

Full Length Research Paper

Problems and Consequences of Bad Loan in Nigeria Banks: A Study of United Bank for Africa UBA

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ABSTRACT: This study examined the problems of loan management in Nigerian banks, a case study of United Bank for Africa (UBA). A limited number of studies have considered the survey perspective of non-performing loans in Nigeria, but most of the studies have not investigated the sources and consequences of bad loan management in Nigeria's banking industry. The survey research design methodology was adopted, and data were collected and analyzed by a quantitative approach. The descriptive statistics were centered on frequency distribution, percentage distribution, weighted mean score, standard deviation, and ranking. From the result, it could be deduced that most of the respondents to the questions were male, with a frequency and percentage distribution of 17 (58.6 per cent), while 10 (34.5 per cent) were female. This proves that a larger percentage of the people who responded to the questionnaires are male. This provides adequate information on Nigerian banks' staff engagement with evidence that it tends toward male participation than female. Also, the consequences of loan management problems were identified. There are many consequences to the problem of loan management. Meanwhile, this study pays attention to hidden costs, bank reputation, time wasted and imbalance of loan size. The result presents time wasted issues as the dominant consequence of loan management problems. The study concluded with identifications of four indicators to situate five variables to explain the loan management problem. The variables were analyzed under role assign or responsibility, preferential treatment, objectives/ subjective and conflicting structure of loan application.

Keywords: Credit risk management, Repayment and recovery, Credit rating, Portfolio management, Client management, UBA

INTRODUCTION

The nonperforming loan rates in banks, poor loan processing, undue interference in the loan granting process, and inadequate or absence of loan collaterals, among other things, are linked with poor and ineffective credit risk management that negatively impacts banks' performance. The trend is disturbing considering the high level of nonperforming assets in the bank's portfolio, if not brought under control, might erode the capital base of the banks and reduce its profitability.

According to Bolarinwa and Adegboye (2020), lending

policies should be clearly defined and outlined in such a manner as to provide effective supervision by the directors and senior officers. In as much as the board of directors of every bank has the legal responsibility to formulate lending policies and to supervise their implementation. In addition, according to Kuzucu and Kuzucu (2019), management should maintain a written loan annually by the board of directors. Policy guidelines should include a written description of the overall credit grading process and establish responsibility for the

various loan review function.

Generally, the financial sector is believed to be one of the important backbones of an economy. The sector works as a facilitator for achieving sustained economic growth by providing efficient monetary intermediation (Atoi, 2019). A strong financial system promotes investment by financing productive business opportunities and mobilizing savings and services. Succinctly, the productive arm of financial intermediaries lies in the activities of banks, owing to the bank's role of mediating between lenders and borrowers. Meanwhile, credit is one of the many factors that a bank can use to influence demand for its products (Amahalu et al., 2017). Banks exist not only to accept deposits but also to grant credit facilities. This business activity inevitably exposed banks to huge credit risk, which might lead to financial distress, including bankruptcy. The Basel Committee on Banking Supervision (1999) defined credit risk as the probability that a bank borrower or counterpart will fail to meet its obligations following agreed terms or the possibility of losing the outstanding loan partially or totally due to credit events. Credit creation is banks' main income-generating activity (Kargi, 2011). Adequate credit risk management is critical for banks' survival, growth, and development.

However, despite the creation of a risk management department in all the banks, which is responsible for managing the bank's risk, including credit risk, available records show that the spate of bad loans (nonperforming loans) was as high as 35% in Nigeria deposit between 1999 and 2009, Sanusi, (2010). The increasing level of non-performance loan rates in banks' books, poor loan processing, undue interference in the loan granting process, and inadequate or absence of loan collaterals, among other things, are linked with poor and ineffective credit risk management, negatively impacting banks' performance. It is disturbing because the high level of nonperforming assets in the bank's portfolio might erode its capital base and reduce its profitability if not brought under control.

Every financial provider faces the challenge of managing problem loans. Large or small, short, or long term, all loan delinquencies threaten portfolio integrity and the profitability of lending operations. A multitude of factors can cause loan delinquencies. Effective portfolio managers establish strategies for spotting and handling problem loans before the first missed payment.

The sources and causes of problem loans cover a multitude of mistakes a bank may permit a borrower to make, as well as mistakes directly attributable to weaknesses in the bank's credit administration and management. Some well-constructed loans may develop problems due to unforeseen circumstances on the borrower's part. However, bank management must endeavour to protect a loan by every means possible to preserve its performance measured by return on assets, earnings per share, return on equity, dividend per share,

market to book value ratio and others. The success of deposit money banks largely depends on the effectiveness of their credit management system because these institutions generate most of their income from interest earned on loans extended to small and medium entrepreneurs. The Central Bank Annual Supervision Report, 2010 indicated a high incidence of credit risk reflected in the rising levels of nonperforming loans by the deposit money bank in the last ten years, a situation that has adversely impacted their profitability. This trend not only threatens the viability and sustainability of the deposit money banks but also hinders the achievement of the goals for which they were intended, which are to provide credit to the rural unbanked population and bridge the financing gap in the mainstream financial sector. Sound credit management is a prerequisite for a financial institution's stability and continuing profitability while deteriorating credit quality is the most frequent cause of poor financial performance and condition.

Also, the problem of poor attention given to the distribution of loans influences the bank's performance. Most people collected loans from the banks and diverted the money to unprofitable ventures. Some bankers are not considering the necessary criteria for the disbursement of loans to the customer. This work, therefore, intends to outline and explain these problems identify the sources and consequences and suggest lasting solutions to the problems associated with credit management and, consequently, bank debts.

The study will examine problems and consequences associated with loan management in Nigerian banks despite the importance of credit creation among Nigerian commercial banks, focusing on the united bank of Africa. UBA covers 19 African countries with strong regional and financial centres of London, New York, and Paris, which situate distinct advantages of multilingual and multicultural operations.

Literature review

Loan loss provision (LLP) is an income statement expense set aside to allow for uncollected loans and loan payments. Banks are required to account for potential loan defaults and expenses to ensure they are presenting an accurate assessment of their overall financial health (Cho and Chung, 2016). The provision for loan losses is a huge accrual that considerably impacts the banking business (Huang and Wang, 2013). Loan loss provision significantly affects bank accounting profits and capital requirements (Kanagaretnam et al., 2004). Estimation of the provision for credit losses is also important to determine the performance of a bank when performing its function of providing loans.

The work of Berger and DeYoung (1997) did provide a theoretical foundation for the study. The work hypothesis that a positive intertemporal relationship between bank efficiency, low capital, and non-performing loans could

lead to bank failure because banks experiencing low-efficiency levels have poor senior management, weak loan portfolios and inadequate customer monitoring; thus, they report rising non-performing loans and bank failure. The work, therefore, propounds three inter-temporal hypotheses between bank capital, efficiency and non-performing loans. First, the bad management hypothesis speculates that low efficiency is an emblem of a poor bank's senior management practices because a weak operational management framework is associated with feeble loan portfolio management. Thus, these banks tend to witness inadequate loan portfolio monitoring and excessive operating expenses because the managers lack satisfactory loan monitoring, underwriting and control. Therefore, under this hypothesis, bank inefficiency leads to mounting non-performing loans.

Moreover, the skimping hypothesis argues that the amount of bank resources allocated to underwriting and loan portfolio monitoring determines bank efficiency and non-performing loans in the short term and future. Therefore, there is a trade-off between short-term operating cost reduction and poor loan portfolio performance. Therefore, a bank may reduce its costs in the short run by skimping on the resources allocated for monitoring and underwriting loans. However, this will increase the non-performing loan rate of the bank. A robust capital base is important to avoid delinquent loans. Consequently, highly capitalized banks may afford to allocate higher resources for monitoring and underwriting loans with low non-performing loans. The view supports the moral hazard hypothesis, which argues that less capitalized banks retort to moral hazard incentives, which increases the risk in the bank's loan portfolio, thus escalating non-performing loans. Less capitalized banks experience high non-performing loan portfolios (Berger and DeYoung, 1997). Determinants of non-performing loans have been extensively investigated in the literature. The global financial crisis of 2007/2008 recently renewed scholarly investigations into the determinants following the escalating non-performing loans during and after the global crisis in several banking industries. The respective empirical studies have focused their investigations on cross-country evidence or individual countries' banking industries. The works of Kjosevski and Petkovski (2017) investigate the panel data of several countries, while study of Atoi (2019) focuses their investigations on single banking industries. The empirical results of these works vary given differences in datasets, periods, environments, and individual countries. However, some mutual elements further categorize the literature on the determinants of non-performing loans. Usually, bank non-performing loan is measured by the ratio of non-performing loans to gross loans but few recent studies have adopted other measures. Bolarinwa and Akinlo (2022) argue that impaired loan is more robust for capturing a weak loan portfolio because it focuses on loan quality rather than its level as measured by non-

performing loans. Moreover, the determinants are examined as a function of internal and external variables. The internal variables reflect bank-specific variables, while the external variables are macroeconomic variables that affect bank performance. In most of these studies, variables such as bank size, efficiency, capitalization, liquidity, deposit growth, and leverage are the major determinants of bank non-performing loans (Adelopo et al., 2018 Kjosevski and Petkovski, 2017; Atoi, 2019). Among these factors, bank efficiency is a firm-specific factor that has not been fully addressed in the literature (Kumar, 2015). First, a large proportion of these studies adopt non-standard measures of bank efficiency. For instance, Kumar (2015) and Us (2017) measured bank efficiency with the ratio of operating expense to operating margin/income. The method fails to account for managerial expertise, human resources, training, marketing, and other attributes of firm managerial efficiency. Few studies that adopt standard measures have only been limited to the data envelope analysis (DEA) method (Piatti and Cincinelli, 2019). This work, unlike extant studies, adopts the stochastic frontier analysis (SFA) method. The technique simultaneously accounts for efficiency and error (Bolarinwa and Adegboye, 2020). Moreover, studies have also examined the roles of bank recapitalization on non-performing loans (Yang, 2017). These works argue that banking recapitalization reduces mounting non-performing in banking industries in the post-global financial crisis period by improving bank assets, liquidity, and risk portfolio.

It is universally acknowledged that the banking industry plays a catalytic role in economic growth and development (Uwuigbe, Uwuigbe and Daramola, 2014). This acknowledgement is reinforced by the contemporary conceptualization that banks are veritable vehicles for mobilizing resources (funds) from surplus units and channelling them to deficit units. These resources belong to customers, so a program must exist to manage these funds. Similarly, Muninarayanappa and Nirmala (2004), in a related study, opined that the success of credit risk management requires maintenance of a proper credit risk environment, credit strategy and policies. Thus, the ultimate aim should be to protect and improve the loan quality. In the same vein, Salas and Saurina's (2002) findings revealed that growth in GDP, rapid credit expansion, bank size and capital ratio significantly impacted non-performing loans.

Felix and Claudine (2008) examined the association between the performance of banks and credit risk management. As part of their findings, they observed that return on equity and return on assets, both measuring profitability, were inversely related to the ratio of non-performing loans to total loans of financial institutions, thereby leading to a decline in profitability. Also, Hosna et al. (2009), in their study, opined that credit risk has a significant positive effect on the profitability of commercial banks in Sweden. Correspondingly, Kithinji (2010) examined

the effects of credit risk management on commercial banks' profitability in Kenya. They observed that the level of credit was high in the early years of the implementation of Basel II but decreased significantly in 2007 and 2008, probably when commercial banks implemented Basel II. The findings revealed that the bulk of the profits of commercial banks is not influenced by the amount of credit and non-performing loans suggesting that other variables other than credit and non-performing loans impact profits. Funso et al. (2012) more so investigated the quantitative effect of credit risk on the performance of commercial banks in Nigeria from 2000-2010. Findings from their study showed that the effect of credit risk on bank performance measured by banks' return on assets is cross-sectional invariant.

In Nigeria, Kargi (2011) examined the impact of credit risk on the profitability of Nigerian banks. Findings from the study revealed that credit risk management significantly impacts the profitability of Nigerian banks. Hence, they opined that banks' profitability is inversely influenced by the levels of loans and advances, non-performing loans and deposits, thereby exposing them to great risk of illiquidity and distress. Although a considerable amount of literature exists on the interaction between finance and credit management on banks' liquidity position, however, the same is not true in developing economies like Nigeria, where there is a relative dearth of literature in this area, coupled with the huge institutional differences between Nigeria and other developed economies. The deregulation of the financial system in Nigeria embarked upon in 1986 allowed the influx of banks into the banking industry. As a result of alternative interest rates on deposits and loans, credits were given out indiscriminately without proper credit appraisal (Philip, 1994). The resultant effects were that many of these loans turned out to be bad. It is therefore not surprising to find banks to have non-performing loans that exceed 50 per cent of the bank's loan portfolio.

A high level of financial leverage is usually associated with high risk. This can easily be seen in a situation where negative rumors, whether founded or precipitated financial panic and, by extension, a run on a bank. Owojori et al. (2011) highlighted those available statistics from the liquidated banks clearly showed that inability to collect loans and advances extended to customers and directors or companies related to directors/managers was a major contributor to the distress of the liquidated banks. At the height of the distress in 1995, when 60 out of the 115 operating banks were distressed, the ratio of the distressed banks' non-performing loans and leases to their total loans and leases was 67%. The ratio deteriorated from 79% in 1996; to 82% in 1997, and by December 24th, the licenses of 35 of the distressed banks had been revoked. In 2003, only one bank (Peak Merchant Bank) was closed. No bank was closed in the year 2004. Therefore, the number of banking licenses revoked by the CBN since 1994 remained at 36 until

January 2006, when licenses of 14 more banks were revoked, following their failure to meet the minimum recapitalization directive of the CBN. When the banking licenses were revoked, some banks had ratios of performing credits that were less than 10% of loan portfolios. In 2000, for instance, the ratio of non-performing loans to total loans of the industry had improved to 21.5%, and at the end of 2001, the ratio stood at 16.9%. In 2002, it deteriorated to 21.27%, 21.59% in 2002 and 2004, the ratio was 23.08% (NDIC Annual Reports of various years).

In a collaborative study by the CBN and the Nigeria Deposit Insurance Corporation {NDIC} in 1995, operators of financial institutions confirmed that bad loans and advances contributed most to the distress. In their assessment of factors responsible for the distress, the operators ranked bad loans and advances first, with a contribution of 19.5%. The bank's role remains central in financing economic activity, and its effectiveness could positively impact the overall economy as a sound, and profitable banking sector is better able to withstand negative shocks and contribute to the stability of the financial system (Athanasoglou et al., 2006). Increases in credit risk will raise the marginal cost of debt and equity, increasing the bank's funds cost.

MEHODOLOGY

A survey research design was adopted to understand the sources and consequences of loan management problems. It is based on available information. It is, therefore, sufficient, and suitable for explaining the sources and consequences of loan management problems. This study adopts a quantitative approach to research as it stresses quantification in the data gathering and analysis rather than interpreting the words in the annual reports. The study paradigm follows the line of positivism as positivism lends itself to a more scientific, objective, and systematic approach to research, and it uses the quantitative methodology (Saunders, Lewis and Thornhill, 2019).

The study designs a structured questionnaire which will be distributed to the population of 100 staff of depositor banks in Nigeria to gather necessary information for the study. Consequently, this study is grouped into sections and sub-sections. A survey design was employed in collecting data because of the peculiarity of using primary data for the study. The study area comprised depositors' banks located in various towns and cities. UBA covers 19 African countries with strong regional and financial centres of London, New York, and Paris, which situate distinct advantages of multilingual and multicultural operations.

The population for the study was made up of 100 UBA bank staff selected by a simple random sampling technique. Information was extracted directly from the bank's staff using structured questionnaires to investigate

the sources and consequences of loan management problems in Nigeria with UBA as a case study. The 100 questionnaire documents were administered to selected UBA staff, and their responses were collected and collated for further analysis. Meanwhile, 29 were harvested owing to the availability of most bank officers.

This research will use the primary method of data collection, and the data will be obtained from the questionnaire instrument of the UBA bank. The questionnaire will be divided into four (4) sections where the first section will harvest the demographic information of the respondents while the second section will provide information on problems of loan management, section three will describe the sources of bad loan management, and lastly, the remaining section will harvest information on consequences of bad loan management.

To establish the sources and consequences of loan management problems in depositors' banks, the study adopted primary data using descriptive to achieve the objective. In the first stage, summary statistics will be presented, which contains descriptive such as mean, median, standard deviation, maximum, minimum and correlation about the data used for the study. After that, tables and graphs will be presented to achieve each objective.

Analysis

This section presented the results, interpretation of the analysis, and discussion of findings of the data collected from a primary source (field survey) for this study to examine problems of loan management in Nigerian banks, a case study of United Bank for Africa.

Preliminary analysis

In this section, the summary of demographic information for the respondents is presented below. The variables of the analysis were analyzed using different tools of descriptive statistics, such as frequency and percentage distribution for socio-demographic variables. This section discusses the background information of the staff who responded to the problems of loan management in Nigerian banks; a case study of United Bank for Africa and the variables used in the section are analyzed accordingly. The socio-demographic variables of the respondents include gender, level of education, years of experience, age bracket and regional experience.

Gender

The gender of an individual is an important aspect of this data analysis as it presents information about the bank's staff and helps to know the opinion of both males and females on bad loan management in Nigerian banks. In this study, the gender is subdivided into male and female categories and analyzed using frequency and percentage

distribution as indicated in (Table1).

Table 1 shows the number of staff who responded to male and female, and the result is presented. The result shows that majority of the respondents were male, with the frequency and percentage distribution of 17 (58.6 per cent) while 10 (34.5 per cent) were female. A larger percentage of the people who responded to the questionnaires were male. It provides adequate information on Nigerian banks' staff engagement with evidence that it tends toward male participation than female. In this part of the world (Nigeria), this shows that male is the dominant staff of many commercial banks in the Banking industry in Nigeria.

Age of the respondents

This section determines different age group categories, as indicated in (Table 2). The age group considered is from 18 years and above since it is believed that 18 years of age people are adults and have the constitutional right to make operational decisions. The age group categories include 18 – 27 years, 28 – 37 years, 38 – 47 years, and 50 years and above, analyzed using frequency and percentage distribution as explained below. From (Table 2), it is shows that most of the respondents are between the age group of 28-37 years, with the frequency and percentage distribution of 15 (51.7 per cent); followed by 8 (27.6 per cent) of the respondents whose ages are between 38-47 years; 4 (4.8 per cent) while 3 (10.3 per cent) are for 18 – 27 years and greater than 48 years each. The age group of 28-37 years responded more to the questionnaires than any of the age categories. Also, the 28-37 age groups have more staff in the Nigerian banking industry. The result has proven that young people dominate every organization in the banking industry today even though there are not employed by the government.

Highest educational level

Education is one of the most important factors to be determined in the knowledge of bad loan management in the Nigerian banking industry, and it is analyzed using frequency and percentage distribution. It is important to know how educated the respondents are. The knowledge of loan management in the banking industry can shape the lives of customers, staff and the organization in the banking industry. This level of education informs staff on how to attend and relate with customers and handle financial assets available for loan application and provisions, which offer customers opportunities to use quality financial assets. More so, people's education level seems to impact the management of financial assets, which is made available in Nigeria's banking industry. From the result, Further observation showed that the majority of the people who responded are degree and master's holders with a frequency and percentage

Table 1: Gender of the respondents.

Gender	Frequency Distribution	Percentage Distribution
Male	17	58.6
Female	10	34.5
Missing	2	6.9
Total	29	100.0

Source: Researcher's Field Survey, 2022.

Table 2: Age of the respondents.

Age	Frequency Distribution	Percentage Distribution
18 – 27 years	3	10.3
28 – 37 years	15	51.7
38 – 47 years	8	27.6
48 years	3	10.3
Total	29	100.0

Source: Researcher's Field Survey, 2022.

Table 3: Highest educational level of the respondents.

Educational Level	Frequency Distribution	Percentage Distribution
SSCE	0	0
DIPLOMA	3	10.3
DEGREE	12	41.4
MASTERS	12	41.4
PhD	1	3.4
Missing	1	3.4
Total	29	100.0

Source: Researcher's Field Survey, 2022.

Table 4: Years of experience as staff.

Service	Frequency Distribution	Percentage Distribution
0 – 2 years	3	10.3
3-5 years	9	31.0
6-7 years	2	6.9
8-10 years	2	6.9
11 and above	13	44.8
Total	29	100.0

Source: Researcher's Field Survey, 2022.

distribution of 12 (41.4 per cent) each; followed by the respondents on diploma and Ph. D having a frequency and percentage distribution of 3 (10.3 per cent) and 1 (3.4 per cent). From the results, it is evident that education is crucial in determining the management of loans in the banking industry in Nigeria (Table 3).

Staff years of experience

The duration the respondents have stayed in service is categorized in the table below. The duration is expressed in five (5) years categories and is analyzed using the frequency and percentage distribution. Table 4 shows that 3 (10.3 per cent) of the respondents have used 0-2 years in service; followed by 9 (31.0 per cent) who have

used 3-5 years in service; 2 (6.9 per cent) used 6-7 years in service; 2 (6.9 per cent) used 8-10 years in service; 13 (44.8 per cent) used 11 and above years in service. This implies that a larger percentage of the people interviewed have 11 and above years of working experience, while the least people interviewed have their working experience for 6-10 years.

Regional experience

The region in which the respondents have years of experience in the banking industry is categorized in the (Table 5). The region is classified into six (6) following Nigeria's classification structure, and it is analyzed using the frequency and percentage distribution. Table 5 shows

Table 5: Regional experience as staff

Number of Region	Frequency Distribution	Percentage Distribution
ONE Region	15	51.7
TWO Region	10	34.5
THREE Region	3	10.3
FOUR Region	0	0
FIVE Region	0	0
SIX Region	1	3.4
Total	29	100.0

Source: Researcher's Field Survey, 2022.

Table 6: Role assign

Role Assign	Frequency	Percent
Loan Officer	8	27.6
Portfolio Manager	13	44.8
Loan Monitor	6	20.7
Workout Specialist	2	6.9
Total	29	100.0

Source: Researcher's Field Survey, 2022.

that 15 (51.7 per cent) of the respondents have experienced in one region of the country; followed by 10 (34.5 per cent) who have worked in two regions; 3 (10.3 per cent) have worked in three regions of the country; 1 (3.4 per cent) have worked in the all the regions of the country. This implies that a larger percentage of the staff interviewed have worked in one region.

Analysis of loan management problems

Four indicators were identified to describe problems associated with loan management in the Nigerian banking industry (Berger and DeYoung, 1997). The situation motivates five variables to explain loan management problems. The variables to be analyzed under role assign or responsibility, preferential treatment, objectives/ subjective, and conflicting structure of loan application. The result is presented in a subsection to capture the significance of each of the measures.

Role assigned

The role assigned to the staff of many banks in Nigeria can serve as a problem for loan management. Job descriptions are expected to be given to loan officers for effective and efficient loan management. In this study, responsibility has been given to staff in Nigerian banks; officers who take full responsibility for loan provisions will be identified.

There are roles identified in this study, loan officer, portfolio manager, and loan monitor and workout specialist. Among these roles identified, the portfolio manager has the highest respondents with the value of 44.8%, while loan officer, loan monitor and workout specialist have 27.6%, 20.7% and 6.9%, respectively. Staff designation is one of the problems of loan

management, especially on the unduly responsibility assigned to each designation in the banking industry. The roles are the loan officer, portfolio manager, loan monitor and workout specialist. Meanwhile, among these roles, the portfolio manager has the highest percentage. This arrangement could pose a problem for loan management due to a lack of role formation.

Table 6 shows the number of people who responded to the role assigned in Nigerian banking, and the result is presented. From the result, it could be deduced that the majority of the respondents to the question were portfolio managers, with about 45%. This proves that a larger percentage of the people who responded to the questionnaires are also assigned the portfolio manager role, followed by loan officer and loan monitor. Also, when most of the staff are assigned portfolio managers with little responsibility to loan officers and loan monitors, the effectiveness and efficiency of loan management become questionable. This explains the poor performance of loans with high-value non-performing in the Nigerian banking industry.

Consideration towards loan provision

The requirement for loan provisions among many Nigerian banks is a problem for loan management. Factors identified in this literature include collateral, regular income, business plan, and the applicant's experience and personality. The core objective of the two stakeholders involved in the banking industry is profit and utility maximization for banks and customers, respectively. Achieving these objectives in loan provisions require a benchmark that will guide the objectives of both parties. However, an important consideration for giving out loans by banks is influenced by profit maximization behaviour with little or no attention

Table 7: Consideration in loan application.

Important Consideration	Frequency	Percent
Collateral	4	13.8
Regular Income	17	58.6
the Business plan	4	13.8
the experience of the applicant	1	3.4
the personality of the applicant	2	6.9
Total	29	100.0

Source: Researcher's Field Survey, 2022.

to utility maximization by the customers. Therefore, attention is given to important considerations in this study. By implication, the stricter consideration for loan provisions, the more the loan problem.

Table 7 shows the number of people who responded to important considerations in loan provisions, and the result is presented. From the result, most of the respondents to the question considered regular income as the most important requirement for loan provisions, followed by collateral and business plan. Meanwhile, this becomes a loan management problem owing to inadequate funding is the reason to opt for loan applications by the customer. Making income and collateral important considerations for loan provisions situates loan management problems. The result shows that about 59% of the respondents considered regular income the most important factor in loan disbursement, while 14%, 14%, 6.9% and 3.4% for collateral, business plan, personality, and the experience of the applicant, respectively.

Monthly provision of loan

Considering the requirement of loan provisions by the bank, this section provides monthly provisions made available by the banks. Among factors identified in the literature include Collateral, Regular Income, the Business plan, the applicant's experience, and the applicant's personality. The core objective of two stakeholders involved in the banking industry is profit and utility maximization for banks and the customers respectively. To achieve these objectives in loan provisions, it requires a benchmark that will guide the objectives of both parties. However, important consideration for giving out loans by banks is influenced by profit maximization behaviour with little or no attention to utility maximization by the customers. Therefore, attention is given to important considerations in this study. By implication, the stricter consideration for loan provisions, the more problem of loan of management.

Table 8 shows the number of people who responded to important consideration in loan provisions monthly and the result is presented. From the result, it could be deduced that most of the respondents who responded to the question on monthly basis considered regular income as the most important factor for given out loan on monthly basis followed by the business plan. This support existing

Table 8: Monthly provisions of loan application.

Important Consideration	Frequency	Percent
Collateral	1	3.4
Regular Income	12	41.4
the Business plan	9	31.0
the experience of the applicant	2	6.9
the personality of the applicant	1	3.4
Total	29	100.0

Source: Researcher's Field Survey, 2022.

result on the important requirement for giving out loan among Nigeria banks.

Preferential treatment

The treatment given to loan seekers is another problem considered in this study. Preferential treatment could arise from the perspective of bank officer in charge of loan provision. This study provided evidence as regards factors that inform loan provisions by the officer in charge. Most of the responses inhibit customers' access to loan based on doubt that the customer will not be able to repay. The result in (Figure 1) show that rejection of customers' loan application is mostly based on doubt. This situates loan management problem towards preferential treatment, especially normative perspective on the customers. To manage loan provisions, it is suggested that loan officers can be rational or scientific in the loan management.

Objectivity and subjectivity

There are many requirements for loan provisions owing to the credit management process that point at the bank's profitability. Loan repayment increases the weight of banks performance. To continue to achieve the objectives of the bank, it's expected that the number of loan provisions needs to increase as this will increase the capital structure of banks. Loan management problems becomes alienated when rate of performing loan increase, from a high repayment ratio. According to the findings in (Figure 2), the majority of respondents made provisions for new loans to new and similar clients, which will increase the number of performing loans among Nigerian banks. The core objective of a bank is to maximize profit while loan portends the actualization of this objective particularly through new loans to new and similar clients.

Consequences of loan management problem

In this section, ordinal level of measurement was used as the measurement of variable for consequence of problem towards loan management, also known as the Likert Scale. The variables range from strongly agree to strongly disagree which is on a scale of 1 – 4 as indicated

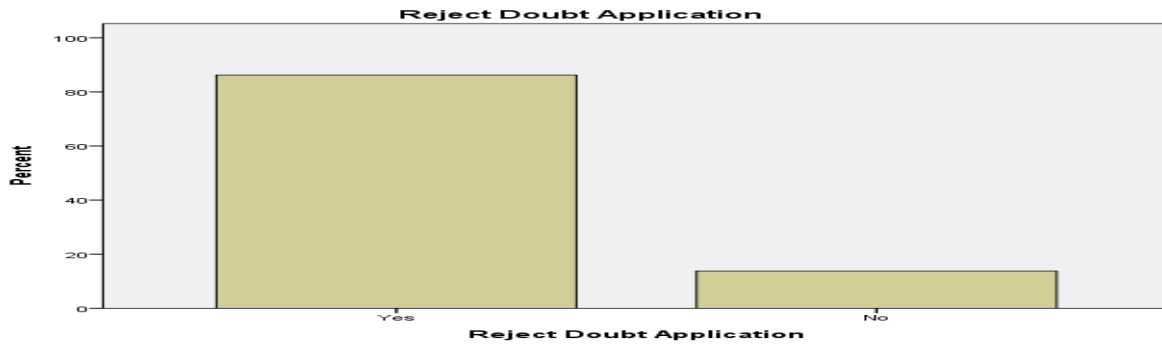


Figure 1: Rejection of Loan application, Source: Researcher's Field Survey, 2022.

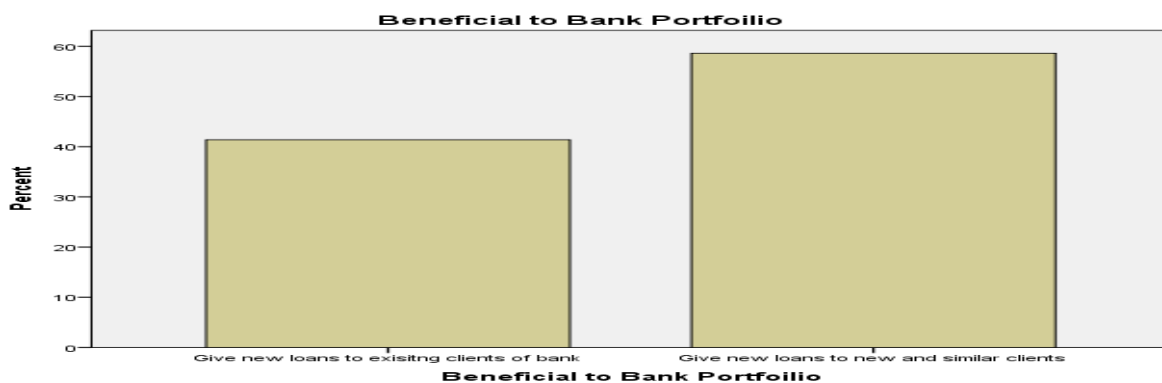


Figure 2: Loan beneficiary, Source: Researcher's Field Survey, 2022.

Table 9: Consequences of Loan Management.

Issues	SA	A	D	SD	Mean	STD. DEV
A bad loan has many hidden costs	17(58.6)	11(37.9)	--	1(3.4)	1.4828	0.6877
Time wasted during issuance of loan	6(20.7)	14(48.3)	8(27.6)	1(3.4)	2.1379	0.7894
Loss of loan program reputation	7(24.1)	18(62.1)	4(13.8)	--	1.8966	0.6178
Imbalance the Size of the Loan and Repayment Abilities	9(31.0)	18(62.1)	2(6.9)	--	1.7586	0.5766

Source: Researcher's Field Survey, 2022.

in (Table 9). Responses obtained from participants on consequences of loan management were analyzed as revealed in (Table 9) and this (Table 9) provides an answer to research question three as earlier stated. Four different items are used to measure the consequences of loan management in the bank. Following the result in (Table 9), on the average, time wasted during issuance of loan is the most weighted consequences on loan management. The reason could be that the transaction cost incurred during loan provisions cannot be regained when there is loan management problem.

From the result in (Table 9), the consequences of loan management problem were identified. There are many consequences to the problem of loan management. Meanwhile, this study pays attention to hidden cost, bank reputation, time wasted and imbalance of loan size. The result is presented in (Table 9) with time wasted issues

serve as the dominant consequence towards loan management problem. This implication is that time wasted during loan disbursement has the highest mean score on the result. Most of the respondents agreed that time wasted during loan processing is consequential in loan management. It shows that the turnaround time and the highest weighted mean score showing the value of 2.1379 with the standard deviation of 0.7894 being rated "agreed" by the mode (highest frequency and percentage distribution) of 14 (48.3 percent); followed by the second rated variable, known as the bank reputation; specifically, loss of loan program reputation serve as consequence of loan management problem having the value of 1.8966wms with the standard deviation of 0.6178 being rated "agreed" by the mode value of 18 (62.1 percent); Imbalance in the Size of the Loan and Repayment Abilities serve a consequence of loan management

problem of the bank (1.7586wms; $\pm 0.5766\text{std}$) being rated "agreed" by the mode 18 (62.1 percent); and the least weighted score of all the variable is the hidden cost. Hidden cost is hinged on transaction cost of every other consequence of loan management problem in this study and provide information on the influence of transaction cost issue on loan management problem with the value-weighted mean score as 1.4828 and the standard deviation of 0.6877 being rated "strongly agreed" by the frequency and percentage distribution of 17 (58.6 per cent).

It can be deduced from the result that all the variables are between the strongly agree and agree, suggesting that the variables could be used to explain major consequences of loan management problems. This is similar to some findings from the work of Kumar and Kishore (2019). The implication is that these variables could be used as a proxy for the consequences of loan management problem of the bank.

Conclusion

This study has succeeded in examining problems of loan management in Nigerian banks, a case study of the United Bank for Africa. The study found several sources of poor loan management and its consequences. The study demonstrated the problems associated with poor loan management. In addressing this, the data used in the study was primary data collected from staff with experience in credit administration and finance. The study also reviewed the relevant literature under the set aim and objectives, which provide relevant background information required for insights into the contextual situation of this research, particularly on issues relating to problems associated with bad loan management. The review's findings described problems associated with loan management in the Nigerian banking industry. Four indicators were identified, which situate five variables to explain the loan management problems. The variables were analyzed under role assign or responsibility, preferential treatment, objectives, subjective and conflicting structure of loan application.

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