and guarantees the survival and safety of a bank. Credit policies are very vital in various operational policies of a bank. It provides the framework for the entire credit management process (Antoine, 2015).

The main aim for policy is to certify operational reliability and adherence to consistent and sound practices. A sound policy contributes to a bank's success by supporting swift and good credit decisions. The scope of credit policies should comprise the receivers of the credit, the lenders, how the grant the credit facilities, the pricing of the credit, the amount of credit and the structure for its distribution.

Credit policies are documented by banks in the form of credit manuals. The manuals state the course of action, procedures and guides to successful lending. A properly documented manual consists of lending policies, instructions, procedures and all relevant correspondence on credit matters and management that would be frequently reviewed by management based on evolving needs and trends in the industry, fluctuations in environmental factors and other variations because of monetary authorities as the need arise.

The absence of a properly articulated, formally written policy document coupled with the failure of credit officers, managers, and directors to monitor the implementation and administration of bank credits, are critical factors leading to unsuccessful bank lending or non-performing exposures and credits.

It must be emphasized here that putting sound policies into practice calls for the establishment of an effective organization and the adoption of appropriate procedures. References has shown that most banks do not have a clearly spelt out and official policy framework, hence credit decision-making is ad-hoc and thus cumbersome, leading to loan losses and impairment of capital adequacy.

E. Credit Control

Credit control, according to Myers and Brealey (2003), is the set of practices and policies used by a business to maintain the best possible amount of credit and manage it well. Credit control is concerned with the post-endorsement and monitoring of the credit facility to certify that each credit is predominantly at par during the lifespan of the credit. It is very important to monitor the facility after it has been disbursed to guarantee that the borrower fulfils the stipulated conditions, the facilities are used for the purpose for which they were given and any default or adverse drifts in the borrower's business or forecasts are evaluated and necessary actions taken before things get out of hand.

Credit control also involves ensuring some key credit returns as required by the Banking Act for the aim of observing the banks total obligations to customers in a certain period. Banks are required to implement solid credit-granting procedures, rigorously adhere to the know your customer (KYC) system, implement effective means for measuring and monitoring credit, and make sure that credit risk is effectively controlled (Nwana&Oguezie, 2017).

As a mean of credit control, banks plan to increase the credit scoring criteria. The rate of loan applications disbursed in Q4 2020 decreased as banks increased their credit scoring criteria and they plan to increase the loan applications in Q1 2021 (CBN, 2020). The problem of loan default, which results from poor credit control, reduces the lending capacity of a bank.

F. Credit Appraisal/Documentation

Ahamed and Ali (2015) viewed that credit appraisal is one of the factors that will affect the credit management and the ability to fund the loan including financial projections, economic forecasting, environmental analysis and the credit worthiness and status of the borrower. It may include the collation of information that will have a key influence on the credit appraisal and the research of the information collected these factors the criteria for creditworthiness.

Chick(2018)opined that a credit appraisal technique should include credit analysis of the borrower, the aim of the credit, source of repayment; the performance and repayment history of borrower; assessment and evaluation of the repayment capability of debtor; the proposed terms and conditions as well as covenants; perfection and enforceability of collateral assignments. Mwangi (2012)

added that credit appraisal, training of staff and setting credit standards and terms to offset the possibility for loss to improve financial performance.

The factors that impact a client can be classified into personal, cultural, social and economic factors (Ouma, 1996).Ahamed and Ali, (2015), Kule, Kamukama & Kijjambu (2020), Moti *et al*(2012) call them the "five Cs" of lending: consisting of character, capacity, capital, condition and collateral. The collateral is usually obtained before disbursement of funds and should maintain or preferably increase its value over time. This is because most customers become uncooperative in the performance of the security, where they have already received the money. Moti *et al* opined that client appraisal helps MFIs to improve loan performance, as they get to know their customers and the character of the client is important in client appraisal. This agreed with the conclusion that character has a significant relationship with loan performance. This can be accredited to the fact that the success of any individual greatly depends on the character.

G. Credit Monitoring

Credit monitoring is a key part of credit reviews. The idea behind credit monitoring involves continuous and regular interactions with the borrower to identify their issues and future forecasts, the rate of activities and the capabilities of the borrower. The previous financial records and credit worthiness are also closely appraised to discover the outcomes of the borrower and the reasons of any irregularities from the prior forecasts. The capacity to wisely and effectively manage customer credit lines is a key component of effective credit management (Kagoyire& Shukla, 2016).

Banks need to develop and implement SMART (specific, measurable, achievable, realistic and timely) methods and information systems to trail borrowers' loans. Credit monitoring is the responsibility of the relationship manager. It is a means for efficient and effective credit administration in the banking sector. Non-performing loans can easily be spotted out if the loan facility has been thoroughly monitored via the banker's expertise, knowledge of the customer business and faith in the customer can be a guide in taking a decision to how far the customer can be supported before declaring the loan as bad.

When a non-performing loan is identified, the relationship manager would have to contact the borrower. In some cases, the borrower may need support due to financial crisis or some other issues. The relationship manager and the credit department would have to restructure the loan (Akwu, 2013). A modification or waiver of some of the terms and condition of loan facility in a way not to affect interest payable on the loan. An additional collateral can be requested from the bank or an extension of the loan repayment period; these are done to ensure the bank does not lose its money.

III. REGULATORY CREDIT MANAGEMENT STRATEGIES

- **The Central Bank of Nigeria's (CBN) Credit Risk Management System (RMS):** This was created with a legal backing by the CBN Act No. 24 of 1991 in response to the requirement for a central database from which to gather consolidated credit data on borrowers. This occurred because some borrowers obtained new loans from other banks despite having committed and unpaid debts to those banks.
- **Asset Management Corporation of Nigeria (AMCON):** In July 2010, the Federal government formed this with the aid of an act of the National Assembly. Kolapo, Ayeni, and Oke (2012) claim that the goal of the organization's founding was to offer a long-term solution to the recurrent issues with non-performing loans that plagued Nigerian banks. The second phase of Nigeria's banking reforms which entails the removal of toxic assets or non-performing loans from the books of the "bedridden" banks was only introduced by the federal government (Alalade, Binuyo, and Oguntodu (2014). This was done to address the issue of hardcore debt.
- According to them, this resulted in the creation of AMCON by the Central Bank of Nigeria (CBN), one of whose functions was to own an interest in banks from whom they could buy bad debt. In other words, AMCON was founded to acquire the non-performing loans from the banks, gather the principal collateral, fill in the remaining capital gaps, and receive equity or preferred shares in the banks that failed the audit test, thereby facilitating merger and acquisition deals and strategic alliances.
- **The Prudential Guidelines:** This was established in an attempt to address the issue of credit risk. The CBN issued the guidelines for commercial, merchant and non-interest banks and it is called the New Prudential Guidelines for licensed banks 2010 and this happened barely two months after the first prudential guidelines was issued. The Prudential guidelines is a body of specific rules or an agreed behaviour either imposed by some government or external agency that controls the activities and business or operation of the institutions (Nwankwo, 1991). Basically, the guidelines as revised talks about: the classification of licensed bank credit portfolio, provision for non-performing facilities, the requirements for disclosure of credit portfolio, recognition of interest accrued, classification of other assets (which includes impersonal accounts, suspense accounts, cheques purchased) and appraisal of off-balance sheet engagement (examples include letters of credits, bonds, guarantees, indemnities, acceptances, and pending or protracted litigations).
- **The Basel Committee on Banking Supervision (2000):** The following are the elements of credit management: Identification of the credit risk (in tackling the issue of credit risk, this is the first step and it involves identifying the root of the risk and its possible cause), Measurement of the credit risk (this involves a critical look at the magnitude of the risk); Rating of the credit risk (this involves weighing the risk to see if it is one that can be over-looked or not); Assessment of credit risk deterioration level (this has to do with assessing the depth

of the impact of the credit risk). According to Coyle (2000), the following are indicators of credit risk deterioration: customer delay in payment, lack of capital adequacy, lack of liquidity, bad report from the Credit Bureau and down-rating by credit rating agencies.

IV. THEORETICAL REVIEW

A. Information Asymmetry Theory

Information asymmetry theory was propounded by three economists George Akerlof, Michael Spence and Joseph Stiglitz in 1970 (Kuloba and Ombaba, 2019). The theory explains the basic details both parties' potential risks and returns associated with the loan facility. Banks face a state of information asymmetry when assessing lending they do not have all the information about the borrower. Information asymmetry explains two potential risks for the banks: moral hazard (monitoring business performance) and adverse selection (making errors in lending decisions). To prevent this, the '5cs' (character, capacity, capital, collateral and conditions) must be thoroughly assessed (Kule, Kamukama & Kijjambu, 2020)

Auronen (2003) agreed with this theory by revealing that information asymmetry is essential for ensuring the desired effects are achieved thus reducing the chances of default greatly. Kassim and Rahman (2018) added that borrower-specific moral hazards such as non-disclosure of full information on existing credit provisions can increase the danger of defaults among borrowers. Ćura, Pepur and Poposki (2013) revealed that the problem of information asymmetry results in both adverse selection and moral hazard; and due to low efficiency, bank management tends to involve in more risky credits. Kuloba & Ombaba (2019) added that the disadvantages of asymmetric information are that it may have adverse consequences after contrary choice and a bank may experience loss due to risk not disclosed at the time of the transaction.

This theory is relevant to this study because both parties are bound by utmost good faith and should disclose every information that can affect the execution of the loan and its performance.

B. Commercial Loan Theory

Adam Smith, in 1776 was one of the scholars that propounded the theory of real bills doctrine or the commercial loan theory in his book entitled 'Wealth of Nations' (Taiwo, Ucheaga, Achugamonu, Adetiloye, Okoye & Agwu, 2017). The theory states that a commercial bank should approve only short-term self-liquidating productive loans to business organizations. Self-liquidating loans are loans proposed to finance the production and evolution of goods through the successive phases of production, storage, transportation and distribution.

This theory also adds that whenever commercial banks make short-term self-liquidating productive loans, the central bank should lend to the banks on the security of such short-term loans and ensure the apt degree of liquidity for each bank and appropriate money supply for the economy. Chinweoda, Onuora, Ikechukwu and Ngozika (2020) agreed to the theory by opining that the principle guarantees that the

appropriate degree of liquidity for each bank and appropriate money supply for the whole economy. Hosna and Manzura, (2009) added that the commercial loan theory is geared to influence persuasively both the bank lending and the general economic activities.

These short-term self-liquidating productive loans acquire three major advantages: they acquire liquidity so they automatically liquidate themselves, as they mature in the short run and are for productive ambitions, there is no risk of their running to bad debts and such loans are high on productivity and earn income for the banks.

Kargi (2011) opposed this theory by opining that it fails to take cognisance of the credit needs of Nigeria's developing economy. It has not encouraged banks to fund the acquisition of plants, equipment, land, and home-ownership. For a theory to uphold that all loans should be liquidated in the normal course of business, shows that it did not recognize the relative stability of bank deposits. Ibe (2013) added that the theory had a disadvantage; that no loan is self-liquidating meaning that a loan given to a retailer is not self-liquidating if the items purchased are not sold to the final consumer. For a loan to be profitable it must engage a third party which would be the consumer.

This theory is applicable to DMBs because loans mature in the short run and are for productive ambitions, consequently there is no risk of their running to bad debts and such loans are high on productivity and earn income for the banks.

C. Liquidity Preference Theory

The liquidity preference theory was propounded by John Maynard Keynes in his book 'Money' in 1936 to explain determination of the interest rate by the supply and demand for money (Ugwu, Ugwoke, Egbere, Asogwa and Orji, 2020). The theory highlights three purposes for holding cash namely; transactionary, speculative and precautionary.

The demand for money as an asset was theorized to depend on the interest foregone by not holding bonds and other less liquid assets. Interest rates, he says, cannot be a reward for saving as such because, if an individual pile his savings in cash, keeping it under his mattress, he will receive no interest, although he has nevertheless refrained from consuming all his current income. Instead of a reward for saving, interest, in the Keynesian analysis, is a reward for parting with liquidity.

Okpara (2010) supported the theory by stating that demand for cash is to meet current assets and business transactions. Andabai (2010) added that it is the expectation of changes in bond price or current market rates that determine the speculative demand for money.

Agarwal (2022) criticized the theory of liquidity preference on the ground that it is too narrow as an explanation of the rate of interest, because it unduly treats interest rate as the price necessary to overcome the desire for liquidity. Robertson (1926) expressed similar views by adding that a man first earns an income, then saves a part of it, and thereafter decides whether to keep it in liquid (cash)

form or not in liquid (bonds and securities) form. It is obvious that there can be no liquidity without saving.

This theory is significant in the study of bank liquidity management because every DMB needs to understand the motives for tying down liquid capital and the implications on the profitability.

D. Shiftability Theory

This theory as cited by Ejoh, Okpa, and Egbe (2014) was propounded by Harold Moulton in 1915. It states that for an asset to be perfectly shiftable, it must be directly transferable without any capital loss when there is a need for liquidity. It is specifically used for short term market investments, like treasury bills and bills of exchange which can be directly sold whenever there is a need to raise funds by banks. However, generally when all banks require liquidity, the shiftability theory needs all banks to acquire such assets which can be shifted on to the central bank which is the lender of the last resort. This theory maintains that banks could effectively protect themselves against massive deposit withdrawals by holding, as a form of liquidity reserve, credit instruments for which there existed a ready secondary market. Included in this liquidity reserve were commercial papers, prime bankers' acceptances and most importantly as it turned out, treasury bills. Under normal conditions all these instruments met the tests of marketability because of their short term to maturity.

Ugwu, Ugwoke, Egbere, Asogwa and Orji (2020) agreed with this theory and stated that it has some positive elements of truth because banks can presently obtain sound assets which can be shifted on to other banks. Shares and debentures of large enterprises are welcomed as liquid assets accompanied by treasury bills and bills of exchange. This has motivated term lending by banks. Moti, Masinde & Mugenda, (2012) opined that this theory assumes that assets need not be tied on only self-liquidating bills, but also held in other shiftable open-market assets, such as government securities.

Kargi (2011) on the other hand opposed the theory by stating that while one bank might acquire desired liquidity by transferring assets, this could not be the same for all banks combined. As liquid assets, major firms' shares and debentures, as well as treasury notes and bills of exchange are encouraged to be transferred from one bank to another. Dassie (2018) added that the shiftability theory ignored the fact that assets cannot be transferred to others during a severe financial crisis and that if all banks shift their financial assets at the same time, it would affect both credit providers and debtors.

This theory is relevant to the study because it enables banks to protect themselves from being cash trapped by holding assets that could be shifted or sold to other lenders or investors for cash.

E. *Buffer's Theory of Capital Adequacy*

Capital adequacy theory was postulated by Berger and DeYoung (1997). They viewed that banks may hold large capital to explore future unforeseen investment opportunities. According to them, banks can opt to have a capital buffer to reduce the likelihood of their capital dropping below the statutory requirement, mainly if the ratio is very unsteady. Another possible reason for holding buffer capital is related to the level of risk of the bank's total capital. Buffer's theory states that banks with their capital marginally above the regulatory minimum ratios should always increase the capital ratio and cut risk to avoid compliance penalty by the regulator.

According to Milne and Wiley (2001), buffer is a term used to show the excess capital held by the bank beyond the minimum requirement. This implies that banks are forced to raise the level of their capital ratio when coming close to the required minimum level assets. During financial crises, banks with small amount of capital may escalate systemic risk and hence hamper financial stability. Conversely, if banks have already complied with the regulatory minimum capital as well as have buffer capital, then any changes in capital requirements will have less impact on bank behaviour. Banks may prefer to hold a 'buffer' of excess capital to reduce the probability of falling under the legal capital requirements, especially if their capital adequacy ratio is very volatile. Capital requirements constitute the main banking supervisory instrument in Nigeria. This theory is relevant to this study because adequate capital helps DMBs in discharging effectively their primary function of preventing bank failure by absorbing losses. It is also seen as a way of providing the ultimate protection against insolvency arising from the risk in banking sector. It is the least amount necessary to inspire and sustain confidence in the banks, keep it open and operating so that time and earnings can absorb losses without being forced into costly liquidation and enable banking industry to take full advantage of its profitable growth opportunities.

F. *Theoretical Framework*

This study reviewed five theories in literature: Information Asymmetry Theory, Commercial Loan Theory, Liquidity Preference Theory, Shiftability Theory and Theory of Capital Adequacy. Considering credit management and loan performance of selected deposit money banks in Ogun state, the Information Asymmetry Theory reinforces this research, as transparency and non-concealment of material information by the borrower can determine if the loan would be granted. Full disclosure of information makes it easier for banks to determine the credit worthiness of a client; this will determine the likely loan performance of the client.

V. EMPIRICAL REVIEW

A. *Credit Management and Loan Repayment Rates*

Ajao and Oseyomon (2019) in their study of credit risk management and performance of deposit money banks in Nigeria opined that inferior credit policies and non-compliance to established banking procedures are credit management issues. Nwanna and Oguezue (2017) added that credit management is very key and poor management will

lead to non-performing loans and thereby affect banks profit. Kajola, Olabisi, Adedeji and Babatolu (2018) submitted that banks charge repayment rates to cover for the high risk of the customers' credit facilities. Abiola, Yahaya and Olaiya (2021), Serwadda (2018) and Njoku, Ezeudu and Ifeanyichukwu (2017) viewed that credit management can be seen as an essential part of credits and without it, good loans and other credits can turn bad. Good credit management requires the formation and devotion to sound and efficient credit policies of the banking industry. Credits must be approved to people who are capable of properly utilizing it and repaying the loan at its maturity.

Taiwo, Ucheaga, Achugamonu, Adetiloye, Okoye and Agwu (2017) used multiple linear regression model to analyse credit risk management and its implications on bank performance and lending growth and concluded that the higher the risk, the higher the interest rate that the borrower will be asked to pay on the debt. Abiola and Olausi (2014) employed panel regression model to examine the impact of credit risk management on the commercial banks' performance in Nigeria and concluded that poor credit appraisal systems make banks have non-performing loans that exceed their loan portfolio. They, as well as and Njoku, Ezeudu and Ifeanyichukwu (2017)- added that high repayment rates charged to borrowers was a major factor contributing to non-performing loans. Ogboi and Unuafe (2013) on the impact of credit risk management and capital adequacy on the financial performance of commercial banks in Nigeria added that banks expect their customers to repay the principal and interest on an agreed date.

Soyemi, Ogunleye and Ashogbon (2014) used ordinary least square regression to analyze risk management practices and financial performance and noted that credit risk is a vital form of risk faced by banks as financial intermediaries, of which money deposited in banks for safe keeping by individuals or organizations is loaned out to borrowers. If these loans are not properly managed the bank may not be able to repay the depositors when they come back for their money. Abdullahi (2013) stated that banks should ensure that loans are adequately monitored and reviewed regularly to assess the level of its risk. Siyanbola and Adebayo (2021) added that the consequences of some banks' downfall were a result of insolvencies, which could be attributed to the high rate of non-performing loans. Danjuma, Kola, Magaji and Kumshe (2016) opined that the high level of non-performing loans is linked with poor and ineffective credit managements.

Boahene, Dasah and Agyei (2012) argued that if banks increase their repayment rates on loans it will become more difficult for the borrowers to repay because they will have to pay back higher amounts to the banks. When the borrowers are already not repaying the smaller amounts, it may become impossible to repay huge of amounts of interest. Sindani, (2012) in the study of fraud and money laundering in the East Africa financial services industry and Moti, Masinde, Mugenda and Sindani (2012) in their study of effectiveness of credit management system on loan performance: Empirical evidence from micro finance sector in Kenya also agreed with this. Alalade, Binuyo and Oguntodu (2014)

added that in a quest to ensure adequate and sound credit management, banks have been granting loans at high rates. Okafor, Okafor and Isibor (2021) concluded that there is a need to strengthen bank lending rate policies through effective and efficient regulation and supervisory framework. This showed that the loan repayment rates have a high significant relationship with credit management. Syed (2017) on the contrary opined that profitability, which can be traced to good credit management can be as a result of high interest rates due to higher credit risk and fees or commissions charged by the banks.

Afriyie and Akotey (2012) further stated that that rural banks do not have effective established measures to deal with credit management. What they do is that they move the cost on loan default to other customers in the form of higher loan repayment rate. Al Zaidanin and Al Zaidanin (2021) concluded that banks perform poorly due to their inability to manage their credit activities and may have to liquidate or merge to prevent large loan losses. They added that some banks fail to monitor and appraise their credits from time to time, and hence will not know the performance status of the loan. This is very key in credit management and banks have to adopt the practice of regularly evaluating the credit facilities they disburse to customers in order to prevent poor loan performance. The rates at which the loans are given out should not be too low nor high, but subtle enough for the borrowers to be able to meet up. High rates can discourage the borrowers and their failure to cope will result in bad loans.

Alalade, Agbatogun, Cole and Adekunle (2015) analysed the function of credit risk management in the value creation process among Nigerian commercial banks between 2006-2010 using panel data. The findings revealed that credit risk management has a significant impact on commercial bank financial performance, recommending that maintaining a low level of non-performing loans in relation to loan and advance provision will improve financial performance by increasing return on equity. Ogilo (2012) analysed the impact of credit risk management on the financial performance of commercial banks and also attempted to establish if there exists any relationship between the credit risk management determinants by use of CAMEL (capital adequacy, asset quality, management efficiency and liquidity) indicators and financial performance of commercial banks in Kenya. The study found out that there is a strong impact between the CAMEL components on the financial performance of commercial banks.

Chick (2018) analyzed the impact of credit management on the financial performance of microfinance institutions and concluded that flexible repayment periods reduce the rate of credit default; penalty for late payment enhances customers' commitment to loan repayment schedules; use of customer credit application forms improves monitoring and evaluation of loan portfolios; interest rates charged affect the performance of loans in MFIs. Olawale (2015) recommended that management needs to be cautious in setting up collection policy that will not negatively affect profitability and they need to know

how a collection policy affects the operation of their banks to ensure judicious utilization of deposits and maximization of profit. He concluded that improper credit risk management reduce the bank profitability, affects the quality of its assets and increase loan losses and non-performing loan which may eventually lead to financial distress.

Muthoni, Mwangi and Muathe (2020) in the credit management practices and loan performance: empirical evidence from commercial banks in Kenya revealed that the effectiveness of the credit policy will be based on the minimization or elimination of defaults on loan repayment. Balgova, Nies and Plekhanov (2016) studied the influence of NPLs on economic performance and opined that a reduction in non-performing loans has a significant positive influence on banks. Otieno and Nyagol (2016) explored how credit management practices affect loan performance. The results showed that the measurement of credit management had a significant negative correlation with the performance measures. The research however did not explore how credit management affected loan performance but rather looked at performance in general of which the results can only be applied on performance.

Ahmed and Malik (2015) examined loan performance and CRM taking empirical evidence from Pakistan using multiple regression analysis and found that client appraisal and credit terms had a significant positive influence on the loan performance whereas collection policy and credit risks had a positive but insignificant influence on the loan performance. Ofonyelu and Alimi (2013) studied how the bank's risk on borrowers affected NPLs using descriptive research design and found that NPLs could be reduced through credit analysis which involves analytical manipulation. Gakure, Ngugi, Ndwiga and Waithaka (2012) examined credit management techniques and banks performance of unsecured loans using descriptive research design and revealed that credit management techniques had a positive effect on the bank's performance.

Pamela (2012) examined to what extent the credit terms and access to credit have affected financial performance of SMEs in Uganda, the results indicated a significant positive association among the variables of credit terms. She concluded that credit terms contribute 33.1% of the variance in financial performance. Arora (2013) identified the factors that contribute to credit risk analysis and performance in Indian banks and revealed that credit worthiness analysis and collateral requirements are the two important factors when analyzing credit risk in the Indian banking sector. The results also indicate that there is significant correlation between the credit risk management and the performance of Banks in India. Mafumbo (2020) in the study of credit management, credit policy and financial performance of commercial banks in Uganda recommended that banks should use a moderate credit policy as a stringent credit will undermine the financial performance.

Kiplimo and Kalio, (2014) in the study of Effect of Credit Risk Management Practices on Loan Performance in MFIs in Baringo County examined the influence of credit management strategies on loan performance of MFIs in

Kenya. By employing a descriptive research design based on a survey of banks in the Baringo County, the study revealed a strong relationship between client appraisals and loan performance and that credit management strategies significantly influence loan performance. Jakubik and Moinescu (2015) in assessing optimal credit growth for an emerging banking system opined that macroeconomic variables such as economic growth enhances the capacity to repay. Conversely, financial market variables such as the exchange rate and interest rates lower capacity for repayment.

B. Credit Management and Number of Loans Extended

Loan sizes and loan policies have significant effects on its default. Preliminary loan appraisals determine whether a loan will be defaulted or not. The default mostly arises when customers use false information or means to acquire loans from the lending institutions. The collaterals have a significant impact on the bank lending behaviour and bank performance. Good lending policies and careful credit practices are essential for banks to accomplish their credit functions effectively and efficiently and at the same time minimize or eliminate the risk inherent in any extension of credit (Kargi, 2011).

Omwenga and Omar (2017) opined that whenever commercial property prices move up, property-related loans are less likely to default. Therefore, when loan loss provisions declines, loan quality improves. Meanwhile, banks are willing to extend additional credit to borrowers (particularly in the commercial property sector), and the risk premium tends to be lower. To avoid the potential adverse selection problem, the loan would have to be extended.

Njiforti, Lawong and Kevin (2015) added that the extent to which the financial system supports diversification of a nation's economy depends on whether financial institutions extend loans to non-volatile productive sectors as well as the extent of the loan defaults. A developmental state committed to industrialization must look towards diversifying its economy for inclusive and sustainable growth. Most of the expanded credit were used to purchase equities in many cases, in the stock of domestic commercial banks that were extending the credit.

Over the years, the Nigerian banking sector has concentrated its effort to extending loans to only specific sectors of the economy which is believed to be volatile and is capable of driving instability in the financial system. The oil and gas sector has dominated loan access from the Nigerian banking sector as revealed by the portfolio of loans of AMCON in the various sectors. The need for loan diversification by the Nigerian Financial system is further necessitated given the experience of the banking sector in 2009. This results from huge loans extended to operators in the downstream oil and gas sector by commercial banks in Nigeria attracted by the huge revenue generated from the sector, thereby, crowding out other less volatile productive sectors of the economy (Adeolu, 2015).

Akpan (2013) added that the restructuring approach of loans typically maintains the loan relationship with the borrower, tactically extending the relationship with the

borrower to increase their chance of rehabilitation. This rearrangement of debt typically embraces additional financial support so as to alter the time horizon of the loan, grace periods, etc. and is mostly common in dealing with viable borrowers. In extending credits to customers, some investigations need to be done and some questions answered, questions like: do banks provide for unforeseen bad debts, do they assess and monitor the risk, do they set credit limits, do they know how the loans are being utilized, what is the size of individual and corporate credit exposures, how was the previous loss and recovery experience, including the adequacy and timeliness of provisions (International Auditing Practices Committee, 1990).

Farayibi (2016) added that credit decisions should establish if loans should be extended and what the maximum amount of credit should be. He also cited Barltrop and McNaughton (2003) who stated that surprisingly many banks in developing countries do not have formal credit policies and procedures that defined the bank's loan products and the conditions under which such facilities should be extended to potential borrowers and Gimbason (2004) added that whenever some credit facilities were extended to friends of the Board members, ten percent (10%) or more of such loans were offered as kickbacks and were never repaid, thus leading to bad loans. International Auditing and Assurance Standards Board (2009) confirmed that organizations depend on extensions or waivers of loans.

Ejoh, Okpa, and Egbe (2014) stated that it is very essential for banks to critically assess the customers who demand the extension of loans before they can be granted. Credit management policies help banks' credit departments in the extension of loans, overseen by rules and guidelines established by top management. Agu and Basil (2013) opined that management should analyse the nature of risk carefully before extending credit. For agricultural lending, the rate could be pegged at 5% while banks that extended such credits to farmers should be allowed to recoup their loss margin through tax rebate among other incentives. Ramadayanti and Kosasih (2021) revealed that the higher the risk, the higher the risk margin, and this will reduce the level of income and will in turn affect the amount of credit extended. Rukundo (2019) concluded that credit management challenges do not only affect loan performance but they also have high implications. This is due to the fact that, other potential borrowers may fail to access credit facilities since part of the funds that could have been extended as loans by banks are still tied up due to default of clients from repaying.

C. Cost of Funds, Insider Abuse, Organizational Structure and Loan Performance

An increase in credit risk will increase the marginal cost of debt and equity, which in turn increases the cost of funds for the bank. Cost of funds refers to how much banks spend in order to obtain money to lend to their customers. Sanusi (2002) as cited by Abiola and Olausi (2014) observed that the increased number of banks overstretched their existing human resources capacity which resulted into many problems such as poor credit appraisal system, financial crimes, accumulation of poor asset quality among others and

this led to increase in the number of distressed banks. Other factors identified are bad management, adverse ownership influences and other forms of insider abuses coupled with political considerations and prolonged court process especially as regards debts recovery.

Umoh (2002) also cited by Abiola and Olausi (2014) opined that some banks could endure a persistent run, even as depositors withdraw their funds, the bank losses and in the absence of liquidity, the bank will involuntarily sooner or later stop approving loans. Thus, the risks faced by banks are endogenous, associated with the nature of banking business itself, whilst others are exogenous to the banking system.

Insider abuse in banks is quite high and keeps increasing, causing the downfall of many banks in recent years. Insider abuse has often been a factor, especially in the participation by bank officers and directors in the trend of loan fraud activities (Federal Bureau of Investigation, 2013). While regulators have long been interested in identifying the methods and extent of insider abuse, Minimum Security Devices and Procedure (1996) consistently found that economic downturns were seldom the sole cause of bank failures, and that management and insider abuse also played a large role in the failures (U.S. Government Printing Office, 2022).

Trusted individuals or close affiliates sometimes breach their fiduciary duties and trade on inside information, seized opportunities, engaged in deals or used the bank information for personal advantage. An example of insider abuse includes granting loans in excess of the regulated amount. It also includes a wider range where an insider acts or fails to act when the bank is harmed, takes on additional risk or loses an opportunity and where the insider somehow benefits because of his position (Clarke, 1988). Okafor and Asuzu (2018) added that the high exposure of some Nigerian banks was could be attributed to poor credit management practices, due to excessive exposure to the stock market, non-performing loans, weak internal control, insider abuse and lack of adequate disclosure.

Insider abuse occurs when an insider benefits personally from some actions he/she takes as part of his/her position at the bank (the violation must be accompanied by personal gain to the insider to be considered abusive). Insider fraud is a criminal act such as embezzlement, falsifying documents, and check kiting, but insider abuse and insider fraud are distinct and should not be mistaken (Federal Deposit Insurance Corporation, 1994).

Ajao and Oseyomon (2019) opined that the increase in high non-performing loans was as a result of gross insider abuses, non-adherence to established credit policies, the

credibility and competence of most bank management team which have been subject of debate in recent time. Okoro (2018) commended the central bank to issue efficient monetary policies that would strengthen transparency, integrity and curtail insider abuses on customers' accounts in bank. Ogbor and Ugherughe (2018) further stated that the Central Bank of Nigeria published details of the extent of which insider abuse negatively affects banks.

Ugoani and Ogu (2021) stated that additional practices should be put in place to detect and prevent insider abuse. They added that the high rate of non-performing loans could be attributed to insider abuse and unethical banking practices. Security valuation is crucial for good credit management and anything to the contrary could give room to insider abuse, including improper granting of loans to directors, insiders, and political interest groups.

For successful operations and minimization of insider abuse, banks are constantly implementing changes in their organizational structure. These changes are due to various internal and external factors. Organizational structures within the banks are complex and specific for the banking sector, as well as for each bank (Angelkoska, 2021). To implement the necessary and planned change in the organizational structure of a bank, a special team for implementation of the change should be formed.

Opportunities for insider abuse can occur because of the ease of accessing information and the complexity of organizational structures and unfortunately, organizational structure cannot predict such (Puspithaa, & Yasab, 2018). Justification by management, employees, and those in charge of governance, enables them to engage or detect fraud (Statement of Auditing Standards 99, 2002). In this case the organizational structure would have to change. Organizational restructuring means changes in the governance structure for increasing efficiency and effectiveness of the employee operating in such working environment. Thus, achieving desired result depend on the behaviour of the employee toward the restructuring process (Idris & Abu-Abdissamad, 2018).

Organizations restructure is to improve from a negative condition. Changes in the structure of organizations can be done through conscious management action aimed at achieving personal, financial, strategic and/or operational objectives (Idris & Abu-Abdissamad, 2018). Organizational restructuring involves significant changes in the institutional framework of the firm, including redesigning of boundaries, flattening of management levels, spreading of the span of control, reducing product diversification, revising compensation, reforming corporate governance, and downsizing employment.

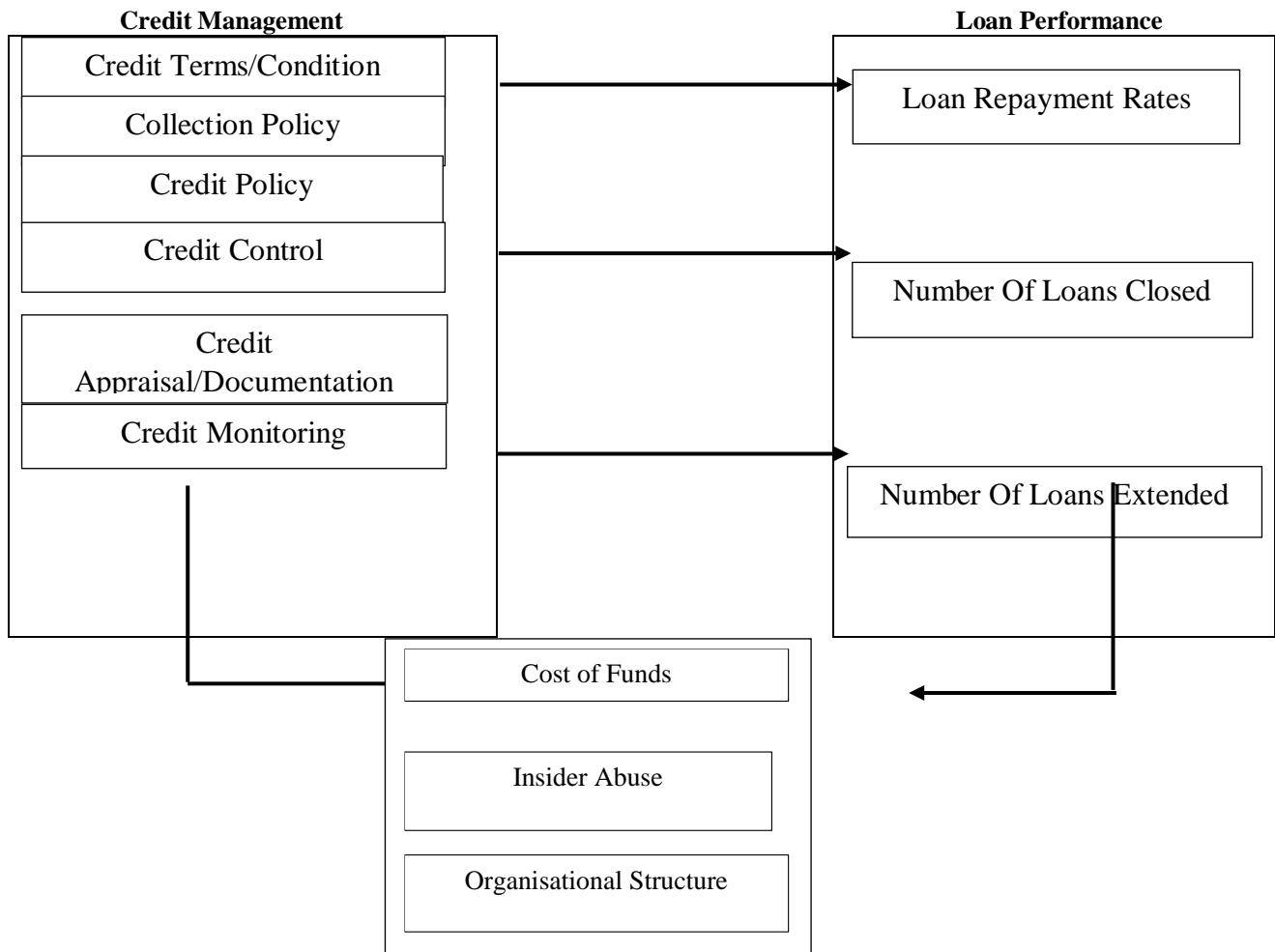


Fig. 1: Conceptual Framework

Source: Author’s computation 2022

VI. METHODOLOGY

Merchant Banks with national operating licence: 6

A. Research Design

To appraise the effect of credit management and loan performance of selected deposit money banks in Ogun state, Nigeria, this study will adopt cross-sectional survey research design. A cross-sectional survey has to do with the collection and collation of data and information from respondents at different locations and at different times (Levin, 2006). A structured questionnaire will be used to collect data from credit officers, relationship managers and branch managers of selected Nigerian top rated Deposit Money Banks in Ogun State.

B. Population

The population for this study is 32 Deposit Money Banks (DMBs) in Nigeria by the updated list of CBN as at 30th June 2021. The DMBs are categorised into 5 as follows:

- Commercial Banks with international operating licence: 8;
- Commercial Banks with national operating licence: 11;
- Commercial Banks with regional operating licence: 4;
- Non-interest banking with national operating licence: 1;
- Non-interest Banks with regional operating licence: 2 and

Most of the major commercial banks with international and national operating licence including United bank for Africa, Zenith Bank Plc, GTBank Limited, Access Bank Plc, Union Bank, Wema Bank Plc, First Bank of Nigeria Plc, First City Monument Bank Plc, Sterling Bank Plc are represented in Ogun State.

C. Sample size and sampling Technique

The sample size for this study will be seven out of the 32 Deposit Money Banks and the ones selected are the commercial banks with both national and international operating licence. Therefore, this study has pre-empted that the outcome of the research based on this sample would be representative of the industry. The sample was selected based on the ranking done by Nairametrics and Owogram; two leading financial resource companies, for top 10 banks in Nigeria on the premise of market capitalisation, profitability, total assets, brand esteem, branch network, customer satisfaction, total number of Automatic Teller Machines (ATM) and national reputation. The top 10 banks in Nigeria as at December, 2021 based on the rankings of these 2 companies were, Zenith bank, GTBank, First Bank, Access Bank, United Bank for Africa (UBA), Union Bank, Fidelity Bank, Ecobank, Sterling Bank, and Wema Bank.

In the survey study, the opinions of the respondents from the credit, relationship and risk management personnel of the selected banks was considered important and relevant to get the required data because the roles of this set of bank workers relate very closely to the area of study.

D. Method of Data Collection

Primary data will be used in this research. The primary data will be obtained by conducting field survey through administration of structured questionnaire on respondents from the credit officers, relationship managers, and branch managers from the seven selected banks. The survey will be done to obtain first-hand information from bank officers in officers' cadre.

The questionnaire contained three distinctive parts; the first part covered the demographic information about the respondents, the second part covered questions on independent variables, while the third part covers the dependent and moderating variables in order to extract information on influence of credit management on loan performance of selected Ogun State.

E. Research Instrument

A structured questionnaire will be used in this research to appraise the influence of credit management on loan performance of selected DMBs Ogun State. The questionnaire was divided into three sections:

Section A covered the demographic factors that helped to gain an insight into the background of different respondents in terms of gender, age, marital status, educational qualification, and job rank. These demographic factors assisted to clearly bring out different views and assessment of the various respondents as they influence their perception to various issues of credit management and loan performance.

Sections B was divided into six segments each of which posed questions on factors that constitute the independent variables. This is an important aspect of the study to establish the opinions of respondents in regard to various issues on credit management. Credit management practices were highlighted by Ogunlade and Oseni (2018) as covering credit terms and conditions, credit collection policy, credit policy, credit control, client appraisal/documentation and credit monitoring.

Section C was divided into four segments, each of which posed questions on factors that constitute dependent and moderating variables. They include loan performance, cost of funds, insider abuse and organisational structure.

F. Validity Test

Validity test is a process used to determine whether the instrument being used to collect data measures what it is expected to and the evidence justifies it (Sekaran, 2003). From the perspective of Bryman and Bell (2011), validity test is the extent to which an instrument actually measures the aspects that it was supposed to measure. Validity is assessed from different perspectives. When an expert opinion is sought as to whether the questionnaire is

professionally constructed, then face validity is ensured. Content validity presupposes that the domain of the study has been adequately covered. In this research, the questions were drawn on each segment of credit management and loan performance for adequate coverage. In terms of construct validity, the questionnaire being administered conforms to the ideas or the hypothesis being measured. The target respondents were skillfully selected for the final results to conform with the concept under study. In this study, attention focused on experienced bank workers in the relevant areas relating to the research, namely the credit officers, relationship and branch managers.

G. Method of Data Analysis

Descriptive statistics (mean, maximum, minimum, standard error, skewness) and correlation coefficients will be employed to analyse the data. The analysis of the primary data was targeted at addressing the objective of this study. A six-point Likert scale (1 to 6) is applied to appraise the effect of credit management on loan performance of DMBs in Ogun State.

Salawu (2015) employed Relative Importance/Significance Index (RII) and Mean Index Score (MIS) in data analysis using a five-point Likert scale (1 to 5) to appraise the effectiveness of auditor independence regulations in Nigeria. The RII and MIS were used by Salawu (2015) for ranking and assessment of twelve different auditor independence regulations according to their effectiveness given the following formulas:

- The relative importance / significance index, $RII = \frac{\sum W}{A+N}$
- Mean Index score, $MIS = \frac{\sum W}{N}$, where W represents the given weighting by the respondents to each regulation which ranges from 1 to 5.

A is the highest weight which is 5 in this case, while N represents total number of responses. The RII value had a range from 0 to 1 (i.e. $0 \leq RII \leq 1$); the higher the value of RII, the more important/effective was the regulation considered. The weighting was determined as follows: $Weight = \sum W_i = \sum (i \cdot n_i)$ where i is the Likert scale point (e.g. 5), and n_i is the number of respondents choosing the Likert scale point.

The same analytical method of MIS employed above was adopted for this research. The MIS was used for assessment of different credit management variables with the use of six Likert scale (1 to 6) for the factors selected using the numerical scores. In this case the weighting was determined as follows: $Weight = \sum W_i = \sum (i \cdot n_i)$ where i is the Likert scale point (e.g. 6), and n_i is the number of respondents choosing the Likert scale point. The analysis of the weightings are: VH = very high (6), H = high (5), MH = moderately high (4), ML = moderately low (3), L = Low (2), and VL (1). Credit management will be incorporated into the equation and regressed against the loan performance of selected DMBs for the specified Model.

H. Models Specification

The variables in this study are loan performance as dependent variable, credit management as independent variable, while cost of funds, insider abuse and

organisational structure constitute the moderating variables. The interrelationship as functional summary is given below to test the research hypothesis:

- **Dependent variables:** Loan performance measured by timely loan repayment rates, number of loans closed by customer and number of loans extended.
- **Independent variables:** Credit management proxied by, credit terms and conditions, credit collection policy, credit policy, credit control, credit appraisal/documentation, and credit monitoring.
- **Moderating variables:** cost of funds, insider abuse, and organisational structure.

The relationship between the dependent and independent variables are presented in the following functions:

$$\text{Main function: } Y = f(X)$$

Where,

Y = Dependent variable: Loan Performance (LP)

X= Independent Variable: Credit Management (CMT).

Z = Moderating variables: Cost of funds, Insider abuse, and Organisational structure.

Functional Relationship

$$Y = f(x_1, x_2, x_3, x_4, x_5, x_6, x^*z) \text{ (equation.....1)}$$

$$Y = f(x_1) = \text{Credit terms/conditions (CTC)} \text{ (equation.....2)}$$

$$Y = f(x_2) = \text{Collection policy (CLP)} \text{ (equation.....3)}$$

$$Y = f(x_3) = \text{Credit policy (CP)} \text{ (equation.....4)}$$

$$Y = f(x_4) = \text{Credit control (CC)} \text{ (equation.....5)}$$

$$Y = f(x_5) = \text{Credit appraisal/documentation (CAD)} \text{ (equation.....6)}$$

$$Y = f(x_6) = \text{Credit monitoring (CM)} \text{ (equation.....7)}$$

$$X^*Z = X^*(CF, IA, OS) \text{ (equation.....8)}$$

CF = Cost of funds

IA = Insider abuse

OS = Organizational structure

$$Y = \infty + \beta_1 X_i + \beta_2 Z_i + \beta_{iz} X^*Z + \mu_i$$

$$Y = \infty + \beta_1 CTC + \beta_2 CLP + \beta_3 CP + \beta_4 CC + \beta_5 CAD + \beta_6 CM + X^*(CF+IA+OS) + \mu_i \text{ (equation.....9)}$$

Where:

β_1 represents the coefficient connecting the independent variable (X) to the outcome (Y), when the moderator (Z) = 0, β_2 is the coefficient relating the moderator (Z), to the outcome, when X = 0, α_0 is the intercept in the equation, and μ_i is the residual in the equation.

The hypotheses were tested at 95% confidence interval using moderated (hierarchical) multiple regression analysis. The *a priori* expectation was anchored on a positive and significant moderating effect of cost of funds, insider

abuse and organisational structure on the relationship between credit management and loan performance.

The paper adhered strictly to ethics of research which includes anonymity and confidentiality during the data gathering process, respondents' right to discontinue participating in the study, and non-falsification/manipulation of data. Also, extant scholars' works were duly referenced and acknowledged wherever they were used.

VII. SUMMARY OF THE STUDY

The first chapter commenced with the background to the study followed by the statement based on the identified problems and gaps in the credit management and loan performance relationship. Accordingly, the main objective of the study was to examine the effect of credit management on the loan performance of selected deposit money banks in Ogun State, Nigeria. Four objectives, research questions and research hypotheses were formulated.

The second chapter of the study was centred around the assessment of relevant and correlated literature. The literature review covered conceptual, theoretical, empirical reviews, and the conceptual framework. Previous studies on credit management on the loan performance were extensively reviewed and summarized in this chapter. The chapter concluded with the established gaps in literature.

Chapter three highlighted the methodology employed. The chapter was divided into research design, sources of data, model specification, estimation techniques, data description, *a priori* expectations, and ethical consideration sections.

Chapter four addressed the data analysis and discussion of findings of the study. Starting with descriptive analysis sub section. This subsection was used to understand the inherent statistical nature of the variables employed. Empirical analysis was performed in proportion to the objectives of the study and analysis was employed to test the formulated hypotheses.

The fifth chapter includes the summary, the findings and the implications of the study. Conclusions and recommendations were drawn in proportion to the findings of the study. The chapter also highlighted the limitation of the study, its contribution to existing knowledge and the suggestions for extra research.

VIII. SUMMARY OF FINDINGS

The study employed mean, maximum, minimum, standard deviations, Cronbach Alpha statistic, and questionnaires for the dependent, moderating and independent variables. The main objective of the study examined the effect of credit management on the loan performance of selected deposit money banks in Ogun State, Nigeria. The result of the analysis showed that banks understood the importance and implication of credit terms and conditions, credit collection policy, credit policy, credit control, client appraisal, documentation and credit

monitoring, loan performance, cost of fund (affordability) and organisational structure.

From the analysis, it was seen that credit management has a significant positive impact on loan performance. Hence, we reject null hypothesis and accept the alternate. Also, the analysis of credit management on loan performance using cost of funds as the moderating variable, the results showed that credit management has a significant negative impact on loan performance, thus we accept the null hypothesis. In the analysis of credit management on loan performance using insider abuse as the moderating variable, the results revealed that credit management has a significant negative impact on loan performance; therefore we accept the null hypothesis. Also, in the analysis of credit management on loan performance using organizational structure as the moderating variable, the results showed that credit management has a significant negative impact on loan performance; consequently we accept the null hypothesis.

IX. CONCLUSION

The study scrutinized the effects of credit management and loan performance of selected deposit money banks in Ogun State, Nigeria.

From the findings of the study, there was a negative effect of credit management on loan performance. This was supported by Imeokpararia (2013) in measuring the performance of the selected banks and the analysis showed that loan is a dominant source of income; and effectively managing the credit portfolio and loan function is important to banks security and reliability. The study revealed that there is no significant relationship between effective loan management and the performance of banks and loan management has not affected the performance of Nigerian banks.

In general, the results of the study revealed that credit management affects the loan performance of selected deposit money banks in Ogun, Nigeria significantly. As such, the outcomes are in not line with the postulations of the hypothesis, except hypothesis four.

X. RECOMMENDATIONS

The following recommendations were given:

- From the results of the study, credit management can affect performance of loans of selected deposit money banks in Ogun significantly. Hence, CBN should work with banks, public and private stakeholders in the banking sector to ensure the utilization and timely repayment of granted loans for the longevity of banks in Nigeria.
- Following the outcome of the study which implied that poor credit management can lead to a decline in loan performance, the Nigerian debt management agencies should ensure borrowers are well tracked on the database. This will subsequently spur a timely transition in the non-performing loans rate.

The results of the study also found that there is a negative relationship of cost of funds, insider abuse and organizational structure on loan performance. Hence, the

Nigerian government should implement penalties on banks that practice them.

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DRAFT QUESTIONNAIRE

• Credit Management and Loan Performance of SELECTED Deposit Money Banks in Ogun State

Dear Respondent,

I am a postgraduate student in the Department of Finance at Babcock University, researching the above topic. Your consent is highly needed in the completion of this study by filling the questionnaire. All information given will be treated with confidentiality. Kindly return the questionnaire at your earliest convenient time.

Please answer the following questions by ticking the one you consider most appropriate among the alternatives.

Thank you for your sincere cooperation

Nkemjika Maduemem

SECTION A:

DEMOGRAPHIC INFORMATION

Instruction: Please answer the statement below by ticking (✓) the option which best describes your agreement.

1. Gender: Male [] Female [].
2. Age: (a) 20- 24yrs[] (b) 25-30 [] (c)31-35 [] (d) 36-40 [] (e) 41-45 [] (f) 46-50 [] (g) 51-55 [] (h) 56-60 [] (i) 61 – 65 [].
3. Marital Status: Single () Married () Divorced () Widow/Widower ().
4. Educational Qualification:(a) OND/NCE [] (b) B.Sc. /HND [] (c) M.Sc. /MBA [] others please specify
5. Rank: (a) Lower level manager [] (b) Middle level manager [] (c) Senior manager[].

SECTION B

Kindly mark the suitable column that expresses your judgement on the objects stated in all variables.

VH = very high, H = high, MH = moderately high, ML = moderately low, L = Low, VL = very low.

A	Credit terms/Condition	VH	H	MH	ML	L	VL
1	Clear credit terms are disclosed						
2	Credit terms on amount are known						
3	Terms are spelt out in loan repayment schedules						
4	Terms/Condition indicate type of interest charged						
5	Terms indicate collateral and guarantees for loans						
6	Terms spelt out other charges imposed on loans						
B	Credit Collection Policy	VH	H	MH	ML	L	VL
1	Collection policy is in place to manage receivables						
2	There are incentives and rewards for early repayment						
3	Penalties exist for late/missed repayment schedules						
4	New/poorly performing loans have tighter collection terms						
5	Customers are notified when repayments are due						
C	Credit Policy	VH	H	MH	ML	L	VL
1	Credit policy in place to manage credit risk						
2	Credit policy determines the loan limit						
3	Policy regulate the volume of credit issue						
4	Credit policy looks at cash flow over years						
5	Policy considers customers' market						
D	Credit Control	VH	H	MH	ML	L	VL
1	Account receivable turnover ratio						
2	Promise to pay						
3	Collection effectiveness						
4	Average age of Debt or Days sales outstanding						
5	Profit per account						
E	Client Appraisal/Documentation	VH	H	MH	ML	L	VL
1	Obtain credit history report of the borrower						
2	Borrower's ability to repay						

3	Borrower's collateral base						
4	Borrower's integrity/confidence to repay						
5	Reference with other business partners						
6	Borrowers financial net worth						
F	Credit Monitoring	VH	H	MH	ML	L	VL
1	Real time data analysis is conducted						
2	Point in time analysis						
3	Borrower vulnerability test						
4	Analysis of borrower's debt service coverage ratio						
5	Liquidation/insolvencies test						

SECTION C

Kindly mark the suitable column that expresses your judgement on the objects stated in all variables.

VH = very high, H = high, MH = moderately high, ML = moderately low, L = Low, VL= very low.

A	Loan Performance	VH	H	MH	ML	L	VL
1	Loan recovery rates						
2	Timely repayment rates						
3	Loan reapplication rates						
4	Number of loans closed per consumer						
5	Number of loans extended						
B	Cost of Fund (Affordability)	VH	H	MH	ML	L	VL
1	Loan valuation cost						
2	Loan charge						
3	Loan hidden charges						
4	Loan collateralization cost						
5	Loan realization cost						
6	Loan restructuring						
C	Insider Abuse (related party)	VH	H	MH	ML	L	VL
1	Manipulation in sale/purchase of loan pools						
2	Inappropriate or fraudulent loan arrangements						
3	Fictitious loans						
4	Bribes/kickbacks arising from lending						
5	Loans tied to favours for friends/family						
D	Organisational Structure	VH	H	MH	ML	L	VL
1	Shared value system						
2	Pragmatism						
3	Uncertainty Avoidance						
4	Corporate collectivism						
5	Adaptability capacity						

APPENDIX II

ANALYSIS 1 - CM AND LP

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CREDIT MANAGEMENT ^b	.	Enter

a. Dependent Variable: LOAN PERFORMANCE

b. All requested variables entered.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.704 ^a	.496	.493	.54168

a. Predictors: (Constant), CREDIT MANAGEMENT

b. Dependent Variable: LOAN PERFORMANCE

		ANOVA ^a				
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.758	1	42.758	145.725	.000 ^b
	Residual	43.426	148	.293		
	Total	86.184	149			

a. Dependent Variable: LOAN PERFORMANCE

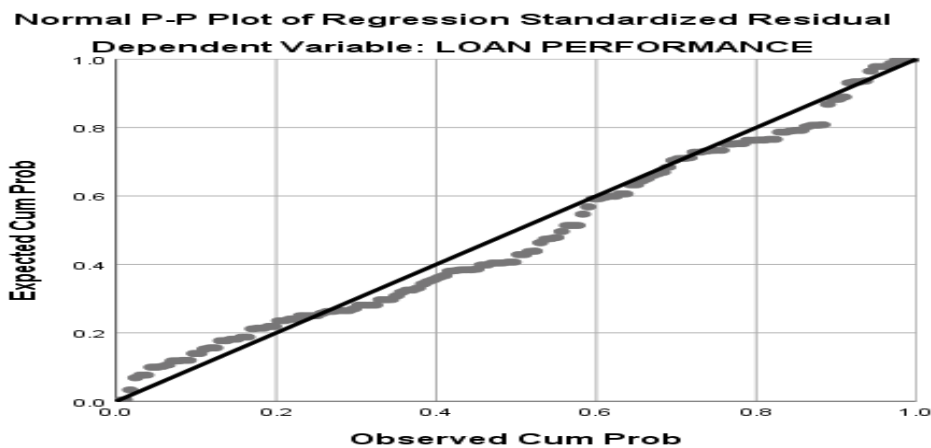
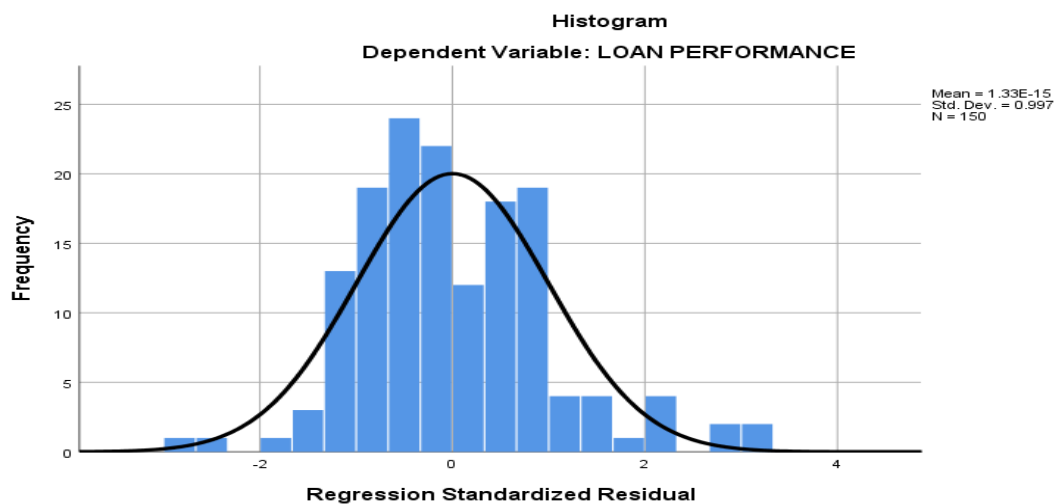
b. Predictors: (Constant), CREDIT MANAGEMENT

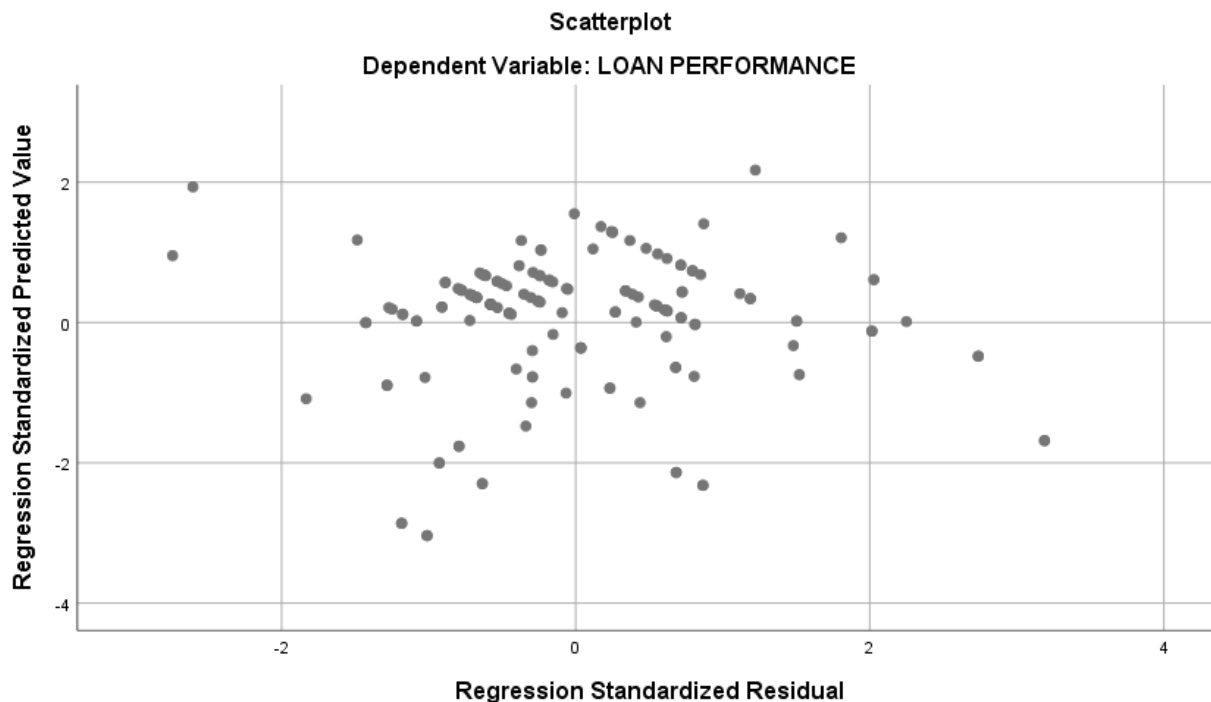
		Coefficients ^a				
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.730	.289		2.526	.013
	CREDIT MANAGEMENT	.768	.064	.704	12.072	.000

a. Dependent Variable: LOAN PERFORMANCE

Residuals Statistics ^a					
	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.5474	5.3380	4.1747	.53569	150
Residual	-1.48515	1.72724	.00000	.53986	150
Std. Predicted Value	-3.038	2.172	.000	1.000	150
Std. Residual	-2.742	3.189	.000	.997	150

a. Dependent Variable: LOAN PERFORMANCE





ANALYSIS 1 – CM COMPONENTS AND LP (RELATIVE EFFECT)

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.747 ^a	.558	.540	.51586

a. Predictors: (Constant), CREDIT MONITORING, COLLECTION POLICY, CREDIT TERMS, CREDIT CONTROL, CREDIT POLICY, CLIENT APPRAISAL

b. Dependent Variable: LOAN PERFORMANCE

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	48.130	6	8.022	30.145	.000 ^b
	Residual	38.053	143	.266		
	Total	86.184	149			

a. Dependent Variable: LOAN PERFORMANCE

b. Predictors: (Constant), CREDIT MONITORING, COLLECTION POLICY, CREDIT TERMS, CREDIT CONTROL, CREDIT POLICY, CLIENT APPRAISAL

Coefficients^a

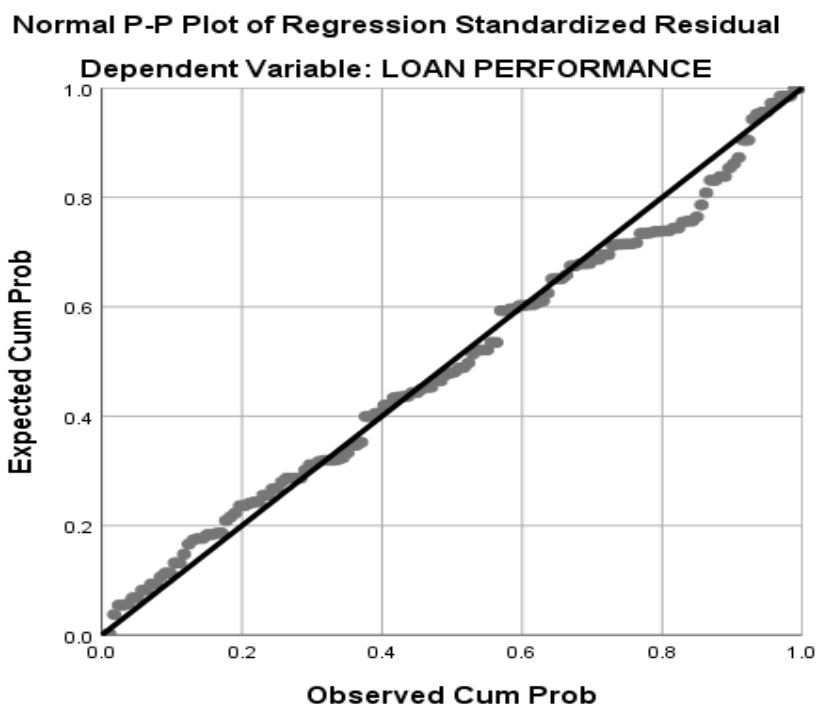
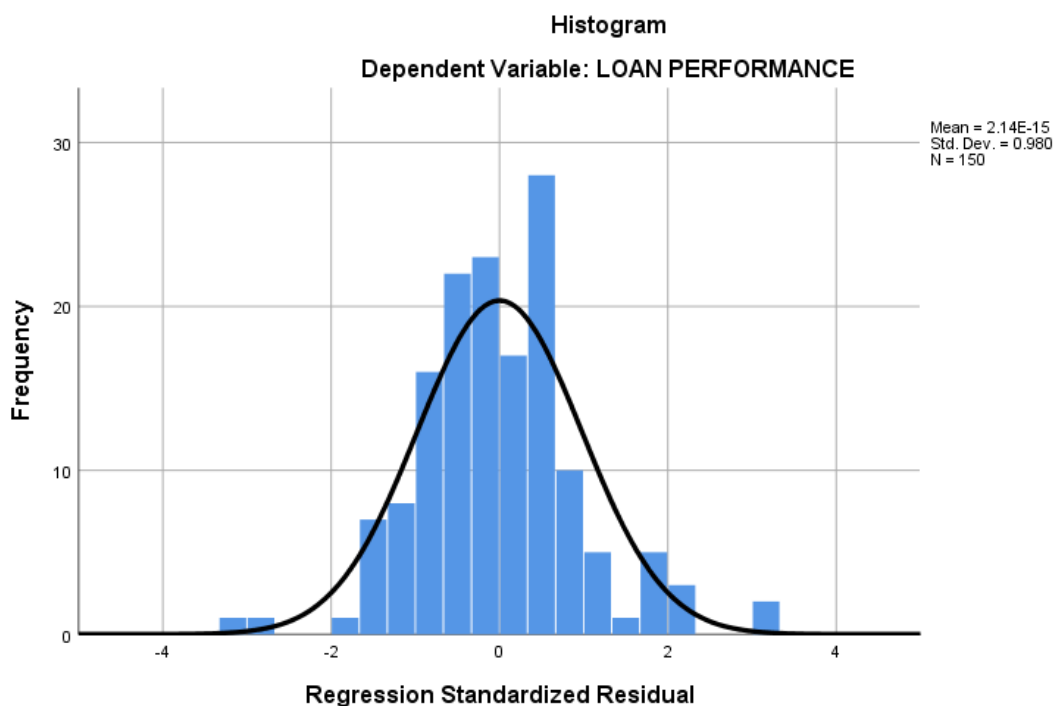
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.961	.288		3.337	.001
	CREDIT TERMS	-.026	.065	-.030	-.401	.689
	COLLECTION POLICY	.126	.070	.132	1.782	.077
	CREDIT POLICY	.042	.086	.048	.492	.624
	CREDIT CONTROL	.134	.070	.151	1.914	.058
	CLIENT APPRAISAL	.071	.083	.085	.852	.396
	CREDIT MONITORING	.395	.075	.476	5.293	.000

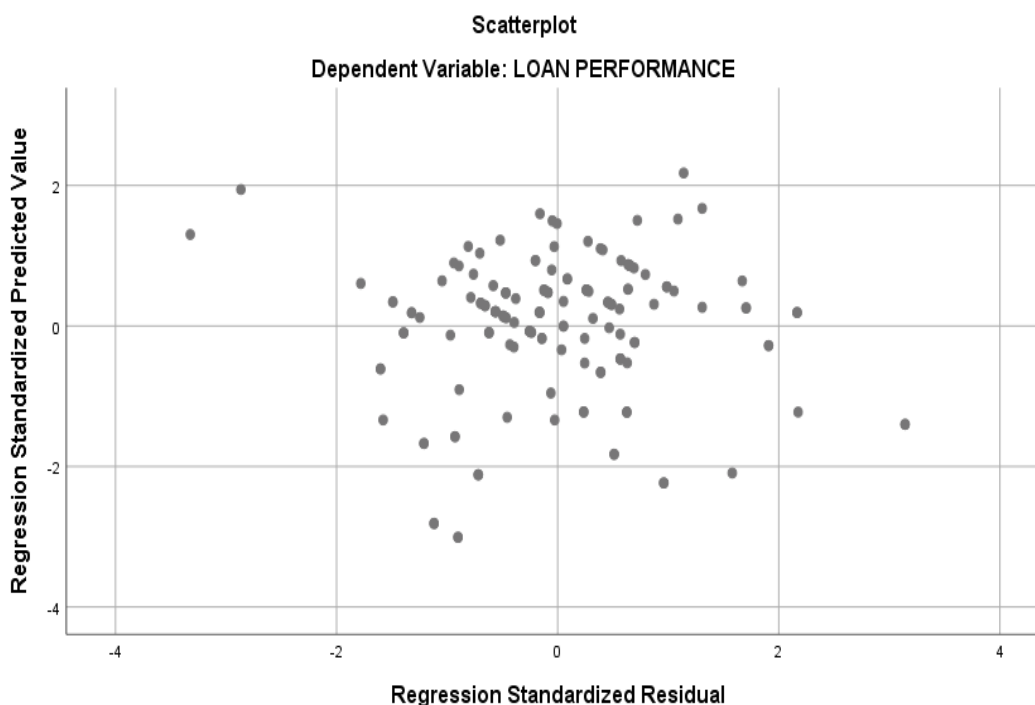
a. Dependent Variable: LOAN PERFORMANCE

Residuals Statistics^a

	Minimum	Maximum	Mean	Std. Deviation	N
Predicted Value	2.4652	5.4121	4.1747	.56835	150
Residual	-1.71459	1.62120	.00000	.50536	150
Std. Predicted Value	-3.008	2.177	.000	1.000	150
Std. Residual	-3.324	3.143	.000	.980	150

a. Dependent Variable: LOAN PERFORMANCE





ANALYSIS 1 – CM AND LP (CORRELATION)

Correlations

		LOAN PERFORMANCE	CREDIT MANAGEMENT
LOAN PERFORMANCE	Pearson Correlation	1	.704**
	Sig. (2-tailed)		.000
	N	150	150
CREDIT MANAGEMENT	Pearson Correlation	.704**	1
	Sig. (2-tailed)	.000	
	N	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

ANALYSIS 1 – CM AND LP (RELATIVE CORRELATION COEFFICIENT)

Correlations

		LOAN PERFORMANCE	CREDIT TERMS	COLLECTION POLICY	CREDIT POLICY	CREDIT CONTROL	CLIENT APPRAISAL	CREDIT MONITORING
LOAN PERFORMANCE	Pearson Correlation	1	.424**	.517**	.559**	.574**	.595**	.712**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	150	150	150	150	150	150	150
CREDIT TERMS	Pearson Correlation	.424**	1	.411**	.643**	.481**	.549**	.523**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	150	150	150	150	150	150	150
COLLECTION POLICY	Pearson Correlation	.517**	.411**	1	.543**	.587**	.411**	.519**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	150	150	150	150	150	150	150

CREDIT POLICY	Pearson Correlation	.559**	.643**	.543**	1	.604**	.748**	.637**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	150	150	150	150	150	150	150
CREDIT CONTROL	Pearson Correlation	.574**	.481**	.587**	.604**	1	.563**	.593**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	150	150	150	150	150	150	150
CLIENT APPRAISAL	Pearson Correlation	.595**	.549**	.411**	.748**	.563**	1	.737**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	150	150	150	150	150	150	150
CREDIT MONITORING	Pearson Correlation	.712**	.523**	.519**	.637**	.593**	.737**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	150	150	150	150	150	150	150

** . Correlation is significant at the 0.01 level (2-tailed).

ANALYSIS 2 CM, LP & COF

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CREDIT MANAGEMENT ^b		. Enter
2	COST OF FUNDS ^b		. Enter
3	CM*COF ^b		. Enter

a. Dependent Variable: LOAN PERFORMANCE

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.704 ^a	.496	.493	.54168	.496	145.725	1	148	.000
2	.761 ^b	.579	.573	.49709	.082	28.742	1	147	.000
3	.773 ^c	.597	.589	.48762	.019	6.767	1	146	.010

a. Predictors: (Constant), CREDIT MANAGEMENT

b. Predictors: (Constant), CREDIT MANAGEMENT, COST OF FUNDS

c. Predictors: (Constant), CREDIT MANAGEMENT, COST OF FUNDS, CM*COF

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.758	1	42.758	145.725	.000 ^b
	Residual	43.426	148	.293		
	Total	86.184	149			
2	Regression	49.860	2	24.930	100.891	.000 ^c
	Residual	36.323	147	.247		
	Total	86.184	149			
3	Regression	51.469	3	17.156	72.156	.000 ^d
	Residual	34.714	146	.238		
	Total	86.184	149			

a. Dependent Variable: LOAN PERFORMANCE

b. Predictors: (Constant), CREDIT MANAGEMENT

c. Predictors: (Constant), CREDIT MANAGEMENT, COST OF FUNDS

d. Predictors: (Constant), CREDIT MANAGEMENT, COST OF FUNDS, CM*COF

Model		Coefficients ^a		Standardized Coefficients	t	Sig.
		Unstandardized Coefficients	Std. Error			
		B		Beta		
1	(Constant)	.730	.289		2.526	.013
	CREDIT MANAGEMENT	.768	.064	.704	12.072	.000
2	(Constant)	.617	.266		2.319	.022
	CREDIT MANAGEMENT	.584	.068	.536	8.626	.000
	COST OF FUNDS	.261	.049	.333	5.361	.000
3	(Constant)	-1.957	1.023		-1.913	.058
	CREDIT MANAGEMENT	1.139	.224	1.045	5.097	.000
	COST OF FUNDS	1.111	.330	1.416	3.365	.001
	CM*COF	-.181	.069	-1.418	-2.601	.010

a. Dependent Variable: LOAN PERFORMANCE

Model		Excluded Variables ^a			Partial Correlation	Collinearity Statistics
		Beta In	t	Sig.		
					Tolerance	
1	COST OF FUNDS	.333 ^b	5.361	.000	.404	.743
	CM*COF	.397 ^b	4.863	.000	.372	.443
2	CM*COF	-1.418 ^c	-2.601	.010	-.210	.009

a. Dependent Variable: LOAN PERFORMANCE

b. Predictors in the Model: (Constant), CREDIT MANAGEMENT

c. Predictors in the Model: (Constant), CREDIT MANAGEMENT, COST OF FUNDS

ANALYSIS 3 CM, LP & IA

Model	Variables Entered/Removed ^a			Method
	Variables Entered	Variables Removed		
1	CREDIT MANAGEMENT ^b		.	Enter
2	INSIDER ABUSE ^b		.	Enter
3	CM*IA ^b		.	Enter

a. Dependent Variable: LOAN PERFORMANCE

b. All requested variables entered.

Model	Model Summary					Change Statistics				
	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	F Change	df1	df2	Sig. F Change	
1	.704 ^a	.496	.493	.54168	.496	145.725	1	148	.000	
2	.736 ^b	.542	.536	.51802	.046	14.827	1	147	.000	
3	.753 ^c	.567	.559	.50533	.025	8.475	1	146	.004	

a. Predictors: (Constant), CREDIT MANAGEMENT

b. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE

c. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, CM*IA

Model	ANOVA ^a					
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.758	1	42.758	145.725	.000 ^b
	Residual	43.426	148	.293		
	Total	86.184	149			
2	Regression	46.737	2	23.369	87.084	.000 ^c
	Residual	39.447	147	.268		
	Total	86.184	149			
3	Regression	48.901	3	16.300	63.833	.000 ^d
	Residual	37.283	146	.255		
	Total	86.184	149			

a. Dependent Variable: LOAN PERFORMANCE

- b. Predictors: (Constant), CREDIT MANAGEMENT
- c. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE
- d. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, CM*IA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.730	.289		2.526	.013
	CREDIT MANAGEMENT	.768	.064	.704	12.072	.000
2	(Constant)	.316	.296		1.065	.289
	CREDIT MANAGEMENT	.797	.061	.731	12.996	.000
	INSIDER ABUSE	.124	.032	.216	3.851	.000
3	(Constant)	-1.557	.705		-2.208	.029
	CREDIT MANAGEMENT	1.200	.151	1.101	7.950	.000
	INSIDER ABUSE	.893	.266	1.560	3.356	.001
	CM*IA	-.167	.057	-1.359	-2.911	.004

a. Dependent Variable: LOAN PERFORMANCE

Excluded Variables^a

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	INSIDER ABUSE	.216 ^b	3.851	.000	.303	.985
	CM*IA	.197 ^b	3.458	.001	.274	.977
2	CM*IA	-1.359 ^c	-2.911	.004	-.234	.014

- a. Dependent Variable: LOAN PERFORMANCE
- b. Predictors in the Model: (Constant), CREDIT MANAGEMENT
- c. Predictors in the Model: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE

ANALYSIS 4 CM, LP AND OC

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CREDIT MANAGEMENT ^b	.	Enter
2	ORGANIZATIONAL CULTURE ^b	.	Enter
3	CM*OC ^b	.	Enter

- a. Dependent Variable: LOAN PERFORMANCE
- b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.704 ^a	.496	.493	.54168	.496	145.725	1	148	.000
2	.713 ^b	.508	.502	.53684	.012	3.678	1	147	.057
3	.719 ^c	.517	.507	.53415	.008	2.484	1	146	.117

- a. Predictors: (Constant), CREDIT MANAGEMENT
- b. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE
- c. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, CM*OC

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.758	1	42.758	145.725	.000 ^b
	Residual	43.426	148	.293		
	Total	86.184	149			
2	Regression	43.818	2	21.909	76.021	.000 ^c
	Residual	42.365	147	.288		
	Total	86.184	149			
3	Regression	44.527	3	14.842	52.020	.000 ^d
	Residual	41.657	146	.285		
	Total	86.184	149			

- a. Dependent Variable: LOAN PERFORMANCE
- b. Predictors: (Constant), CREDIT MANAGEMENT
- c. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE
- d. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, CM*OC

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.730	.289		2.526	.013
	CREDIT MANAGEMENT	.768	.064	.704	12.072	.000
2	(Constant)	.720	.286		2.514	.013
	CREDIT MANAGEMENT	.723	.067	.663	10.759	.000
	ORGANIZATIONAL CULTURE	.053	.028	.118	1.918	.057
3	(Constant)	-1.073	1.173		-.915	.362
	CREDIT MANAGEMENT	1.111	.255	1.019	4.358	.000
	ORGANIZATIONAL CULTURE	.588	.341	1.311	1.727	.086
	CM*OC	-.114	.072	-1.360	-1.576	.117

a. Dependent Variable: LOAN PERFORMANCE

Excluded Variables ^a						
Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	ORGANIZATIONAL CULTURE	.118 ^b	1.918	.057	.156	.880
	CM*OC	.125 ^b	1.782	.077	.145	.680
2	CM*OC	-1.360 ^c	-1.576	.117	-.129	.004

- a. Dependent Variable: LOAN PERFORMANCE
- b. Predictors in the Model: (Constant), CREDIT MANAGEMENT
- c. Predictors in the Model: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE

ANALYSIS 5 CM& LP WITH OC AND IA AS COMBINED MODERATOR

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	CREDIT MANAGEMENT ^b		. Enter
2	ORGANIZATIONAL CULTURE ^b		. Enter
3	INSIDER ABUSE ^b		. Enter
4	CM*OC*IA ^b		. Enter

- a. Dependent Variable: LOAN PERFORMANCE
- b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			
						F Change	df1	df2	Sig. F Change
1	.704 ^a	.496	.493	.54168	.496	145.725	1	148	.000
2	.713 ^b	.508	.502	.53684	.012	3.678	1	147	.057
3	.737 ^c	.544	.534	.51900	.035	11.281	1	146	.001
4	.737 ^d	.544	.531	.52067	.000	.064	1	145	.800

- a. Predictors: (Constant), CREDIT MANAGEMENT
- b. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE
- c. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, INSIDER ABUSE
- d. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, INSIDER ABUSE, CM*OC*IA

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.758	1	42.758	145.725	.000 ^b
	Residual	43.426	148	.293		
	Total	86.184	149			
2	Regression	43.818	2	21.909	76.021	.000 ^c
	Residual	42.365	147	.288		
	Total	86.184	149			
3	Regression	46.857	3	15.619	57.985	.000 ^d
	Residual	39.327	146	.269		
	Total	86.184	149			
4	Regression	46.874	4	11.719	43.226	.000 ^e
	Residual	39.309	145	.271		
	Total	86.184	149			

- a. Dependent Variable: LOAN PERFORMANCE
- b. Predictors: (Constant), CREDIT MANAGEMENT
- c. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE
- d. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, INSIDER ABUSE
- e. Predictors: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, INSIDER ABUSE, CM*OC*IA

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.730	.289		2.526	.013
	CREDIT MANAGEMENT	.768	.064	.704	12.072	.000
2	(Constant)	.720	.286		2.514	.013
	CREDIT MANAGEMENT	.723	.067	.663	10.759	.000
	ORGANIZATIONAL CULTURE	.053	.028	.118	1.918	.057
3	(Constant)	.339	.299		1.135	.258
	CREDIT MANAGEMENT	.779	.067	.714	11.613	.000
	ORGANIZATIONAL CULTURE	.019	.029	.043	.667	.506
	INSIDER ABUSE	.116	.034	.202	3.359	.001
4	(Constant)	.273	.397		.689	.492
	CREDIT MANAGEMENT	.782	.068	.717	11.447	.000
	ORGANIZATIONAL CULTURE	.033	.061	.073	.537	.592
	INSIDER ABUSE	.130	.066	.227	1.973	.050
	CM*OC*IA	-.001	.003	-.047	-.253	.800

- a. Dependent Variable: LOAN PERFORMANCE

Excluded Variables^a

Model		Beta In	T	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	ORGANIZATIONAL CULTURE	.118 ^b	1.918	.057	.156	.880
	INSIDER ABUSE	.216 ^b	3.851	.000	.303	.985
	CM*OC*IA	.184 ^b	3.166	.002	.253	.953
2	INSIDER ABUSE	.202 ^c	3.359	.001	.268	.862
	CM*OC*IA	.265 ^c	2.690	.008	.217	.330
3	CM*OC*IA	-.047 ^d	-.253	.800	-.021	.091

a. Dependent Variable: LOAN PERFORMANCE

b. Predictors in the Model: (Constant), CREDIT MANAGEMENT

c. Predictors in the Model: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE

d. Predictors in the Model: (Constant), CREDIT MANAGEMENT, ORGANIZATIONAL CULTURE, INSIDER ABUSE

ANALYSIS 6 CM& LP WITH IA AND COF AS COMBINED MODERATOR

Variables Entered/Removed^a

Model	Variables Entered	Variables Removed	Method
1	CREDIT MANAGEMENT ^b	.	Enter
2	INSIDER ABUSE ^b	.	Enter
3	COST OF FUNDS ^b	.	Enter
4	CM*IA*COF ^b	.	Enter

a. Dependent Variable: LOAN PERFORMANCE

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	R Square Change	Change Statistics			Sig. F Change
						F Change	df1	df2	
1	.704 ^a	.496	.493	.54168	.496	145.725	1	148	.000
2	.736 ^b	.542	.536	.51802	.046	14.827	1	147	.000
3	.768 ^c	.590	.582	.49170	.048	17.157	1	146	.000
4	.782 ^d	.611	.600	.48071	.021	7.754	1	145	.006

a. Predictors: (Constant), CREDIT MANAGEMENT

b. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE

c. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, COST OF FUNDS

d. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, COST OF FUNDS, CM*IA*COF

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.758	1	42.758	145.725	.000 ^b
	Residual	43.426	148	.293		
	Total	86.184	149			
2	Regression	46.737	2	23.369	87.084	.000 ^c
	Residual	39.447	147	.268		
	Total	86.184	149			
3	Regression	50.885	3	16.962	70.156	.000 ^d
	Residual	35.299	146	.242		
	Total	86.184	149			
4	Regression	52.677	4	13.169	56.989	.000 ^e
	Residual	33.507	145	.231		
	Total	86.184	149			

a. Dependent Variable: LOAN PERFORMANCE

b. Predictors: (Constant), CREDIT MANAGEMENT

c. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE

- d. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, COST OF FUNDS
- e. Predictors: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, COST OF FUNDS, CM*IA*COF

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.730	.289		2.526	.013
	CREDIT MANAGEMENT	.768	.064	.704	12.072	.000
2	(Constant)	.316	.296		1.065	.289
	CREDIT MANAGEMENT	.797	.061	.731	12.996	.000
	INSIDER ABUSE	.124	.032	.216	3.851	.000
3	(Constant)	.406	.282		1.439	.152
	CREDIT MANAGEMENT	.630	.071	.578	8.922	.000
	INSIDER ABUSE	.069	.033	.120	2.059	.041
	COST OF FUNDS	.218	.053	.278	4.142	.000
4	(Constant)	-.826	.521		-1.584	.115
	CREDIT MANAGEMENT	.764	.084	.700	9.089	.000
	INSIDER ABUSE	.351	.107	.614	3.295	.001
	COST OF FUNDS	.374	.076	.477	4.916	.000
	CM*IA*COF	-.015	.005	-.620	-2.785	.006

a. Dependent Variable: LOAN PERFORMANCE

Excluded Variables^a

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance
1	INSIDER ABUSE	.216 ^b	3.851	.000	.303	.985
	COST OF FUNDS	.333 ^b	5.361	.000	.404	.743
	CM*IA*COF	.232 ^b	4.024	.000	.315	.931
2	COST OF FUNDS	.278 ^c	4.142	.000	.324	.624
	CM*IA*COF	.187 ^c	1.151	.252	.095	.118
3	CM*IA*COF	-.620 ^d	-2.785	.006	-.225	.054

a. Dependent Variable: LOAN PERFORMANCE

b. Predictors in the Model: (Constant), CREDIT MANAGEMENT

c. Predictors in the Model: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE

d. Predictors in the Model: (Constant), CREDIT MANAGEMENT, INSIDER ABUSE, COST OF FUNDS

CRONBACH ALPHA RESULT CT

Reliability Statistics

Cronbach's Alpha	N of Items
.858	6

CCP

Reliability Statistics

Cronbach's Alpha	N of Items
.791	5

CP

Reliability Statistics

Cronbach's Alpha	N of Items
.927	5

CC

Reliability Statistics

Cronbach's Alpha	N of Items
.873	5

CA

Reliability Statistics	
Cronbach's Alpha	N of Items
.933	6

CM

Reliability Statistics	
Cronbach's Alpha	N of Items
.943	5

LP

Reliability Statistics	
Cronbach's Alpha	N of Items
.859	5

COF

Reliability Statistics	
Cronbach's Alpha	N of Items
.949	6

IA

Reliability Statistics	
Cronbach's Alpha	N of Items
.976	5

OC

Reliability Statistics	
Cronbach's Alpha	N of Items
.910	4