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Loan Default In Nigerian Banking Industry: Major Causes, Recovery And Prevention - Evidence From Nigeria.

By

Ashamu, S.O. & A.A. Oyende

Abstract

The study investigated the major causes of loan default, recovery and prevention in Nigerian banking industry. The study appraise the lending procedure of banks with a view to highlighting the effectiveness and adequacy or otherwise the credit management policy of and consequences of bad debts. The study used deceptive research method. Data were collected using questionnaire administered to the staff of United Bank for Africa (UBA) on causes, and prevention of loan default. The data collected were analyzed by simple percentage and frequency tables. The statement hypothesis were tested using chi-square statistic.

The findings were inadequate collateral provisions by borrowers increases the incidence of bad debt in Nigerian banks, fund diversion affects bad debts in banking sector, government intervention has influence of bad debts in Nigerian banks, and in proper project evaluation has direct relationship with bad debt in banking industry. Based on these findings the study recommend that bank should ensure loans given out to customers are backed by adequate collateral security and that there should be closed and proper monitoring of loans before and after disbursement.

Keywords: Loan, Default, Banking, Prevention and causes.

Introduction

Background of the Study

In a modern economy, there is distinction between the surplus economic units and the deficit economic units and inconsequence a separation of the savings investment mechanism. This has necessitated the existence of financial institution whose jobs include the transfer of funds from savers to investors. One of such institution is the money deposits banks, the intermediating roles of the money-deposit banks places them in a position of "trustees" of the saving of the widely dispersed surplus economic units as well as the determinant of the rate and shape of the economic development. The techniques employed by bankers in this intermediary function should provide them with perfect knowledge of the outcomes of lending such that funds will be allocated to investments in which the probability of full payment is certain. However, in practise no such tool can be found in the decision of the lending banker.

Virtually all lending decisions are made under creditors on uncertainty. The risk and uncertainty associated with lending decision, situation are so great that the concepts of risk and risk analysis need to be employed by lending bankers in order to facilitate sound decision-making and judgement. This statement implies that if risks are to be objectively assessed,lending decisions by the money-deposit banks should be based less on quantitative data and more on principles too subjective to provide sound and unbiased judgement. Furthermore, the banks depend heavily on historical information as a basis for decision making.

Apparently awareness of the inadequacies of his decisions base,the lending banker has often sought solace in tangible and marketable assets as security giving the impression that lending against such securities is an insurance against bad debts.this makes the banker complacent with his loan portfolio. The increasing trend of provisions for bad and doubtful debts in most money-deposit banks is a major source of concern not only to management but also to the shareholders who are becoming more aware of the dangers posed by these debts. Bad debts destroy part of the earning assets of banks such as loans and advances which have been described as the main source of earning and also determines the liquidity and solvency which generate two major problems, that is profitability and liquidity, has to earn sufficient income to meet its operating costs and to have adequate return on its investments.

Statement Of Research Problem

The problem for this study is to examine the level of loan default in Nigerian banking industry of a typical Money-deposit bank (The United bank for Africa Plc) with a view of finding the causes, consequences of bad debts in banks. Year after year, banks suffer much from the part of full loan extended which has for one reason or the other proved unrecoverable. Banks lose millions of Naira in various bad debts yearly and despite efforts by bank management, committee of chief inspectors and the bankers committee on the other hand,the wave of bad debts in banks is still on alarming proportion.This is gathered from a combination of literature reviews on the topic. On the other hand, many banks experienced a lot of bad debts when the new government abandoned the project awarded to the contractors by civilian government.These contractors borrowed to execute the project awarded to them but could not repay the loan, due to government action on reramping the economy thereby abandoning the project. Other experiences were during the time of draught or poor rainfall and pest. These however led to low harvest which did not give the farmers enough time to repay their debt.

Again, experience may arise in respect of lapses on the part of the banks credit officers. For instance, there may be excesses over approved facility,unformatted facilities and expired facilities not renewed on time. In each of these cases the customer may easily deny even owing the bank all or part of the amount. Money deposit banks have always borne the burden alone, but this may not continue in future as the banks may be unable to take the risk of lending more but when eventually they do, they would seek the best way they come out of the risk with a realistic reward which they are clearly failing to achieve at present.

Objectives Of The Study

The main objective of the study is to examine the level of loan default in Nigerian banking industry with a view to finding the causes, recovery and prevention. Other specific objectives of the study include:

- To appraise the lending procedure of banks using United bank for Africa Plc as a case study-with a view to highlighting the effectiveness and adequacy or otherwise the credit management policy of Nigerian banks in reducing the occurrence and consequences of bad debts.
- To highlight the rate at which inadequate collateral security provision by borrowers increases the incidences of bad debt in Nigerian.
- To determine whether fund diversion has any effect on bad debt of money deposit banks in Nigerian.
- To ascertain the extent to which government intervention in lending policies of money deposit banks has influenced bad debts in Nigerian money deposit banks.
- To highlight the extent to which improper project evaluation influence bad debt of money deposit banks in Nigeria

Test Of Hypothesis

H_0: inadequate collateral provisions by borrowers does not increase the incidence of bad debt in United bank for Africa Plc.

H_i: inadequate collateral provisions by borrowers increases the incidence of bad debt in United bank for Africa Plc.

Literature Review

Theoretical Frame Work

The need and criteria for lending have been extensively discussed in the literature review. U.B.S Dictionary of Banking and Finance(1981) defined bank credit as the ability to borrow money on the promise of future repayment. The prudential guidelines(1990) succintly convey a more comprehensive definition of credit; it defines credit facility as the aggregate of all loans, advances, overdrafts, commercial papers, bankers acceptances, bill discounted, leases, guarantees and other loss contingencies connected with a bank's credit risks. Also, the definition of credit proposed by the CBN Monetary policy circular (1992) agrees with the view above. Generally, we could conclude that credit includes all commitments by a bank that has risk exposure and that may result in financial loss to the bank.

Mandel (1974) described credit simply as the right of a lender to receive money in the future in return for his obligation to transfer the use of funds to another party in the interim. The facility is as old as man, though in the primitive society it was known as "mutual aid", because it was based on ancient customer of ensuring substance of all members of the community. Credit therefore arises out of the need to bridge the gap between the surplus and deficit economic units such that the highest level of satisfactory function is performed by the financial institutions notable among which are the Money-deposit banks.

In agreeing with this view, Corley (1970) and Adeniyi (1985) stated that credit is a crucial factor in growth process of any economy and that by lending banks provide a valuable services to the community as they serve to channel money from those who have idle fund to those who put the money in to constructive use. Furthermore, Acher and Ambrose (2000) opined that Money-Deposit banks are in business to make loans. They however, added that the loan should work out in such a way that it will not seriously endanger the loan portfolio and solvency of the bank . This view that appreciates that though some dangers may arise , lending is, and should be a major activity of Money-deposit banks.

The techniques and complexities of lending have been changing with growth in the society. Perhaps that is why Mather (2005) describes banking as an art as well as a science. He went further to say that in addition to the wealth of technical and legal knowledge, a bank manager should develop the aptitudes to assess every request for an advance according to innumerable factor pertaining to the political borrower. He then identified three basic principles that should guide all bank lending viz, safety, profitability and suitability. In addition to the principle enunciated by matter, other important guiding factors include the character and integrity, management accounting and technical skill of the borrower as well as his capacity for hard work and his experience in the particular field for which the finance is required and the possibility of the proposed investment generally sufficient profits to ensure repayment of the advance.

The importance of these traditional cannons of lending not withstanding, Pitcher (2004) criticized undue radiance emphasis on them by the lending banker. He argued that the character of the borrower must be a prime factor in any lending decision. He also said that the integrity of the borrower must be undoubted especially where the security is inadequate to cover the maximum amount to be advanced. He however, wondered whether honesty is simply enough to ensure the success of an enterprise, in this difficult demanding conditions of our time.

The answer is obviously "No" for instance all the integrity in the world will be little helpful to the managers of a company that are rapidly sinking into oblivion perhaps, because they did not adopt their products to meet the needs of a changing market or take appropriate corrective action to counter a disproportionate risk in over head costs and fall in trade. Therefore we could not but agree with him (pitcher) when he advocated that the banker should also consider the capital and capability of the customer and also enlist the aid of management accounting and other newer technique of credit analysis to improve their lending decision.

Bad debts are emotive words of bankers because they present losses to the banks. However, for the purpose of this study, there are various reasons for the occurrence of bad debt in money-deposit banks. Experience of bad debt has its impact on the banking operations.

Causes Of Bad Debt

The causes of bad debt could be based on four main classified causative agents.They are as follows:

Borrowers Or Customer

- **Ignorance:** Customers are ignorant of the fact that bank like other commerical ventures, are out to make profit by selling their products (loan) instead, they understood it to be a place where government and other well-to-do people store their money. Consequently, they regard amount borrowed to be "National cake" rather than as an article purchased which must be paid for. On the part of our elite in white, they regard money borrowed as part of their gratuity which should not be paid. Furthermore, it is the improper evaluation of projects for meeting borrowers needs.
- Some customers because of inadequate preparation or technicalities inherent in the purpose for which the loan is taken, do not properly assess their loan requirements and as a result, loans approved fall short of actual needs. Consequently, the customer cannot operate on a level profitable enough to enable repayment occasioning at time in bad debt on a serious note.
- Some customers or borrowers over-invest the loans approved on infrastrures to the detriment of actual purpose. This creates a situation where little or none would remain to other factors thereby occasioning bad debts.

Banks

This concerns efficient disbursement and amortization schedule by banks. This relates to:

1) **Poor Evaluation of Customer**: The first point which readily comes to mind for the bad debts is poor before giving out loan to them.The pre-requisite for giving out loan to the customer is the consideration of the following:

Character: The likelihood that a customer will try to honour his obligation.
Capacity: The subjective appraisal of the customer's ability to pay.
Capital: The general position of the customer.
Collateral: Assets that customers may offer as security to obtain credit in case of bad debt.
Improper evaluation of profits by banks,a situation whereby funds become inadequate for projects. This affects the loans resulting to bad debts.

2) Government (Political Instability)

Political instability contributes indirectly to bad debts in banking industry by the government refusing to pay contractors in some projects awarded but there abandoned by a new government of many projects in an attempt to revamp our economy, incapacitate the contractors and affects repayment of the loan borrowed.

3) Nature Related Factor: (Natural Hazard)

Nature contributes in creating bad debt in our banking industry. Natural hazards include something like fire engulfing the factory where the loan is invented, in the case of agriculture, poor rainfall and pest may cause low harvest which will not give the farmer enough to repay the debt.

For this purpose the research shall appraise lending procedure and loan management of United bank for Africa Plc.

Condition: Impact on general or specific economic trend.

- High interest chargeable by banks,sometime occasioned a situation of bad debts because the interest increases the amount to be paid.
- Absence of forum by banks for enlightenment education of customers resulting to lack of procedure on report judgement for joint solution.
- Poor Supervision of Loan Extended: Loan diverted to a non-income yielding venture results to delay of payment or default totally.Therefore loan given should be traced to the extent of seeing where it is invested by the bank.
- Late and inconvenient disbursement on loans by banks either because of the risk factor inherent or due to inadequate staff or other bureaucratic and administrative delay. Convenient amortization schedule also contribute in credit management policy of the bank.

Overview Of Bank Loan And Default

Both loan complication and risk of loss are hardly divorced from the lending operations. Proportion of the total loans and advances made by the banker would usually become sticky. That is why even the best managed banks provide for bad and doubtful debts in their normal course of business. The best option for a banker wishing to avoid bad debts would not lead. However, this is not so, since interest carried on lending constitute a great proportion of banks earnings. Agreeing that bad debts are emotive. Words to bankers , Dandy (1975) enumerates some factors that may cause bad and doubtful debts to arise.

These factors include:

- Excessive lending or security values.
- Bad management of borrowers bank account.
- Incomplete knowledge of customers activities.
- Bad judgment.
- Extraneous factors such as over trading, over- reliance on trade customers, optimistic balance sheet, misrepresentation and dishonesty of customers.

Nwankwo (1980) agreed with the above factors, but went further to state that in the Nigerian situation most borrowers regard bank loans and overdrafts as their own share of the national cake and therefore do not bother to repay them. The customer absconds with the loans to another banks to repeat the same process with success due to bank secrecy, fluid society and absence of a central intelligence agency. Another possible cause of bad debts in Nigeria is the diversion of loans to purpose other than the one for which they were granted. Bad debts incurred have adverse effect on the fortunes of the affected bank. It is believed that the indigenous Nigerian banks and their shareholders have not been comparing favorable well with their foreign counterparts in terms of profitability because of bad debts. Since banks cannot stop lending because of bad debts, they have to do something to reduce the frequency and minimize their effects.

The traditional approaches has been to obtain good security with reasonable realizable value (Matter, 2000). This approach is supported by Olashore (1985) who added that the security must be rapidly perfected before a facility is made available to the customer. But pitcher (2009) described this apparently undue emphasis on security. In his view, the undue emphasis on security inhibits an attempt to develop more sophisticated methods of examining how the bank money is being used in a business and how and when repayment will be achieved. It also restricts unfairly the flow of bank credit to soundly managed enterprise which could borrow funds successfully if only they possess good collateral. The researcher cannot but agree with Pitcher. This is because our experience in the modern society has shown that security cannot substitute good lending judgment since it will not make a bad loan good but can make a good loan better.

In his own contribution, Richardson (2006) noted that beyond need to observe the basic bank lending principles lies on the need for effective loan management which he said is paramount. Effective loan management is multifaceted and Richardson opined that one major aspect of it is the need for urgency in appreciating when a lending begins to look doubtful in arriving at a decision is to the appropriate action and in taking such action. This view was supported by Dyer (1980) when he states deposited that once a lending proposition has been agreed upon, one may assume that if it is necessary to review the facility annually .This according to him is because a Varity of unexpected events can combine to modify the protected trend of the borrowing, make it necessary for the branch manager to have frequent discussion with the customer when their overdraft limit have been exceeded or when trading conditions have changed. Yet another support for this view was expressed by Osayameh (1989) when he opined that accounts do not just go bad overnight.

Usually some danger signals may be shown for sometime during which it is the duty of the banker to show considerable interest in managing the account. As Dandy (1975) puts it,many sickly accounts can be nursed back to health by careful handling at the right time. The banks should not wait until a panic and crisis situation is reached. This view which has been expressed earlier in this chapter call for continuous review of the accounts and business of the customer. An analysis of the financial statement of the customer is always helpful, financial statement constitute an important source of information for appraising the financial health of a business venture. For purpose of compassion, the audited figures are expressed as ratios computed from audited figures of two consolidated years immediately preceding the request for loan will help to determine the credit worthiness of the customer and his ability to repay the loan.In short the ratio helps the banker to assess the degree of risk being taken-emphasis being placed on earning capacity and operating efficiency.

Research Methodology

The methodology of the research paper is theoretical and analytical in approach. The research design adopted in this study is the descriptive research design because it helps in portraying an accurate profile of people, events and situations. Descriptive research defines questions, people surveyed and method of analysis.

Data Analysis Method

The tool for statistical analysis adopted in this research study is the chi-square technique. The technique is given by the formula below:

$$X^2 = \Sigma \frac{(0i-Ei)^2}{Ei}$$

where $X^2=$ chi-square
Oi= Observed frequency
Ei= Expected frequency

This was used by the researcher in order to determine whether the loan default incidences were by chance or statistically significant. This made it possible for the researcher either to accept the null hypothesis or reject.

Data Analysis And Interpretation

This chapter is aimed to analyze the data collection from field study through the administration of questionnaires. The data were analyzed using percentages and tables. Also, a set of hypothesis was tested using the chi-square technique. This chapter outlines the analysis of data, starting with their presentation which is in a tabular form for easy comprehension. Questions were asked on ecommerce, the responses were tested and the acceptance or rejection of the hypothesis indicates whether they are effective or not. Fifty questionnaires were distributed among the management and staffs of United Bank for Africa Plc, Fifteen-item questionnaire was designed to collect primary data on the listed research questions. These 50 questionnaires were duly completed and returned. It was on these questionnaires the discussions were done on the respondents.

Test Of Hypothesis

The hypotheses which were initially stated in chapter one were analyzed and tested using the Chi-square technique. They were tested at five percent (i.e. 5%) level of significance.

Testing Of Hypothesis 1

H_o: inadequate collateral provisions by borrowers does not increase the incidence of bad debt in United bank for Africa Plc.

H_1: inadequate collateral provisions by borrowers increases the incidence of bad debt in United bank for Africa Plc.

The statement relevant to this hypothesis in the questionnaire is as shown below:

To what extent has inadequate collateral security provision affected the incidences of bad debts in your bank?

Response	*Frequency*	*Percentage*
Great Extent	*40*	*80*
An Extent	*10*	*20*
No Extent	-	-
Total	*50*	*100*

Test technique:
Chi-square-X^2 test

Formula for test technique

$$X^2 = \Sigma (Oi-Ei)^2/Ei$$

Where,
X^2 = Chi-square
Oi = Observed frequency
Ei = Expected frequency
DF = Degree of freedom =(C-1) (R-1)
(3-1) (2-1)
(2) (1) =2

Level of significance 5%

Decision Rule

Reject Ho, if calculated is greater than table value, otherwise accept Ho.

Analysis of Chi-S square for hypothesis One:

Response	Frequency	Percentage
Great Extent	40	80
An Extent	10	20
No Extent	-	-
Total	50	100

Test technique:
Chi-square-X^2 test

Formula for test technique

$X^2 = \Sigma (Oi-Ei)^2/Ei$

Where,
X^2 = Chi-square
Oi = Observed frequency
Ei = Expected frequency
DF = Degree of freedom =(C-1) (R-1)
(3-1) (2-1)
(2) (1) = 2

Level of significance 5%

Decision Rule

Reject Ho, if calculated is greater than table value, otherwise accept Ho.

Analysis of Chi-S square for hypothesis One:

Response	Oi	Ei	Oi - E-	(Oi - Ei)	(Oi - Ei)2
Great Extent	40	16.67	23.33	544	32.63
An Extent	10	16.67	-6.67	44	2.64
No Extent	–	16.67	-16.67	278	16.68

Calculated value X^2 .05=51.95
Total value X^2 .05= 5.991

Final Decision

Since computed value is greater than table value,51.944 >5.001,reject Ho which means that inadequate collateral provisions by borrowers increases the incidence of bad debts in United bank for Africa Plc.

Testing of Hypothesis 2

H_o: Fund diversion does not affect bad debt in United bank for Africa Plc.

H_i: Fund diversion affects bad debts in United bank for Africa Plc.

The statement relevant to this hypothesis in the questionnaire is:

Does fund diversion have any effect on bad debt in your bank?

Response	Frequency	Percentage
Yes	47	94
No	3	6
Total	50	100

Source: Field Survey, 2014

Test technique

Chi-square-X^2 test

Formula for test technique

$X^2 = \Sigma (Oi-Ei)^2/ei$

Where,

X^2 = Chi-square

Oi = Observed frequency

Ei = Expected frequency

DF = Degree of freedom =(C-1) (R-1)

(2-1) (2-1)

(1)(1) = 1

Decision Rule

Reject H_o, if calculated value is greater than table value otherwise accept Ho.

Analysis of Chi-S square for hypothesis Two

Response	Oi	Ei	Oi - E-	(Oi - Ei)	(Oi - Ei)2
Great Extent	47	25	22	484	19.36
An Extent	3	25	-22	484	19.36
					38.72

Calculated value x^2 .05 = 38.72
Total value x^2 05=3.841

Final Decision
Since computed value is greater than table value, 38.77>3.841 reject Ho which means that fund diversion affects bad debts in United bank for Africa Plc.

Testing of Hypothesis Three
H_o: Government intervention has no influence on United Bank for Africa Plc bad debts.
H_i: Government intervention has influence on United Bank for Africa Plc bad debts.

The statements relevant to this hypothesis in the questionnaire is:

Does the Central Bank interest rate ceiling pose a problem to your bank in granting these loans?

Response	Frequency	Percentage
Yes	48	96%
No	2	4%
Total	50	100

Source: Field Survey, 2014

Test Technique
Chi-square=X^2 test

Where,
X^2 = Chi-square
Oi = Observed frequency
F = Degree of freedom=1°
Level of significance=5%

Decision Rule

Reject H_o, if calculated value is greater than table value, otherwise accept Ho.
Analysis of Chi-S square for hypothesis Three

Response	Oi	Ei	Oi - E-	(Oi - Ei)	$(Oi - Ei)^2$
Yes	48	25	23	529	21.16
No	2	25	-23	529	21.16
					43.32

Calculated value $X^2.05=42.32$
Total value $X^3= 3.841$

Decision

Since computed value is greater than table value, 42.32> 3.841, reject Ho which means that Government intervention has direct influence on United Bank for Africa Plc bad debts.

Testing of Hypothesis Four:

H_o: improper project evaluation has no significant relationship with bad debt in United bank for Africa Plc.

H_i: improper project evaluation has direct relationship with bad debt in United bank for Africa Plc.

The statements relevant to this hypothesis in the questionnaire is:

Does improper project evaluation have any significant relationship with bad debt in United Bank for Africa Plc from the period?

Response	Frequency	Percentage
Yes	50	100
No	—	—
Total	50	100

Source: Field Survey, 2014

Test Technique

Chi-square $=X^2$ test

Where
Chi-square-X^2 tests
Formula for test technique
$X^2 = (Oi-Ei)^2$

Where
X^2= Chi-square
Oi = Observed frequency
Ei = Expected frequency
F = Degree of freedom = 1°
Level of significance = 5%

Decision Rule:
Reject Ho, if calculated value is greater than table value, otherwise accept Ho.

Analysis of Chi-square for hypothesis Four

Response	Oi	Ei	Oi - Ei	(Oi - Ei)	$(Oi - Ei)^2$
Yes	50	25	25	625	25
No	—	25	-25	625	25
					50

Calculated value X^2.05= 50
Total value X^2.05 = 3.841

Decision
Since computed value is greater than table value, 50 > 3.841, reject Ho which means that improper project evaluation has significant influence on the bad debt of United bank for Africa Plc.

Summary, Conclusion And Recommendations

This study investigated loan default in Nigerian banking industry: Causes, Recovery and Prevention (A case study of United Bank for Africa Plc). In the course of the study, the researcher had the following findings:

In the test for the first hypothesis, which was aimed at determining whether inadequate collateral provision by borrowers increases incidence of bad debts among banks, question was posed and the responses received showed that 40 or 80% of the responses received were of the opinion that inadequate collateral security provisions by the customers affects the incidences of bad debt in Union Bank to a great extent whereas 10 or 20% believed that it affects the incidences of bad debt to an extent. The researcher states as his findings that inadequate collateral security provisions by borrowers increases the incidence of bad debts in Union Bank.

In the test for the second hypothesis which was aimed at determining whether fund diversion affects bad debts in United Bank for Africa Plc. The responses received showed that 47 or 94% of the responses received accepted that fund diversion has a contrary view. The researcher states as his findings that fund diversion affects bad debts in Union Bank of Nigeria plc.

In the test for the third hypothesis which was aimed at determining the extent of which government intervention in lending policies of Money-Deposit Banks. The finding revealed that ceiling poses a problem to United Bank for Africa Plc in granting loans while 2 or 4% had a contrary view. The researcher states as his findings that government intervention has direct influences on United Bank for Africa Plc bad debt.

In the test for the fourth hypothesis which was aimed at determining the effects of the incidences of bad debts in Commercial Banks with regards to improper evaluation of projects, the responses received showed that 50 or 100% of the responses received were of the opinion that improper project evaluation has significant relationship with bad debts in Union Bank. The researcher states as his findings that improper project evaluation has significant influence on the bad debt of United Bank for Africa Plc.

Conclusion

To manage loan and credit effectively, efforts have to be made to obey and respect the cannons of good lending and ensure adequate control and supervision on the facility extended within the frame work of government regulation and guidelines. Sound lending requires a clear, well articulated and easily accessible policy document which spells out the philosophy of lending. This will ensure that loan losses are kept at a minimum via a programmed which permits constant supervision on the projects being financed, easy identification of delinquent loans and instituting effective corrective measures.

It is instructive to note that no one can have complete control of his environment, which is Banking is dominated by external factors such as economic and political situations and unpredictable behavior of human beings.

All these factors are subject to change and therefore increase the risk of bank lending, losses are normal in the business of lending money but they must not be disproportionately high lending. Officers are therefore expected to continuously evaluate their loan portfolios and make adequate provisions for losses. The issue of bad debts cannot be ruled out in banking business but the incidence can be minimized with prudent lending philosophy and proper grasp of economic and political environment factors.

Recommendations

Based on the findings by the researcher in course of this research study, the researcher therefore made the following recommendations:

In the first findings, which states that inadequate collateral security provisions by borrowers increases the incidence of bad debts in United Bank for Africa Plc, banks should ensure that loans given out to customers are backed by adequate collateral security. This means that loans should be given to individuals and corporations with adequate collateral security.

In the second finding which states that fund diversion affects bad debt in United Bank for Africa Plc, there should be close and proper monitoring of loans before and after disbursement. In fact, the monitoring should continue for the entire life of the loan.

In the third findings which stipulates that government intervention has a direct influence on United Bank for Africa Plc bad debt in Nigeria, government should as much as possible reduce the incidence of conflicting policy pronouncements which have adverse effect on business projection. Again, much as interest earnings constitute a great proportion of the gross earning of banks, the bank should be caution in increasing the rates charged on a loan.

In the fourth finding which states that improper project evaluation has significant influence on the bad debt of United Bank for Africa Plc, the bankers should lay relatively more emphasis on the integrity of the borrower, the ability of the project to pay itself and previous experience with the customers also advances department should be staffed with qualified and resourceful officers capable of making seasonal decisions based on credit analysis. These staff should benefit from regular training and re-training programmed in landing appraisals. The services of quantitative analysis who will appropriate data and can predict the provision for bad debts to be necessary.

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