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Diala C. Ugwumba

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Walden University
2022

Abstract

Credit Abuse, Interest Rates, and Loan Performance of Ten Nigerian Banks

by

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LLB Law, National Open University of Nigeria

BSC (Actuarial Science), University of Lagos

Dissertation Submitted in Partial Fulfillment

of the Requirement for the Degree of

Doctor of Philosophy

Management

Walden University

July 2022

Abstract

The ongoing failure in the Nigerian financial system has been a source of concern to the regulatory authorities, stakeholders, depositors, and the banking public because of the role these financial institutions played in the Nigerian economy in the last decade. The root of the problem was credit abuse performed by the bank's credit officers and executive directors which made it challenging for financial institutions to recover the loans granted by the banks. The issue made investors lose their investments and bankers lose their jobs. The crisis resulted in poor asset quality that eventually eroded the Nigerian financial institution's capital.

Using Bikker and Bos 's theoretical framework on bank performance based on analyzing profitability, competition, and efficiency, this study investigate if a relationship existed between credit abuse and non-performing loans in Nigerian financial institutions and insider abuse and high-interest rates in the 10 main Nigerian banks. A quantitative approach was used to determine if high-interest rates and non-performing loans might be responsible for credit abuse in the 10 commercial banks in Nigeria by using regression analysis and Pearson correlation tests. The implications of this study on the practices of financial institutions in Nigeria, are based on changing the inherent risk of credit abuse and high-interest rates in the financial institution and the corresponding effect on the good governance of the bank. The study can help good banking performance and save Nigerian banking sector from distress or collapse, which will have a lasting effect on the banking public and Nigerian society.

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Dedication

To my loving wife, Dr. Sarah Ugwumba for her support in my education in the PhD journey and our lovely children, Christine, Jessie, Akhir and Adia.

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Chapter 1

Introduction to the Study

Financial intermediation in any economy is largely impossible without a sound financial system (ICAE, 2018). Bank performance in Nigeria emphasizes the importance of financial institutions paying adequate attention to how banking is identified, measured, analyzed, and controlled. According to Babalola (2018), recovering oil prices and declining actual prices have diminished nonperforming loans. Therefore, there was no improvement in the micro levels of the Nigerian financial institutions (NFI's) during the 2008-2009 period. In contrast, a micro-level of a financial institution examines the various kinds of interactions at individual levels.

Bouteille and Coogan-Pushner (2013) stated that financial institutions are in business to extend credits. These institutions have the most significant credit portfolios and sophisticated risk management organizations. Bouteille and Coogan-Pushner further noted that the financial strategy is reflected in a financial institution's cash flow statements, showing an enhanced pool of marketable assets, which improves the room for discrepancy of risk portfolios.

Following the speculative losses in the financial crisis and the massive government intervention with little public support for NFI’s during the 2008-2009 financial crisis, a return on earnings ratios has been above 20%, which showed how poorly the banks are managing the capital that shareholders have invested in the NFI’s. The 20% achievement has proved to be unsustainable in the financial industry in Nigeria.

The nonperforming loans events on bank performance have shown that the most common measure used is a return on equity (ROE). A correct level of ROE may offer a good level of profitability or more limited equity capital.

However, using the ROE approach has not proven adequate in an environment of much higher volatility. During the global financial crisis, ROE fluctuations were caused by operational performance which does not aid my understanding of the potential trade-off between risk- return in production ECB (2010). It may explain why some financial institutions have performed poorly during the crisis, causing a rapid leverage adjustment.

Profitability is essential for a financial institution to maintain ongoing activities and for its investors to obtain fair returns. However, it is relevant for supervisors, as modest returns guarantee more resilient solvency ratios, even in a riskier business environment. Reasonable returns affirm that problem loans are costly to the financial institution and, such loans should reduce the nonperforming loans to their barest minimum. A balance must be apparent between prudent lending practices making full use of the financial institution's assets (Cudby, 2013). Lax and unduly conservative lending practices are detrimental to financial institutions' profitability (Commercial Lending, 2013). Bouteille and Coogan-Pushner stated that a common feature of all credit's exposure is that the longer the term of a contract, the riskier the deal because every additional day increases the possibility of an obligor's inability and unwillingness to repay a loan to meet the ethical obligations to the bank.

Nigerian banking is known for low assets quality, persistent illiquidity, insolvency, and undercapitalization of banks (Adegbaju & Olokoyo, 2008). Also, Adegbaju & Olokoyo furthermore stated such crisis includes a high level of nonperforming loans, high-interest rates, insider credit abuse and weak corporate governance. If an unprofitable investment is recognized early, the financial institution's loss is likely to be negligible. A proficient credit officer who identifies warning signs of a nonperforming loan and maintains regular customer contact has more options available to address issues at any given problem stage of the loan in NFI. Oyerinde (2014) stated that the size of the board is significant to the favorable insider loan, negatively related to bank performance; hence insider loans have the most detrimental consequences to a financial institution. Enobakhare (2019) affirmed that the credit policy of a financial institution influences the profitability of the bank. The financial institutions' crises in Nigeria were mainly due to the failure of the CBN and other government bodies with oversight functions in the financial sector to enforce the rules.

NFI is encouraged to have a good performance culture that uses the theoretical and empirical frameworks for analyzing profitability, competition, and efficiency. The relationship between causes and effects of banking business turbulence is provided for and handled by bank employees daily. Bouteille and Coogan-Pushner stated that problems often arise when a financial institution fails to understand the customer's business and cash flow cycle. It is not easy to anticipate future financing needs and choose the appropriate loan type, amount, and repayment terms without this knowledge.

As the American Bankers Association (2013) stated, credit abuse can result from a financial institution's incorrect strategies, such as growth at the expense of quality and extending credit outside the bank's market. Most commercial banks have no control over originating loans where the bank has no expertise or does not understand. All these can cause poor bank performance.

During a credit facility negotiation, the credit officer and their relationship manager should not allow a personal goal to conflict with the financial institution's goals. Separating the financial institution and personal goals is difficult. For both the financial institution and the client, a credit facility request is an opportunity to establish or continue a long-term financial relationship. How the credit officer and the loan committee handle a loan negotiation and approval determines if credit abuse exists and whether that relationship is strengthened or damaged.

However, most credit abuse problem loans result in loan workout because the obligor may not overcome the financial problems quickly as it appears. The financial institution may want to extend the repayment terms, advance more money, or restructure the debt temporarily until another credit facility to pay the institution is arranged. In the same vein, a credit problem situation may arise if the credit officer who is drafting an appropriate financial institution's response to a problem loan:

1. Fails to understand the institution's position.
2. Does not review loan documents properly after receiving them from the client.
3. Does not evaluate the securitization and compare it with the loan to be granted.

4. Does not monitor loan closely and compare with the account balances held by the obligor.
5. Does not consult with bank counsel or more experienced financial institution officers on how best to handle the problem loan.

The above five problems stemming from credit abuse were explored during the interviews with the bankers were asked and obtained answers.

Background of the Research

The past decades have seen a substantial loss in the NFI sub-sector, which is why the Basel Committee on Banking Supervision formulated broad supervisory guidelines on recommendations and best practices of banking performance (Goodhart, 2011). The pricing of loans immediately increased despite the crisis in the financial institutions. The prices of stocks in the capital market fell below, and the financial sector was grinding to a halt (Peni & Vahamaa, 2012). Some NFI became dependent on the Apex Bank of Nigeria to fund their financial operations (Oyerinde, 2014). Subsequently, the management of these financial institutions gave bank loans to friends, relations, and acquaintances with improper documentation and no collateral. The main reason is that financial institutions are uncommon, making the crucial role they play in providing credit facilities to individuals and business enterprises. The American Bankers Associations stated that actions of the obligor cause most problem loans. The financial institution's efforts that include credit abuse activities, bank strategies, setting high-interest rates, and adverse external developments also contribute to nonperforming loans. Avoiding problematic

loans starts with the loan request, conducting visits to the site, reviewing the collateral position, setting minimal interest rates, and committing to follow-up efforts.

The Nigerian economy revealed that the crisis was mainly due to over-dependence on crude oil for foreign exchange earnings and revenue. This crisis affected all the sectors of the Nigerian economy, from the financial to the actual sector economy. The global financial crisis influenced the capital market, the banking sub-sector, foreign exchange, the balance of payment, and the real sector. The 2008-2009 global financial crisis adversely affected about 35% of NFI, leading to profitability issues (Oyerinde, 2014). These NFIs were lowering debt-to-income ratio standards, not assessing collateral accurately before closing the loan and lowering cash flow requirement standards that justified how they may repay the loans. All these accounts for credit abuse in Nigeria, the banking public instantly felt the effects of the financial crisis in the capital market because of its high vulnerability to foreign funds. During the crisis, foreign shareowners in the Nigerian capital market immediately recalled their investments (Ikokua & Okany, 2014). The banking crisis development in the period under review harmed the Nigerian capital market (Oyerinde, 2014). At the commencement, the crisis downplayed the potential effects of the global financial crisis on the Nigerian economy and financial markets. Analysts drew credence from the strength of the economy's external balances, the volume of external reserves, and the fortitude of the Naira pre crisis. As the crisis intensified, it became clear that financial issues would be a notable effect.

The Nigerian gross domestic product fell at a decreasing rate during the 2008-2009 crisis. The growth rate dropped from 6.4% in 2007 to 6.04% in 2008 (Ikokun & Okany, 2014). The practices within a financial institution ultimately determine its success or failure. However, the economic problems in the market where the financial institution was controlling were playing a contributing role. The Central Bank of Nigeria (CBN) took over the management of eight financial institutions out of 24 operating ones. The CBN injected new capital into these financial institutions to prevent systemic distress and public distrust in the financial institutions (Oyerinde, 2014). Lending too little or too much can lead to credit abuse, regardless of financial health. Most obligors find it difficult to repay a loan extended to them that does not coincide with their cash flow cycle.

Problem Statement

The global financial crisis of 2008-2009 highlighted that some NFI could not perform their responsibilities to shareholders, depositors, and the banking public (Oyerinde, 2014). Clarke (2019) stated that the primary cause of failure in NFI continued to be poor asset quality that eventually eroded a financial institution's capital. The problem was that the credit abuse performed by the banks' credit officers and executive directors made it challenging to recover the loans granted by the banks. The specific problem was a relationship between nonperforming loans and the high-interest rates charged by the financial institutions (Taiwo et al., 2018).

The fall of the Nigerian financial economy during 2008-2009 occurred because of reckless lending by bank management, high-interest rates, resulting in banks having a shortage of cash to meet their obligations to their customers and nonperforming loans. Abioye (2017) stated that the recent economic recession has shown that the financial industry in Nigeria still nurtures weaknesses in governance, significant exit package for directors, and insider nonperforming loans. These banks are pre occupied by over-domineering executives, high-interest charges, contravention of prudential guidelines and lending limits, poor appraised credits, and weakening of shareholders' funds. During this period under review, banks' nonperformance's caused investors to lose their investments, customers to lose their bank deposits, and some bankers to lose their jobs. The financial institution's actions can undermine a loan performance, including poor loan interviews, a preliminary financial statement analysis, improper loan structuring, lack of support and documentation, lack of proper monitoring, and preliminary analysis of the guarantor's form.

Purpose Statement

The purpose of this study was to determine if credit abuse, high-interest rates, and nonperforming loans were responsible for the poor performance showcased by 10 commercial banks in Nigeria during the 2008/2009 financial year. The purpose statement above has five primary objectives:

1) To determine if a relationship existed between high-interest rates and nonperforming loans.
2) To determine why there has been persistent loan loss in the financial institution in Nigeria.
3) To determine if the inadequate management of credit abuse is associated with high-interest rates.
4) To access the inherent credit risk in financial institutions' operations and identify how financial institutions' losses can be reduced to the barest minimum and guarantee the existence of these institutions.
5) To determine if there is an association between the primary construct of the study, which is the relationship between credit abuse, high-interest rates, and nonperforming loans in NFIs.

This study is an empirical test using the Bikker and Bos (2008) theory. Bikker and Bos's theory has three areas: profitability, competition and efficiency, in its foundation and is critical in establishing the relationship between these areas and how they contributed to financial institution performance. In attending to the study's objectives, a quantitative survey was carried out to examine if high interest and nonperforming loans were responsible for credit abuse displayed by the bankers in the 10 commercial banks.

Research Questions

In a valid study, essential questions are usually asked to effectively pilot and direct the research. The research questions provide the superintendence of the survey. The questions act as a compass of what to expect at the end of the study. The study used two questions to develop and formulate the study's hypothesis.

RQ1: What is the relationship between credit abuse and nonperforming loans in Nigeria financial institutions?

RQ2: What is the relationship between insider abuse and high-interest rates in the 10 Nigeria major banks?

In finding answers to the research questions, this research tested the following hypotheses:

$H1_o$: There is no significant relationship between credit abuse and nonperforming loans in the 10 major financial institutions under review.

$H1_a$: There is a significant relationship between credit abuse and nonperforming loans in the 10 major financial institutions under review.

$H2_o$: There is no significant relationship between insider abuse and high-interest rates in Nigeria's 10 financial institutions under study.

$H2_a$: There is a significant relationship between insider abuse and high-interest rates in Nigerian financial institutions under review.

The hypotheses relate to the regression model which shows a relationship between two independent variables on one dependent variable. Credit abuse is the dependent

variable, whereas non-performing loans and high-interest rates are independent variables. These hypotheses focused on the relationship between the two specific independent variables of the study high-interest rates, and nonperforming loans and how that could lead to credit abuse. This concept helps one comprehend how these variables influence bank distress or financial institution performance. Encapsulated in this hypothesis were the four fundamental issues that needed elucidation to the research questions.

The distinction between credit abuse and insider abuse is that credit abuse occurs when individuals are in a position of trust in financial institutions breached their fiduciary duties (Perez, 2014). Non- adherence to bank regulation, credit policies that do not adhere to bank regulations (Bakertilly, 2014). In contrast, all bankers perform insider abuse because of their privileged position in the bank. Finra (2019) stated that in past similar studies, every investor should know six financial performance metrics about bank performance, including profitability and growth.

Operationalization of the Variables

Evaluation of the two primary credit abuse constructs high-interest rates and nonperforming loans in the financial institution. Other variables considered are credit officers' lack of banking ethics and poor internal control. If adequately controlled, the appropriate credit abuse would substantially contribute to good bank performance in ROA. In this study, the independent variables were nonperforming loans and high-

interest rates; hence ROA was the independent value of the equation and the substitute variable for bank performance.

Putting the substitutes of the other three main compositions of bank performance into a regression equation gave the relationship between the lines of equation. The inferences were the change in credit abuse and nonperforming bank loans. These showed that a bank's profit is dependent on loan portfolios or the ROA. Credit facility can define by gross profit margin less the expenses as the introduction of prudential guidelines of bank performance. ROA helps banks measure performance in terms of assets quality that helps determine profitability, which is the mainstay of any financial institution's business.

The hypothesis in a multiple regression model to flow with the wide and shallow theory confirms that only the bank structures good loans and retains a sound treasury system, so good corporate governance can operate and survive optimally in the banking sector. The outcome was anticipated by a linear combination of two or more predictor variables (high-interest rates, poor corporate governance, and nonperforming loans). The multiple regression model between insider credit risk and nonperforming loans supports assessing the impact of this composition on the survival of the bank performance. The mathematical expression shows that any positive effect on any independent variables would result in bank performance.

Theoretical Framework of the Study

The theoretical framework for this study is supported by Bikker and Bos (2008) theory, which is based on bank performance. The research on bank performance, uses an

empirical framework to analyzing profitability, competition, and efficiency. It is a theory of cost and profit, x efficiency, scale, and scope economics on the performance of banks in terms of competitive concentration efficiency, productivity, and profitability. Bikker and Bos designed the framework for the various existing theories in banking and illustrated those theories with practical applications. Bikker and Bos further stated that when estimate a market power model, it is valuable to look for the abuse of market power as a means of explaining increases and differences in profitability. When an efficient frontier model is employed, it is expected that suboptimal management decisions regarding production factors lead to differences in profitability.

The gap in the literature relates to the credit abuse performed by a bank's credit officers, which made it very difficult to recover the loans granted by the banks. The credit abuse performed by the credit officers and executive directors affects the stakeholders' interest in maximizing the bank profit and minimizing costs as the loan recovery cost increases. If some of the loans become past due, the individual banks will provide for the loans as loan loss provision. The purpose of this study was to access the relationship between credit abuse and nonperforming loans in NFIs, to help identify the delinquent loans, adequate procedure processes, evaluation and monitoring, and proper control will serve as a cushion against losses.

The study was equally critical because it reviewed the lack of banking ethics among the credit officers and board invention on the lending procedures and assisted in safeguarding the country's financial system from a rapid approach to collapsing. This

will have a negative effect on the banking public as a lack of banking ethics would assist in determining whether there has been persistent bank distress. The financial institutions will show the effects of credit abuse on nonperforming loans and poor corporate governance as part of the root problems. The square in the study plan looks at the flow of the 10 major banks regarding insider credit abuse and how the aftermath enhances or mars the financial institution performance.

Bikker and Bos and their bank performance theory present an overview of the current major trends in banking and relate them to the assumptions of each model, thereby shedding light on the relevance, timeliness, and shelf life of the various models. Bikker and Bos justified a graphical model description of the cost and benefits of banking business and how several widely used models can be infused into a framework. The evidence is through the CBN regulations, where all financial institutions' financial statements are thoroughly reviewed apart from that verification and ascertaining of figures by a chartered accountant's firm whose duty is to audit the accounts of the banks. These can have a negative effect on the bank if the audit is not performed correctly. This model demonstrates that stakeholders of financial institutions are entitled to their profits. It is in the interest of these stakeholders to maximize revenue and minimize costs. Therefore, the type of bank ownership structure and size of financial institutions can affect the financial institution and Solution Matrix (2019) found that ownership, size, and leverage are positively correlated with bank performance.

The model highlights a relationship between credit abuse and performing loans, the performing and non-performing loans, the regulations of the bank and the poor corporate governance, and the bank's performance. The framework confirms the type of assets quality the bank carries in their balance sheet or portfolio base. The primary role of performing loans in the model is to generate incomes and healthy competition among the banks. It is necessary to determine how the banks performed at the end of the financial year. The efficiency hypothesis was part of the model that decides market power alternative hypothesis and efficiency to describe bank performance.

All the regulations put in place, the CBN ensured that the shareholders' equity was preserved, and the public banking interest was maintained and protected as the depositors were funded, where the bank. Regulation helps to control the recklessness of management in making a decision that affects the bank because it draws the line of obligors' limits and necessary loan loss provisions. The role of the managers is to ensure that investors' funds are managed so that there will be equitable growth as the investors and stakeholders want dividend growth and security of the capital invested in the business at the end of the financial year. This idea ensures that the individual bank can be competitive and efficient in services to their respective. This is how this theory relates to the study. The theory deals with bank performance related to the 2008/2009 financial years because much of the banks' performance were faulty.

The credit officers' credit abuse affected the credit processes of the financial institutions. It has a net cost effect on the bank's profitability, and as the financial

institutions record more losses, the institution must provide for them in their balance sheet. Also, the more nonperforming loans due to high-interest rates that the bank recorded bring down the efficiency level of the bank, and it will make the financial institution less competitive.

There are five main reasons why Bikker and Bos's model is relevant to answering the research questions. Firstly, the model shows the significant factors responsible for persistent distress in banks. Secondly, it is useful to know if the ineffective management of credit abuse is associated with a lack of ethics among credit officers and bank directors at the respective banks. Thirdly, there is a relationship between high-interest rates and nonperforming loans in financial institutions. Fourthly, there is a positive relationship between insider abuse and performing loans. Fifthly, financial institutions need to create the required awareness to identify the inherent risk and put adequate measurement processes to control and monitor them properly. Bikker and Bos model provided structure for the problem statement and equations because it addressed the issue of shareholders in terms of dividends they will receive from the financial institution. The depositors expect to call on their bank to get their money to do their business which is the efficiency of banking and reliance in terms of ability to conduct business in an orderly manner which enhances healthy competition in the industry. There is a need to match the 2 years under review for a proper bank appraisal performance.

Sampling Strategy

A stratified sampling strategy was adopted in this study. This sampling method was used to ensure that divergent groups of the population, of these 10 financial institutions, were represented adequately in the sample. The purpose was to increase the level of accuracy in the estimated parameter with the eventual mind that this may reduce the cost of research to its barest minimum limit. In this study, the sampling groups were divided into target population into groups and conveying the component in each group, which will show the elements in the desired population. The set of similar groups would be related to the variable available to combine the sample to make up a large, diverse population sample during the sampling exercise. This sampling strategy's idea is that division of the bankers in sampling must be associated with the variable used in the study.

Originality of Research

This research was focus on credit abuse and nonperforming loans as the core competence and the relationship between high interest rates and bank nonperformance. The main issue was the need to treat what was occurring in the various banking subsectors related to credit abuse in 10 NBI and the lack of banking ethics that makes the loans granted by the bank's default. Good credit is supposed to pay itself. A good credit officer can reduce credit risk arising from credit abuse by accurately appraising a customer's creditworthiness and ensuring each credit facility extended to the obligor is properly secured, structured, and monitored.

However, any bank's survival depends on the good loans its credit officers use as loans, the highest income source generated for most NFI. The stability and improvement of banks' performance are highly dependent on credit risk, improved financial stability, and the resilience of the systematical importance of financial institutions after a crisis (Lilkanen, 2013). No previous research has emphasized the issue of insider credit abuse in a review. Insider credit abuse is the crux of this study. Taiwo et al. (2018) stated that an apparent problem is credit abuse, high operating expenses, poor corporate governance, and nonperforming loans negatively related to profitability. In addition to giving an in-depth review of credit abuse, this study reviews the root causes of bank distress in Nigeria.

Nature of the Study

The selected design for the study is correlation and regression analysis. My research questions helped me to determine my research methodology. I was interested in knowing if there is a relationship between my dependent variables (credit abuse) and independent (high-interest rates and nonperforming loans), so correlation analysis will helped me determine an association between my dependent and independent variables.

However, regression analysis helped me determine the dependent variable based on the value of the independent variable; hence regression analysis indicates the nature of the relationship between the dependent variable (credit abuse) and the independent (high-interest rates and nonperforming loans). The regression analysis allowed me to understand the strength of the relationship between credit abuse, high-interest rates, and

nonperforming loans. This correlation and regression analysis best addresses my problem statement and research questions compared to other methods like descriptive or explanatory designs. A descriptive design entails testing specific hypotheses and describing characteristics or functions; the superior design explains an aspect of the study. Both were not useful for my research work.

My target population is 500 banking surveys to be distributed among 10 Commercial banks in Nigeria. 200 surveys are the sample expected to return to the researcher for the analysis. The data collection was through a survey for the primary data, and secondary data will be the financial statements of these significant banks. When completed, the researcher will apply primary and secondary sources of data collection to answer my research questions.

Definition of Terms

The terms used in this study may be theoretical and can showcase different meaning to readers. However, these terms are defined to explain what they mean in line with the subject matter of this research study.

Apex Bank

This is another name for the Central Bank of Nigeria (CBN), which has controlling power over other banks and, according to guidelines, warehouses other banks' financial statements (Oyebola, 2015).

Bank Failure

The inability of a financial institution to meet its corporate obligations to its depositors and other stakeholders (Brown & Dinc, 2018) when a financial institution ultimately results in the institution's closure by the appropriate regulatory authorities.

Banking Industry

The sector of the national economy is in which the members (financial institutions) act primarily as financial intermediaries that accept deposits and channel these deposits into lending transactions, either or through individuals or organizations (Idolor, 2010).

Credit Abuse

When individuals in a position of trust in financial institutions breach their fiduciary duties (Perez, 2014). Non-adherence to bank regulation: credit policies that do not adhere to bank regulations (Bakertilly, 2014).

Corporate Governance

The board and senior management’s authority and responsibilities govern the financial institution’s operations and structure (Corporate and Risk Governance, 2016).

Credit Risk

The potential is that a financial institution borrower or counterparty will fail to meet its obligation under agreed terms (Labarre, 2019).

Economic Value Added (EVA)

The most popular value-based measure of economic performance/profit of a company (Berete, 2011; Manumission & Mansor, 2012; Tsuji, 2006).

Inadequate Risk Management

Lax in credit standards for borrowers or a lack of attention to changes deteriorated the credit (Tensix, 2019).

Insider Abuse

This is an abuse that the bankers practiced because of their privileged position in the bank, and it may or may not relate to credit processes in the bank.

Internal control

Financial institution systems are designed to secure an efficient implementation of a policy, safeguard assets, and prevent fraud and errors. It is an aspect of management of an organization that assists managers in achieving set goals, controls, and objectives by effective usage of accounting resources (Jamashidi-Navid & Arad, 2010).

Nonperforming Loans

These are interest or principal due and unpaid for 90 days or more, capitalized, rescheduled, or rolled over into a new loan (Ohuocha, 2017).

Obligor (2019)

According to Business Online Dictionary (2019) an obligor is one who has an obligation to repay a debt, make a payment, do something, or refrain from doing something under the terms of an agreement.

Regulation

The purpose of financial regulations ranges from keeping the financial system safe and sound by instilling confidence in the financial system and ensuring solvency by providing a level playing field for investors, preventing fraud, and promoting ethical market practices (Bouteille & Coogan-Pushner, 2013).

Reliability

Consistent or dependable results. Hence it is part of the assessment of validity (Sullivan, 2011).

Research Contribution

The research findings will help create the desired awareness in bank operations assets quality and the need to identify the credit abuse adequately, put in proper perspective processes, access, and monitor them holistically and put in place the proper controls of adequate performance of loans. The sole motive here is to generally enhance the bank's performance and the regulations of the financial system. These assumptions are necessary for readers to stay within the context of this bias because there may be other meanings attached to these words outside the context of this research study.

Validity

The best available approximation to the truth or falsity of a given inference proposition or conclusion (Cook &Campbell, 2015). The verifiable results may help fill the gap in managing the relationship between credit abuse and nonperforming loans so that the credit officers would know how to leverage the relationship between the constructs and augment bank performance in Nigeria. This would assist the regulations

like the Nigeria Deposit Insurance Corporation and Central Bank Nigeria in formulating new policies to close the gap between insider credit abuse and nonperforming loans in the NFIs, this study's generalizability.

Assumptions, Limitations, and Delimitations

In this study, assumptions were made regarding the participants in the study and how the participants incorporated the required units for the exercise, which will be defined in chapter 3. Each participant will have banking experience, work during the period under review, and was a loan officer, internal control officer, marketing officer, operations officer, or executive director. These officers must know how to help obtain the data and fill out the required survey. The constraint limiting this study was the non-availability of comprehensive data from the banks as obtainable in advanced countries like the United States of America and the United Kingdom. However, the data required were primary and secondary data, which would entail that the despondent can obtain it in bank offices and use it to fill out the survey. The high cost of researching the desired level is another limitation if the data may be obtained from top executives of management of financial institutions all over the country. The data collection would be an expensive exercise and almost impossible within the time frame. Using an internet survey would have posed some problems in the data collection as some areas in Nigeria do not have a regular electricity supply.

I circumvented this limitation by providing hard copies of the survey instrument as an alternative measure to the participant to avoid data loss. All the financial

institution's data collected for the analysis are likely true and concisely correct. They took 10 financial institutions whose publicly available annual financial statements are public to provide an adequate basis for the generalization of the Nigerian banking subsector. The geographical area of this study is Nigeria, and the focus is the banking industry. The results obtained were only used within the financial institution's subsector.

Significance of the Research

The essence of the research is to first draw the attention of the top executive management of the NFIs to the new bank performance techniques related to profitability, competition, and efficiency. Theory helps them monitor their performance in terms of profitability, helping to create a bolster against possible bank distress. The desire for NFIs is to inculcate good performance in credit appraisal and monitoring of loans, where the emphasis for the financial institutions is to participate in the world's banking standards. I deemed it necessary to guarantee the survival of the financial institutions and ensure their continued profitability in the banking industry.

In the ease of credit abuse, the key components remain the measurements of the size and scope of risk assets where the loan losses are categorized as good, bad, and worse according to the CBN guidelines. By this process, the financial institution can identify the quality of the assets that have the most significant impact on the bank's performance or which business practices are most susceptible to risk assets. The NFIs would see the need to holistically manage credit abuse in risk assets portfolios by

ensuring that there is no lack of banking ethics on credit officers and those with credit approval powers and incorporating proper risk management cultures of the respective banks. The study would make recommendations on how to help in safeguarding the financial institutions from going into distress resulting from poor loan performance.

The study is important to the banking public and all other stakeholders in the financial institution's system, such as supervisory authorities (CBN and Nigeria Deposit Insurance Corporation) and stakeholders of financial institutions. The Nigerian society will suffer from bank distress, and some bank officers will lose their jobs, especially credit and marketing officers. A sound risk assets management and internal controls protect the investments of the stakeholders and the company's assets (Institute of Chartered Accountants of England and Wales, 2018). As to good performance risk assets, the bank will help implement test practices, ensure they were not wasting valuable resources and ensure that customers are served better than its competitors (Pereira & Santos, 2010).

Implications of Social Change

The study's favorable social change implication is the proper loan appraisal prepared by the credit officer and the monitoring of such loan portfolios until the loans can pay themselves back to the bank. The best practice ameliorates bank failure or distress among financial institutions and guarantees the safety of the public banking funds in the banks. Such measures would save the taxpayers funds utilized by the Apex Bank in Nigeria to bail out the distress of financial institutions. The importance of an efficient

financial institution to the economic development of countries has been well confirmed in relevant previous literature (Shefrin, 2009). Global Legal Insight (2018) stated that one of the implications of the nation's financial institution banking sector is in line with internationally accepted standards of practice, which leaves a great deal undone.

As Nigeria moves to join other international communities, it is evident that its banking sector will play a vital role in its economic development. If the manager of the financial institutions comprehend the critical roles risks assets play in the profit of the financial institution and use of risk assets quality as a veritable instrument for the sustainability of the financial support. Suppose the managers of the financial institutions comprehend the risks of the critical role assets play in the good financial performance of going concerns. In this case, they could institutions. This instrument will have positive social change on the corporate social responsibilities of financial institutions, which includes the provisions of social benefits for the communities and the environs they are operating (Berete, 2011). Financial institutions with good financial standing may be a viable source of revenue to the government and reflect on the employment generation and other social amenities for the bank's communities.

The study used the theory of bank performance as a framework for the analysis of profitability, competition, and efficiency, which is the major problem with NFI as most of them are not productive and profitable to stakeholders and other investors. The stakeholders are interested in dividends and profits generated from the banking business. Further, the study could be helpful to the Apex Bank and other supervisory authorities

like the Nigeria Deposit Insurance Corporation by providing additional guidelines for supervision of financial institutions and how to determine their performance. The financial institutions' performance would guarantee the required confidence in the payment system in Nigeria, which may enhance the growth of the Nigerian economic system. The banking public who trusts their funds with the financial institutions will be more confident of its safety.

Summary

This chapter discussed the introduction of the study. It explained why some NFI are in distress, which is a significant concern to the controlling authorities, the government, and the banking public. The purpose of study was to determine why the financial institutions are not performing well like their counterparts in advanced regions like the United States of America and Europe. Some of the reasons advanced are credit abuse on the part of credit officers and management of respective financial institutions involved, coupled with poor corporate governance, nonperforming loans, board intervention in the bank’s credit procedures, and lack of banking ethics on the part of bank officers and high-interest rates. When put together, they play a significant role in why these financial institutions perform below the stakeholders', investors’, and the banking public's expectations.

The first research question was developed to determine a relationship between credit abuse and nonperforming loans under review. In contrast, the second question probed if there was a relationship between independent variables (high-interest rates and

nonperforming loans) and how it affects the dependent variable (credit abuse). The first hypothesis shows the interface between the independent variables (high interest and nonperforming loans) and how it affects the dependent variable (credit abuse). The hypothesis was further designed to determine if there is a relationship between the nonperforming loans and high-interest rates in the NFI and between credit abuse and high-interest rates. Chapter 2 of this study reviews the literature on credit abuse and nonperforming loans. While comparing how the nonperforming loans had affected credit abuse and high-interest rates in the 10 NFIs.

Chapter 2: Literature Review

The past 2 decades have witnessed financial losses in the financial institutions that have resulted in the collapse of many financial institutions, especially in the developing economies of Africa. That is why it became necessary for the Basel Committee on banking supervision to formulate broad supervisory standards and guidelines, recommendations, and best practices on credit abuse, nonperforming loans, and high-interest rates prevailing in the banking subsector. Good risk management rests on the Basel Committee of II pillars, based on three main pillars: minimal capital requirement, regulatory supervision, and market discipline. Basel III is a global, voluntary regulatory framework on bank capital adequacy, distress testing, market liquidity, and risk uncertainty.

Nigeria is a third-world economy, an issue that relates to adhering to firm prudential guidelines and supervision of financial institutions. Effective market discipline and ethical leadership in financial institutions have been critical to the stability of financial institutions. These will optimize the use of funds and build up a management information system for decision-making and better management of assets and liabilities. Samuel et al. (2018) stated that confirmed the entire fraud cases and the amount involved to have a definite link with a comprehensive expected loss. Employee involvement and total loss established a negative and non-significant relationship. Samuel et al. further stated that they are activities that fraud concerning credit abuse is not mainly a Nigerian issue.

Tade and Adeniyi (2016) opined that the idea behind less cash in the system would reduce the risk of money-related crimes, foster transparency, curb corruption leakages, and drive financial inclusion. Insider fraud is executed exclusively by the employees in the banking system. Such employees take time to learn and understand the software in their financial institution and take advantage of it. According to Furhmann (2019), financial institutions are generally free to decide on the interest rate they will pay for deposits and charge for credit facilities. They must consider the competition and the market levels for numerous interest rates and federal policies. The CBN influences interest rates by setting specific standards and stipulating bail and reserve requirements. Still, commercial banks and microfinance banks help them pay their bills monthly and leave some margin for their shareholders and financial institutions, including the prime rate, a rate commercial banks use for the ideal clientele. Usually, a corporate account with a solid credit rating and payment history is dependent on federal standards, which the CBN stipulates rates. Generally, financial institutions like to borrow from the banking public, pay short-term rates to depositors, and lend long-term to customers. This mismatch or use of short funds to finance long-term lending is the primary cause of financial distress among most NFI. Segal (2019) stated that once a credit facility is nonperforming, the odds that the customer will pay it in full are substantially lower. Suppose the customer who owes resumes payments again on a nonperforming credit facility. In that case, the loan becomes a nonperforming loan even if the debtor has not caught up on all the missed payments.

Pinto et al. (2017) stated that profitability affects financial institution's capital adequacy and financial leverage. In contrast, Pinto et al.'s analysis are not congruent with profitability and efficiency in banks in Nigeria. Hirtle et al.'s (2019) study underscored the distinct role of supervision in mitigating financial institution sector risk in the 10 central banks. The study observed that less supervisory attention leads to risky loans, is less fraught, and has slower growth or profitability. Zotti and Burra (2018) stated a relationship existed between financial institution performance and financial stability for a non-cooperative financial institution when measured on the whole financial institution. Liang et al. (2018) stated that earnings that source an assortment of banks positively affect profitability. It negatively affects the bank's operating efficiency and market valuation, exploiting an outward change in the regulatory attitude towards bank diversification in 2008. The study shows that positive diversification-profitability relation before 2008 changed to negative. The diversification discount becomes a premium.

Definition of Key Concepts

These shared concepts are corporate governance, credit abuse, and distress in financial institutions, credit risk, solvency risk, fraud, high-interest rates, nonperforming loans, and risk management.

Corporate Governance

Corporate governance is how incorporated companies are direct and controlled. Organizational governance structure specifies the distribution of rights and responsibilities among various corporation participants (Adeyemi, 2010). According to

Adeyemi, the common trend that ran through these financial institution's monumental failures was poor corporate governance culture, exemplified in poor administration, fraud, and insider abuse by both Management. The bank's members of the financial institution's board, poor asset and liability management, and inadequate regulation and supervision. Adeyemi further stated that the boards of directors of NFI were ineffective. Internal control was equally weak due to the management overriding the influence of the chairman/chief executive officers. To a large extent, weak corporate governance can contribute to institution failure, which can cause stakeholders to lose their investments and customers their deposits.

Adeyemi recommended total separation of ownership from management, a sound internal control system, full disclosure of all financial transactions, and strengthening the enforcement mechanism of the regulatory authorities. Pasola (2012) reviewed some of the elements of the new code, such as quality of board members, separation of powers, tenure of office, remuneration, and shareholding and risk management against the Basel principles for corporate governance. Egwu (2015) provided a divergent view by stating that corporate governance enhances control measures to ensure that financial institutions and other corporate bodies oversee the best interest of all stakeholders. The supervisory institutions are weak and defective. Egwu further stated that financial institutions and audit committees should be professionally qualified and certified members of the accounting profession. The auditor's appointment should be accredited accountants with a proven track record in the service.

Chuku and Kama (2019) presumed that specific attributes of financial institutions and board members determine the board's member's effectiveness in carrying out its monitoring and advisory roles. They found that admitting new board members into the board meetings of financial institutions enhances performance to a certain point. Continuously increasing the board size eventually begins to destroy the value. Chuku and Kama also reported that board members need to be encouraged through an incentive package and enlarged responsibilities, authority to monitor, sanction, reprimand, and advise management on the right way forward. Paseda's (2017) research is congruent with Chuku and Kama's. Paseda's view is that good corporate governance is crucial to achieving and maintaining public trust and confidence in the financial institution system, which is critical to the proper functioning of the financial institution sector and the economy. The research assesses the element of the new code, such as quality of board membership, separation of powers, tenure of office, remuneration, shareholding, and risk management against the Basel principles for improving corporate governance.

Credit Abuse

According to Samuel et al. (2018), credit abuse is an activity that can only breed where an organization is weak, has faulty internal control, lacks job security, and has no reward for excellence. They stated that in 2014, Apex Bank liquidated 83 microfinance financial institutions squarely because of fraudulent activities that were mainly credit abuse. Samuel et al. argued that acknowledged credit abuse was one of the prime factors subverting the effectiveness and efficiency of financial and non-financial institutions.

Samuel et al. (2018) stated that worldwide financial institutions are always at the mercy of fraudsters due to mainly credit abuse through economic and technological manipulation owing to trade-able commodities of cash and non-cash equivalents. However, Tade and Adeniyi (2016) stated that credit abuse is executed exclusively by staff members in the financial institutions, determined by the jobs they do and an understanding of the financial system. The financial institutions are the victim. Tade and Adeniyi further stated that the discharged credit abuse by those staff members of the financial institutions occupied the sensitive positions within the banking institution and those in the information communication and technology unit. In 2016, Tade and Adeniyi opined that credit abuse occurs another way if a credit officer collects money from a customer for his loan repayment but deliberately fails to pay in the cash and credit the customer's loan later diverts the money to his account. Credit abuse officers' prey on the fact that not all loan account holders subscribe to account transaction alerts because they often do not want to pay the subscription fee for the service.

Distress in a Financial Institution

Distress connotes weakness or challenging situations that prevent the achievement of set goals and aspirations are impaired (Oluwakayode, 2017). Oluwakayode reported that financial institution distress possesses a lot of threats and loss of confidence threatens the industry, which means that the difficulty in NFI has been a significant issue to all the stakeholders and investors in the economy and the business world. Uzokwe and Ohaeri (2012) stated that the problem of distress in the Nigerian industry has been of enormous

concern to all stakeholders of the economy and the world business. Bank failure in financial institutions would not have occurred simultaneously but for these two factors: fraud and embezzlement. Uzokwe and Ohaeri stated that a financial institution seems distressed when it cannot pay its entire depositor fully and on time. In the same wise, Olukotun and Olusegun (2013) underscored Uzokwe and Ohaeri and stated that NFI had fallen short of expectations due to fraud mismanagement, inexperience, and the initial absence of regulatory laws and authorities. Olukotun et al. (2013) further explained that due to the increase in deposit guarantee, there is an increase in deposit mobilization. Five types of risks are inherent in financial institutions.

Credit Risk

According to Alalade and Adekunle (2015), credit risk is the potential that a bank borrower or counterparty will fail to meet its obligations by agreed terms. They reviewed the concepts, theories, legal acts, and standards relating to credit risk management and developed a conceptual model with four antecedents to credit risk. Alalade and Adekunle further analyzed the antecedent of loan and advances, loss provision, a total asset on accounting return on equity and returns on the investment. Olugboyega et al. (2019) stated that credit risk management on the financial performance of 10 listed deposit money NFI has three parameters: nonperforming loan to total deposit ratio and capital adequacy ratio, return on asset, and return on equity were used as proxies for financial performance. Kargi (2011) underscored Olugboyega et al. by stating that credit risk management has a significant impact on the profitability of NFI. In 2011, Kargi said that

management needs caution in setting up a credit policy that might not negatively affect profitability and how credit policy affects the operations of their financial institution to ensure judicious use of deposits.

Solvency risk

According to Hayes (2019), solvency is the ability of an institution to meet its long-term debts and financial obligations. The theories of risk management in a financial institution are a secondary category of risk in a financial institution's operation and rely on capital adequacy to finance the unexpected losses coming from the primary risk incurred in the business transaction of a financial institution. Solvency risk comes from the human attitude, which arises from the inefficient administration. Solvency risk is when a financial institution cannot meet maturing obligations as they fall due for the total value even after the disposal of its assets. NFI needs to develop a keen interest in identifying these risks, giving appropriate measures, and identifying ways to mitigate and control them in their operations. The essence of this idea is to post a substantial profit at the end of the financial year to continue to survive as a business entity. Liquidity risks involve the disposal of assets, whereas solvency risks mean the institution cannot meet maturing obligations as they become due to liquidity risk. Liquidity consists of managing funding sources and the overall monitoring of the market conditions. Credit risk includes the potential that a financial institution can borrow, or a counterparty will fail to meet its obligations by agreed terms. It is important to note that financial institution's primary risks are not taken off solely by putting more capital into its operation. The banks manage

the inherent risk to an acceptable level where stable and economic returns can be imperative.

Fraud

The Federal Bureau of Investigation defined fraud as falsified alteration and tracking down financial transactions end-to-end under fabricated pretense. Samuel et al. (2018) stated that the victims of credit abuse are investors and depositors. The financial statements (income statement and balance sheet) are the prime instrument for perpetuating fraudulent activities. Udeh and Ugwu (2018) stated that credit abuse is a non-management fraud perpetrated by credit officers embracing skilled, semi-skilled, and unskilled credit officers. Samuel et al. noted that credit abuse is an intentional act by a credit officer or credit department members among the management staff who have authority over loan application or loan approval. They opined that fraud is an activity in the financial institution with direct and indirect benefits enjoyed by malefactors who subvert the efficiency of financial institutions. Fraud improved along with its fundamental objective of financial intermediation. The CBN bulletin (2017) reported that some financial institution chief executive officers had taken undue advantage of their inside knowledge, exclusive access, and privileges to commit fraud by extending credit facilities to their friends and acquaintances. The 2018 CBN’s quarterly publications stated that the 10 NFI over the years witnessed fraudulent, false accounting, manipulation of accounting records to present false profit and ratios, unlawful loan and credit facilities, non-disclosure of director's interests, and lending beyond the single obligor limit.

High-interest rates

A high-interest rate is a high amount a lender charges for using assets expressed as a percentage of the principal (Banton, 2019). A high-interest rate is an amount charged on the principal by a lender to a borrower to use assets. A loan that is considered high risk will have a higher interest rate. High-interest rates make loans more expensive. When interest rates are high, fewer people and businesses can borrow. According to trading economics of 2019, CBN Governor Godwin Emefiele said that tightening rates could constrain growth. While losing, it could allow inflation to rise. Holding rates steady would enable the bank to appraise the impact of current policies, such as changes to loan to deposit ratios at financial institutions. This idea comes into force at the end of September, increasing lending and fostering growth. The governor further noted that interest rates in Nigeria averaged 11.08% from 2007 until 2019, reaching an all-time high of 14% in July of 2016. Even though Bala-Gbogbo et al. (2019) stated that the monetary policy committee unanimously decided to hold the rate at 13.5%, Bloomberg's economists noted that CBN would reduce interest rates to 13% by the end of the year. This year, the CBN will be comfortable to cut down rates if inflation slows as expected.

Nonperforming loans

A nonperforming loan is a sum of borrowed money upon which the debtor has not made the scheduled payment for a specified period (Segal, 2019). Segal stated that when a loan is nonperforming, the advantage that the debtor will repay it in full is substantially lower. Ugoani (2019) related those commercial loans are considered nonperforming in a

financial institution if the debtor has made zero payments of interest or principal within 90 days. The International Monetary Fund believes loans less than 90 days past due as nonperforming if there is high uncertainty surrounding future payment (Udeh & Ugwu, 2018). Nonperforming loans are contemplated as bad debt because they get paid back are minimal. When loans become nonperforming, financial institutions stop collections on them, which is how they make money (Samuel et al., 2018). Less money will be available for new loans when a financial institution has too many nonperforming loans (Segal,2019). Financial institutions with many nonperforming loans relative to their total assets are less attractive to stock investment companies (Samuel et al.). The more nonperforming loans a financial institution has, the more likely its stock price will be affected (Motley, 2016). Financial institutions can partner with collection agencies and agree to pursue nonperforming loans, which have turned into poor debt after making no payments within 90 days in exchange for a certain percentage of whatever is recovered (Ramirez, 2019).

Risk management

According to Segal (2019), risk management involves the process of identifying and analyzing the amount of risk involved in an investment in a financial institution and either accepting that risk or mitigating it. However, Linsley and Kajter (2018) underscored Segal on risk management and stated that the discretionary disclosures explaining the implementation strategies could look on as a means of managing

reputational risk. Segal further noted that the risk management categories are systematic and unsystematic risks. Systematic risk is related to the market. Systematic risk is associated with a company or sector of the financial institution. Kenton (2019) stated that risk management occurs when a financial institution performs a credit check on an obligor before giving the person a line of credit.

Stockbrokers use financial instruments like options, future and money managers use portfolio and investment diversification strategies to mitigate or effectively manage risk. Chornous and Ursulenko (2013) stated that combined financial management and risk management create conditions for developing the technological base of the new pricing process. Profitability assessment considering the credit, market, and operational risk. Chorus and Ursulenko defined credit risk as to the possibility of default by the borrower or counterparty obligations according to their terms (Basel, 2000). Chorus and Ursulenko stated that market risk gives rise to market factors that affect the value of assets, liabilities, and off-balance sheet items.

According to Zidafamor (2016), risk management involves identifying, evaluating, and prioritizing risk followed by synchronized and reasonable use of resources to lessen, supervise, and regulate the possibility and effect of unfavorable occurrences. Olamide et al. believed risk management does not always lead to the positive financial performance of financial institutions. Although effective risk management in banks reduces systemic damages, it does not guarantee equity yield. Oluwafemi et al. (2013) studied the relationship between risk management practices and

bank financial performance measured by return on capital employed, debt to equity ratio, ROA, and ROE.

Oluwafemi et al. concluded that a significant relationship existed between Nigeria's financial institution performance and risk management. This result is consistent with Cheplel (2013), Lindner and Wendt (2013) and Soyemi et al. financial institution crises in Nigeria have shown that not only do banks often take excessive risks, but the risks differ across financial institutions (Stephen & Akele, 2014). Financial risk management can help decide the success or failure of the financial institution. During the global financial institution crisis, ineffective risk management practices were a possible cause (Purohit & Choudhary, 2014). Oluwafemi et al. stated that Nonperforming Loan Ratio (NPLR) might share the factors that cause low returns for financial institutions during their research period. These results are congruent with the findings of Yimka et al. (2016) and underscored those of Elshaday et al. (2018). Ernest and Fredrick (2017), Rajkumer and Hanitha (2015), and Hosna et al. found a negative relationship between NPLR and ROE. In this manner, the result disagrees with Marshal and Onyekachi (2014).

Brief History of Nigerian Financial Institutions

There was no banking in Nigeria until 1883 when Nigerians confirmed the African banking corporation, followed in 1884 by the British Bank of West Africa. The first was the Standard Bank of West Africa, which changed to the Standard Bank of Nigeria and became the First Bank of Nigeria.

Other foreign banks were established soon after the precursors of what is known as Union Bank of Nigeria Plc. The foreigners created these banks with international interests in mind, and therefore these policies were discriminatory against indigenous businesspeople who were denied credit facilities in these financial institutions. The indigenes shut out from participating in the mainstream of the Nigerian economy.

The resultant feeling of alienation fueled nationalists to agitate for their rights. Between 1926 and independence in 1960, Nigerians established not less than 26 financial institutions, and only three exist today. These were the National Bank of Nigeria, Wema Bank, and the African Continental Bank of the North. The effect of the collapse made the then government set up the patron's commission to investigate the failure of these financial institutions. The commission's report enacted the banking ordinance of 1952, which marked the beginning of financial institution legislation in Nigeria.

The ordinance of 1952 introduced legal requirements for establishing and operating NFI. It provided that no company can carry on a financial institution's business in Nigeria unless it holds a license for that purpose granted by the financial secretary. With the executive power conferred by the ordinance, the secretary became the pioneer supervisory and regulatory authority in the NFI subsector industry. However, the nationalist believed that addressing the banking industry's problem was a Central Bank that would play a broader role in the economy and assume the powers early conferred on the financial secretary. So, the Apex Bank Ordinance proceeded in 1958 with the following functions:

1. Issuance of a legal tender currency in Nigeria.
2. Maintenance of external reserves to safeguard the international value of the money.
3. Promotion of monetary stability and a sound financial system.
4. Banker and economic adviser to the federal government.
5. Banker to other banks in Nigeria and abroad.

In 1958 the CBN ordinance came into existence on July 1, 1959. After its establishment, the bank has gone through a series of legislation assuming more extensive powers and increased prominent loans in developing the country's banking industry. In 1958, the Banking Ordinance of 1952 was put back by the banking law of 1958. Under this enactment, the Federal Minister of finance transferred the power vested in the financial secretary by 1952 ordinance, whose function was to grant a banking license after consultation with the CBN. Upon applying for a financial institution, the Minister believed it was undesirable to give a permit in the public interest. He was obliged to report the circumstances to the governor-general in the council, who might direct the minister to revoke the institution's license and order it to close its business in Nigeria. In the 1960s, the CBN altered not less than eight times. The legislation was to strengthen the powers of the CBN, preserving its function under the 1958 Ordinance. According to the Act of 1968, integrated any foreign company operating in Nigeria under the Nigeria Companies Act.

Anyone wishing to establish a business in Nigeria became obligated to be incorporated in Nigeria and was subject to the provision of Nigeria company law. This requirement continued under the Companies and Allied Matter Act in 1990. The 1977 Act provided Nigerians must own not less than 60% of the equity or proprietary interest of the enterprises comprised in Schedule 2. Many financial institutions had to transfer shares to Nigeria to comply with the statutory requirement. The situation made Nigerians move most ownership shares to top management positions.

Also, there were high entry barriers that government policy and the existing legislation permitted. In the 1980s, financial institutions began to realize huge profits. There was public discontent about the quality of service they rendered. Therefore, there was a need for modernization and revitalization when Nigeria ended the Second Republic in 1983. Government regulation and control constituted a severe impediment to national development. Innovation and competition in the financial industry were lacking. The government introduced the structural adjustment program in 1986 to help the indigenes progress economically.

A general examination of a consolidated financial institution in Nigeria was in 2009. The Pan Reference Bank Dictionary of Economics (2010) defined consolidation as reinvesting a capital gain made on a speculative share in conservative security. Consolidation represents the idea of investment and the coming together of individual banks as a single entity. The CBN governor carried out the financial institutions' consolidation program in Sanusi tenor, and the committee was a joint committee of the

CBN and Nigeria Deposit Insurance Corporation. Their mandate was to conduct a unique examination of the consolidated banks involved in the universal banking model in Nigeria. Before mid-August 2009, the committee announced the investigation of the first ten commercial banks. It indicated that five of these commercial banks were insolvent or an empty shell. The commercial banks involved were Intercontinental Bank, Union Bank, Oceanic Bank, Afribank, and Finbank. The government of Nigeria facilitated consolidation to curtail the social cost that may lead to a bank's failure. The United States government agencies provided financial assistance to healthy financial institutions during the financial institution crisis in Nigeria. In a bid to resolve failed institutions, supervisory authorities forced the elimination and sale of banks establishments (Nwosu, 2013).

According to statistics, the aggregate percentage of nonperforming loans of these five financial institutions is at 40.81% of the total loans in the banks in Nigeria. The CBN said these five banks were illiquid (Alford, 2012). The CBN injected $420 billion (US$2.8 billion) into this financial institution in a subordinate loan to move the Nigerian economy forward. The CBN further involved the examination of the Economic and Financial Crimes Commission to prosecute the criminal activities involved in the nonperforming loans. The CBN used its discretion to dismiss three of the CEOs of these insolvent NFI.

The eight financial institutions recapitalized $620 billion (US$4.1 billion) by the CBN. The joint committee of the CBN and Nigeria Deposit Insurance Corporation

confirmed that the eight NFI wrote off a loan of 66% of their total capital. The CBN recapitalized this portion of the money. The same joint examination confirmed that Access Bank, Zenith Bank, Guarantee Trust Bank, and First Bank Plc received new equity. Similarly, Stanbic- IBTC, Standard Chartered Nigeria, Citibank Nigeria, and Ecobank were declared sound financially according to bank performance indicators. Consolidation attests to enhance synergy, improve efficiency, induce investors, and trigger productivity and welfare gains. The factors that discourage consolidation in Nigeria are:

- Regulation.
- Protection of national champions.
- Government ownership of financial institutions.
- Competition policies.
- Differences in corporate cultures.
- Lack of comparability of accounting reports.
- Corporate governance.

The Framework of Financial Institution Reforms 2009

The Central Bank of Nigeria's (CBN's) governor, Sanusi, a strategic risk analyst, was newly appointed after being the CEO of First Bank Plc. With his team of professionals, Sanusi came up with four strategic moves. The first was to change all NFI financial accounting years to give all the institutions an equal opportunity in the banking subsector industry. The second considered post consolidated was that the Central Bank

sought the financial institution in Nigeria to adopt International Financial Reporting Standards (IFRS) by 2012. The third was that the Apex Bank in Nigeria was pursuing accounting reform to improve disclosure to regulators, investors, and depositors on the financial health of Nigeria's financial institutions. The Apex Bank of Nigeria were directed at a unified accounting format of a business information reporting system for NFI to disclose all the necessary information in their annual financial statements.

The fourth decision made by the Apex Bank in January 2010 was to set up a regulation that limited the tenure of office of the CEO of a financial institution to a maximum of 10 years' service in the office. The aim was to avoid covering the situation of the infinity of the CEO of a financial institution in Nigeria as fraud committed by a CEO in-office can be substituted for an extended period. These rules became operational due to what the books of the insolvent financial institutions required in the joint committee of the consolidation exercise. Some of the decisions reached by the Apex Bank were to reassure foreign investors of the sincerity and integrity of the consolidation exercise and guarantee that all external credit lines and interbank placement among financial institutions would be safe in Nigeria.

Regulatory Protection against Financial Institution Failure

Financial institution regulation refers to the processes and procedures adopted by banking regulators to oversee, regulate, monitor, or control the activities of any or all banking institutions. These processes defined the parameters within which financial institutions should operate and subject them to specific requirements, guidelines, and

restrictions to promote market transparency between the financial institution and its customers. The Nigeria 2004 reforms are still seen as the most impactful in the country's financial institution regime, as they led to the consolidation of the various institutions by raising their capital base from #2 billion nairas to #25 billion nairas, and a reduction in the number of financial institutions from 89 to 25 in 2005. In Nigeria, through the CBN, the federal government created two strategic exits for a distressed financial institution to soften the effect of institution failure. The first step was making the Apex Bank a banker of last resort. In case of distress in the financial institution, repay the depositors with high deposit volumes through Apex Bank. The CBN would correct their losses. The second approach was to deposit insurance through Nigeria Deposit Insurance Corporation, which protects the depositor's fund against any potential loss if the financial institution becomes insolvent.

Bank Failure and Systematic Risk

According to Fontinelle (2019), systematic risk is a risk that is inherent in the entire financial institutions market segment. Fontinelle further stated that systematic risk is known as diversifiable risk, which affects the overall financial institution industry. This risk is difficult to avoid and mitigated through diversification completely. Risk in a financial institution occurs when the failure of a significant financial institution affects the entire subsector industry. Systematic risk occurs when a vital financial institution is connected by the interbank operation, permitting other financial institutions to lend

money. It is necessary to analyze what leads to a financial institution's failure to another financial institution, disrupting the entire financial sector industry.

Systematic risk is primarily unpredictable and generally viewed as difficult to avoid. The major causes of financial institution failure are lack of transparency among management insider abuse arising from loan officers and the executive directors. Also, capital inadequacy as most of the funds was abrading on nonperforming loans and other inherent financial institution risks, macroeconomic instability of the economy, critical gaps in the regulatory framework, weak economic instability market, and weak corporate governance. Adeyemi (2012) stated that capital inadequacy, lack of transparency, and substantial nonperforming loans are the major causes of Nigeria's financial institutions' failure. Similarly, systematic risk occurs due to the interconnectivity of financial institutions and the chain among the institutions. In comparison, the conveyed repercussions on the affiliated institutions in the cause of their transaction. Two perspectives are affected by this: length of time and size of exposure. Another aspect that involves the systematic risk is the derivative, a natural extension of traditional risk. Another issue is the knock-on-effects when an obligor defaults, causing a chain reaction that affects other financial institutions. Payment, settlement, and netting in financial institutions are identical.

After the world financial crisis in 2008, a systematic risk that emerged from the failure of financial institutions almost vanished from the developed countries (Schwartz, 2010). This spread of crisis from one bank to another is why financial institutions'

problem is contagious. Monetary authorities are concerned about the implications of instability in financial institutions and pay close attention through supervision and regulation to oversee and ensure health for institutions (Adeyemi, 2012). That is the main reason the government of Nigeria introduced a regulation policy to protect the weak financial institutions and provide equity for all the institutions in Nigeria. The Apex Bank interventions helped the eight financial institutions with the taxpayers' money and replaced the stakeholders' motive bearing in mind the protection of depositors' funds. The Apex Bank offset the effect of loss from systematic risk by creating an additional problem in saving the financial institutions from systematic risk (Adeyemi, 2010).

Basel Accords, Basel I, Basel II and Basel III

The Basel Accords have three banking regulations (Basel I, II, and III) set by the Basel Committee on Bank Supervision (Chen, 2019). Chen stated that the committee provides recommendations on financial institution regulations, specifically concerning capital risks, market risks, and operational risks. The accords made it compulsory that financial institutions have enough capital to absorb unexpected losses from nonperforming loan losses, fraudulent activities, mismanagement of bank funds, and insider abuses. According to Chen, Basel Accords was introduced over several years, beginning in the 1980s. The Basel Committee on Bank Supervision started in 1974 to provide a common understanding between its member countries on financial institution regulatory matters. The Basel Committee describes its original motive as enhancing financial stability by improving supervisory knowledge and the quality of banking

supervision worldwide. Later, the Basel Committee on Bank Supervision directed the vision to monitor and ensure the capital adequacy of financial institutions and the banking subsector system. The accords originated to ensure that financial institutions have enough capital to meet obligations and absorb unexpected losses. Basel III requires financial institutions to have minimum common equity and a minimum liquidity ratio.

Credit facilities risks are the largest sources of risks confronting NFI. For these institutions to manage such risks means measuring the credit facilities risks at a portfolio level to examine the amount of investment needed to set aside to cushion against financial losses. In an ideal situation, VaR's credit facilities risk is rhythmic, the quantity of portfolio loss distribution for a given confidence interval level. In 1992, the Basel Accord required financial institutions to make an 8% investment reserve on credit facilities risks creating support for possible losses arising from credit transactions. This special rule became known as Basel 1 Accord. There were categories of assets in 1988 (0%,10%, 20%, 50%, and 100%). Under Basel 1, financial institutions that operate internationally must have an 8% or less risk weight.

The revised capital framework is Basel II, which updates the original accord. The situation concentrated on three main areas:

1. Minimum capital requirements, supervisory review of an institution's capital adequacy and internal assessment process.
2. Effective use of disclosure as a lever to strengthen market discipline.
3. Encourage sound financial institution practices and supervisory review.

Due to the banking crisis of 2008, the Basel Committee decided to improve and update the accords: poor governance and risk management, inappropriate incentive structure, and an overleveraged financial institution sub-sector are advanced as reasons. Basel III continues the three pillars and improved requirements and safeguards. Pillar 3 involves risk management information disclosures hence enforcing market discipline among the banks. In essence, Basel III is a precise and concise set of reforms designed to strengthen the financial institution subsector's regulation, supervision, and risk management. It is the required immediate response to the worldwide global crisis and signifies the strengthening of the financial regulatory framework in the world. Comparing and contrasting the various articles and journals related to my study, Nigeria is a third-world economy. Thus, an issue relating to adhering to firm prudential guidelines and supervision of financial institutions, effective market discipline and excellent leadership in the financial institution has been critical to financial institutions' stability.

According to Ikpefan and Agwu (2015), the attribute of and expectation from a good leader, due mainly to the changing paradigm in financial institutions, optimizing the use of funds and building up a management information system for decision-making. Whistle better management of assets and liabilities and how leaders can rise to the challenges of Nigeria crisis stand underscored. Gberevbie (2016) suggested introducing formal education in ethics to ensure employees use practices to check against abuse. Abuse of office should be paramount to financial institution management. Samuel et al. (2018) stated that the entire cases of fraud and amounts involved were confirmed to have

a positive link with a comprehensive expected loss. Employee involvement and total loss established a negative and non-significant association. Samuel et al. further stated that their study found that credit abuse fraud is not a particular issue in Nigeria as in other African Sub-Saharan countries.

Tade and Adeniyi (2016) opined that less cash in the system would reduce the risk of cash-related crimes, foster transparency, curb corruption and leakages, and drive financial inclusion. Credit abuse is executed exclusively by employees in the banking system as it is pre-determined by the jobs these employees do and their understanding of the system. According to Furhmann (2019), financial institutions are generally free to determine the interest rate they will pay for deposits and charge for credit facilities. However, they must consider the competition and the market levels for numerous interest rates and federal policies. The CBN influences interest rates by setting specific stipulating bail and reserve requirements.

Nevertheless, commercial banks and microfinance banks do what helps them pay their bills monthly and leave some margin for their shareholders. Financial institutions include the prime rate. A rate commercial banks use for the ideal clientele. Usually, established a corporate account with a solid credit rating and payment history on federal and CBN stipulated rates. Generally, financial institutions like to borrow from the banking public, pay short-term rates for the depositors, and lend long-term to customers. However, this mismatch or use of short funds to finance long-term lending is one of the major causes of financial distress NFI. Segal (2019) stated that once a credit facility is

nonperforming, the odds that the customer will pay it in full are substantially lower. If the customer who owes resumes payments again on a nonperforming credit facility, the loan becomes a performing loan in this manner. Even if the debtor is unaware of all the missed payments, the loan is still not performing by the prudential guidelines.

Pinto et al. (2017) stated that profitability affects capital adequacy and financial leverage. The study did not ratify the relationship between the profitability and efficiency of the financial institutions. Hirtle et al. (2019) underscored the distinct role of supervision in mitigating financial institution sector risk. The ten significant banks understudy had less supervisory attention, leading to risky loan portfolios, less fraught, and slower growth, or profitability.

Zotti and Burra (2018) stated a relationship between financial institution performance and financial stability for non-cooperative financial institutions. Liang et al. (2017) said that earnings, a source assortment of banks, positively affect profitability but negatively affect the banks' operating efficiency and market valuation, hence exploiting an irrelevant change in the regulatory attitude towards bank diversification in 2008. The study showed that positive diversification-profitability relation before 2008 changed to negative. The diversification discount turned to a premium.

As an important sector in the financial landscape, the financial institution sector needs to be better to enhance its competitiveness and capacity to play a fundamental role in financing investment. The researcher examined the relationship between insider credit in NFI and high-interest rates in financial institutions' performance. The financial

institutions of Nigeria's literature show that the improvement of the financial institution subsector is motivated by the need to deepen the financial sector and improve the system.

Ajibo (2015) stated that the future of Nigeria's banking directive lies in a risk-based structure in line with standard best practices and the international governing system in the financial institutions. Assuming the recurrent distress and failure in the financial institution subsector, the dependence solely on a recapitalization master plan and information from rating agencies by managers and stakeholders to control the health of these institutions is less than satisfactory. Ajibo (2015) further stated that financial institutions have always been and will continue to be the fulcrum around which wealth in the world rotates even though studies have shown that the financial institution sub-sector that commenced in Nigeria in 1892 has been tumultuous. The act of control, naturally, necessitates the existence of a regulatory organization whose activity may include the setting of regulations and guidelines but must certainly, include ensuring compliance with rules and regulations that are in place.

According to Trujillo-Tejuada and Rodriguez-Lopez (2015), the microfinance sub-sector has distinguishing attributes and specific risks, demanding a recognized treatment applied to financial institutions in general. The main rules for products directed to the bottom of the tower to the specific property structure or institutional risks of the different banks providing microfinance services. The aim of microfinance supervision as

part of the banking system is the encouragement of assert reservation and the systematic allotment of wealth, safety, firmness, and soundness of financial providers.

The banking supervisory has other intentions apart from economic efficiencies, such as encouraging the financial sub-sector and growing financial involvement. The general banking rules intended to lessen all banking institutions without acknowledging any difference for microfinance products or organizations. Badejo et al. (2017) stated that the catastrophic effect demonstrates itself in the degenerating income statement and balance sheet of financial institutions and economic backwardness. The assessment to detect and eliminate fraud in the financial institution sector in Nigeria has been relatively unsuccessful as the fraudulent practices have swollen in recent times. Badejo et al. further stated that NFI should take the bank supervisors and their executive directors involved in the plunder of bank funds advantage to serve as a disincentive to prospective fraudsters. Financial institutions should adequately guard their officers to test their ethical values and trustworthiness before hiring them.

There is a rise in the number of bank employees involved in this behavior. The effortless attitude that most employees ignore discernment may motivate others to sustain fraud. Badejo et al. (2017) opined that fraud is known as responsive and intentional action by a person or group of persons with the plan of changing the truth or fact for selfish personal gains. Fraud, therefore, is the single bona fide threat to the financial institution's growth in Nigeria. The stakeholders are making concerted efforts to grapple with the central banks of Nigeria's mandate on recapitalization up to the required

minimum conventional standards. At the same time, swindlers are always at work, menacing and disintegrating their authorized share capital of the financial institutions.

Financial institution fraud always has a significant effect on the organizational growth of the financial institutions, resulting in bank distress. Fraud decreases the deposit base of the Bank. The financial institution's swindling always has a significant effect on the organizational growth of the financial institutions, which in most cases results in bank distress. Fraud decreases the deposit base of the Bank. The financial institution's sectors are one of the most censorious sectors in practically all economies of the world, arising from its far-reaching consequence on the immensity and management of economic development and transformation. In 2017, Badejo et al. stated that NFI risks losing the one-million-naira equivalent of US$2,816 every working day due to fraud prompted by different appearances and shapes.

The Nigeria Deposit Insurance Corporation (NDIC) statistics show that the amount of fraud in NFI was recorded as N15 341 million in 1989 but dropped to N854,46 million in 2003 and witnessed a rise in N4.07 billion in 2011. In the same way, the number of employees involved declined from 311 in 1998 to 85 in 2002 and rose to 498 in 2011. In sum, about 4,276 financial institutions' employees were directly or indirectly involved in financial institutions' frauds between 1998 and 2011. There is an increase in top executive management staff indicted or accused of fraud in financial institutions. An increase in the number of financial resources lost to fraud shows that fraud detection and administration have been ineffective. Hassan (2014) stated that microfinance bank

lending provides the means to promote and take advantage of agricultural revolutions to foster economic and human capital development. Whilst making the evolution process sustainable; hence an Islamic microfinance loan receiver makes a living by utilizing the local pool of resources to fortify the social capital.

First, the borrowers lack the literacy and necessary contacts to get loans for microfinance lending. Second, the loans are small and financially unsustainable because the transaction cost is high, the interest rate is high, and it is high risk because there is no collateral security to back up the loans. Hassan (2014) further stated that information that is unsound between the obligor and lender afflict most credit merchandise and the investor's inability to know the true credit benefit of the obligor. There exists a situation where the investor assumes riskier behavior once they give credit facilities to the obligor. The traditional problems in rural credit facilities delivery are low potential profitability and imperfect information. Nichols et al. (2017) stated that financial institutions that do not arrive at the answer from their qualitative and quantitative studies by assuming they know who their best customers are without any analysis are likely to identify the wrong group. Without a proper definition and procedure on what to do when a bank finds a high-value customer, the financial institution could be creating obstructions for itself in adding and retaining its most valuable clients. Not every prospect should be a customer, which means that at some point, one may have to tell a profitable customer that there's is no financial institutions for them, perhaps making an introduction to a competitor. Nichols et al. opined that managing a customer that does not fit the Bank's goals and

capabilities often drives up the cost and frustrate the customer. This situation hurts the financial institutions' brand, referrals for the banker, and the general morale of the employee. Nichols et al. further stated that there should be a focus on customer types and industries that offer both Bank and borrower a strategic advantage in the partnership, increasing the Bank's odds of success.

Lenders need to determine the obligor's interest rate risk position given an obligor's profitability. Interest rate risk is relevant from a loan structure perspective, and this information is essential for credit analysis. Financial institutions need to be transparent on knowing how the borrower's cost of debt service works concerning revenue and earnings as interest rates change. Nichols et al. (2017) conceded that understanding the structure of loan interest rates causes sensitivity on the entire debt portion of the capital structure, central to strong credit underwriting. Nichols et al. suggested bankers should ask enough questions and conduct deep enough analysis to determine the amount of global leverage over the projected life of the loan, how interest rates change, and best quantified as the duration that would impact those projections. Bankers who can deliver solid financial advice to the customer will always be in demand and garner a premium price for their services.

According to Pop et al. (2018), financial institution uncertainty establishes a crucial variable for both the supplier of products and services of the Bank and customer (any natural or legal person who uses products and services of the financial institution). The risk administration sector provides critical data in the presence of a decision-maker,

which can lead to great opportunity or threat to the financial institution. Customers should analyze the request from the financial institution subsector to access the risk exposure of every offer from the financial institution's portfolios. Nonperforming credit facilities have had a crucial role in financial institution stability and efficiency in the last decade. The nonperforming ratio became an essential measurement of credit risk because this risk is the most powerful in the financial institution sector. This ratio is crucial for establishing profitability versus uncertainty in this area. Because Pop et al. (2018) considered the relationship between the associated risks-administration decision nonperforming credit facilities or capital allocation, the emphasis was on the impact of the human resources strategy on operational and policy decisions. The Romanian financial institution sector is an attribute of state-owned financial institutions. This financial institution system is a relatively high level of nonperforming loans in Nigeria. In Nigeria, most of the banks are independent, and the financial institutions are high-level performing loans. Because the credit procedure is stringent, and there is proper loan monitoring. Both Romanian and NFI have an aggressive lending strategy because they aspired to attain market share after buying state-owned financial institutions.

Nonperforming loans are crucial assets in Romanian financial institutions to stick and adjust for banking objectives. In Nigeria, only performing credit facilities are essential for accessing the quality of a financial institution's balance sheet. Pop et al. (2018) stated that the split periods are in three folds in Romanian: pre-crisis, crisis period, and post-crisis. Nigeria's financial institutions are characterized by crisis and post-crisis

periods. Pelletier's (2018) research compared Nigeria credit abuse in terms of three different types of financial institutions and rated these institutions to the domestic financial institution in Sub-Saharan Africa:

1. The global locations of the financial institution from developed countries
2. Regional African financial institutions
3. Financial institutions from non-African emerging economies

The higher performance of global and emerging-market financial institutions is related to increased operational efficiency and lower cost of funding. There is no firm evidence of severance by business segments in the credit facilities market.

Oluwatoyin and Umogbai (2014) reported that many financial institutions offer short- and long-term credit financing to international businesses. Many nations have formed financial institutions backed by government funding to provide funds for export and import. In the United States, export-import banks, an independent agency of the US government, give financial aid to the export and import goods. Oluwatoyin and Umogbai further stated that NEXIM bank surety repayment of credit facilities that US financial institutions make to borrowers for purchasing US exports. Some limitations hamper the expansion of the export financing procedure in the availability of foreign exchange because of the tendency to import goods arising from an increase of domestic credit facilities resulting in a higher demand for imports.

In 2014, Oluwatoyin and Umogbai stated that using a particular database between Japanese listed companies and their leading banks found that companies contract export-

to-domestic sales ratio when their main financial instrument becomes unhealthier. This pattern is vital for smaller, non-multinationals and industrial companies that export primarily by sea. The more damaged economic defenseless sub-sectors exports provide historical evidence that more damaged during institutional financial crises. According to Peric and Konjusak (2017), the increase in credit facilities development, which is not acting by economic growth, can cause macroeconomic monetary instability and imperil assets quality in the future.

Peric and Konjusak (2017) stated that the difficulty of rapid credit facilities development and financial institutions system stability is not a problem specific to only the CEE nations. The Basel Committee on Financial Institution's supervision (2010) guided federal authorities on using a buffer of wealth to protect the financial institutions' sector from periods of excess aggregate credit facilities development that had often been analogous to the increase of system-wide uncertainty. Garcia-Feijoo and Jensen (2018) stated that the pattern of winners in bank performance outperforms losers by a notable amount in restrictive funding states of Europe. In extensive states, winners and losers discharge comparably.

Peric and Konjusak (2017) related that the contemporary financial emergency caused a substantial increase of nonperforming loans in the last few years, which created an unusual economic situation and provided an opportunity to test the effect of rapid credit facilities development on credit uncertainty in the CEE countries. The 1990s displayed the transformation from planned to market-oriented economies, through which

CEE nations went through many changes. The period was eminent by foreign capital inflow, foreign bank ownership, reforms of the banking system, and rapid credit development. Peric and Konjusak further stated that taking cognizance of the rapid credit growth before the distress and that the increase of nonperforming loans was more significant in the CEE than in other European countries. The nonperforming loans motivated the investigation, which influenced the CEE nations' credit development on credit risk. Peric and Konjusak stated that gross domestic product growth negatively impacts nonperforming loans in the CEE nations, not European nations. Although inflation is not statistically significant in CEE nations, it has a high significance level in European countries. Peric and Konjusak's focus from the usually investigated variables has been moved to earlier values of credit development when the problem occurred. Chen (2019) utilized the nonperforming loans in the balance sheets of financial institutions in China to justify his case.

Yahaya and Oni (2016) opined that the distress in NFI has created high numbers of nonperforming loans and the provisions made by the financial institutions that are in line with the CBN's guidelines, among other factors. Chen (2019) stated that in the process of lending, financial institutions encounter several issues of uncertainty. The most common difficulty that financial institutions face is default risk due to nonperforming loans. Yahaya and Oni (2016) showed that inflation, foreign exchange rate, and credit facilities to the private sectors are statistically significant with nonperforming loans. The gross domestic product and money supply have no affinity

with nonperforming investments of the deposit money to NFI. Yahaya and Oni stated that the collapse of financial institutions usually affects the economy in many non-positive ways. Hence, it reduces the credit flow in Nigeria, which majorly affects the productivity and efficiency of the business units. Because bank distress showed the stipulated volume of nonperforming loans, liquidity problems, and insolvency, the default in paying depositor's funds and inter-bank obligations becomes problematic. However, Sanusi (2010) stated that NFI showed great distress, which made the CBN bailout nine out of 24 banks with 620 billion in 2009 to prevent further bank failure in Nigeria financial subsectors. Yahaya and Oni (2016) stated that the administration of NFI's asset portfolios had remained a significant challenge as the issues of nonperforming assets are one of the many causes of bank failure, which was responsible for the consolidation exercise of 2005. The total of nonperforming loans in 2012 stood at 286.09 billion, which showed a 3.5% ratio of nonperforming loans to total loan assets in NFI exposure. Nonperforming loans create problems on the assets side for the financial institution sector's balance sheet and make an abnormal impact on the income statement due to loan loss provisions. In the same way, stakeholders may not receive market returns on their capital investments and can be responsible for a bank owner to lose asset quality completely.

Yahaya and Oni's (2017) research showed that exchange rate, inflation, and credit supply commercial are essential factors responsible for nonperforming in Nigeria. Other determinants of nonperforming loans are macroeconomic, financial institution-specific, and customer service. Peric and Konjusak (2017) opined those managers should pay

more attention to the likelihood that credit facilities risk can increase during the upturns in the economy and have a drastic effect on nonperforming loans. The loan control by initiating the previous value of credit development above the nation's averages in an observed year.

The positive effect of the interaction between credit facilities' uncertainty and financial crisis on nonperforming loans could explain why there was high growth in bad debt in the period under review. Amuakwa-Mensah et al. put forth those nonperforming loans have a notable effect on the bank-specific industry and macroeconomic variables. Amuakwa-Mensah et al. further stated that bad debts are primarily related to nonperforming loans and are responsible for establishing provisions that would decrease the balance of loans on the balance sheet and cause a reduction in net income because of the possible losses provision. The performance of financial institutions has a relationship with the quality of loans in the financial institutions. The default rate related to these loans has become widespread in the financial institution in Ghana. Amuakwa-Mensah et al. further reported that loans are one of the significant sources of income for the financial institution industry. Nonperforming loans are ogle as a critical cause of locked-up capital.

Umore et al. (2016) stated that non-repayment of loan facilities over a given period, which ranges within 90 days, constitutes what is known as nonperforming loans. The leading causes are:

- The financial institution creates excessive credit facilities.

- Relaxed credit facilities condition.
- Poor loans recovery strategies.
- Lack of good business cycles.
- Macroeconomic and bank-specific factors.

The percentage of nonperforming loans to total loans and advances of the financial institution system is a significant indicator of the viability of the credit system in the economy. Umore et al. (2016) said that over 60 financial institutions collapsed in Indonesia during the 1997 East Asian economic and banking crisis. The nonperforming loans covered large sub-Saharan African countries in the 1990s. Pop et al. (2018) considered all the details at their disposal in Romanian banks' specifics, macroeconomic, increases of nonperforming loans that are essential for financial institutions risk. Umoren et al. (2016) further stated that in 1995, the CBN classified half of the 81 local financial institutions as distressed. In 2009, six financial institutions closed due to the requirement related to lending to the uncertain sector with lower credit transactions. According to Amuakwa-Mensah (2017), statistics available in NDIC confirmed that in 2010, nonperforming loans in the Nigerian financial industry raised from 10.34% in 2006 to 15.95% in 2007. In contrast, the statistics declined 6.75% in 2008 and rose again to 38.80% in 2009 for the fours under review.

Allen and Jones (2018) stated that European markets for nonperforming credit facilities are becoming more active, with Italy and Spain accounting for most loan transactions. That transaction of nonperforming loans began to emerge in Greece in 2017

and Cyprus. The market has been active in Ireland banking. Greece's nonperforming ratio is still more than 40%. Less than 2% of loans in Germany are nonperforming. Allen and Jones further stated that the European banking sectors biggest problems are inadequate credit facilities and weak profitability. Italy is top among the countries leading in nonperforming loans. A high level of nonperforming loans is the main challenge in financial institution credit facilities management in all economies. The reform regimes in Nigeria were pre-consolidation and post-consolidation regimes. Adegbite et al. (2013) stated that stakeholders of the corporate governance system in Germany and Japan tend to be consistent with the Anglo-America stakeholder model. The principal element driving economies towards convergence to the Anglo-America model is the failure of the alternative shareholder model, which consists of three agents: namely, international organizations, rating agencies, and local institutions on the development of corporate governance practices and are inconsistent and being pulled by multiple of these agents. Adegbite et al. further stated that developed the governance system of unlike nations under strange circumstances, thus differences in the focus of the respective systems and later the yardstick of its effectiveness. The Anglo-America hypothesis and proposition based on the abnormality of highly developed countries might not effectively prescribe and determine the criterion of good corporate governance for a developing nation such as Nigeria. Pop et al. (2018) opined that the Romania country presumed that the cost implication dictates the profitability of financial institutions. Stakeholders are mounting

pressure on administrators to have higher performance because their income depends on bank performance.

In 2013, Adegbite et al. examined the master plans of three primary powerful convergence agents employed to spread their corporate governance model and its implications on corporate NFI. Adegbite et al. opined that a future study on financial institution corporate governance in Africa must be responsible for multiple external influences and possible disagreement of ideological transplantations. Paniagua et al. (2018) stated that practitioners in financial subsectors and administrators have contentious corporate and financial performance connections. Paniagua et al. are dependent on agency theory, which provides the theoretical foundation used to study the link between corporate governance and financial performance. The information provided by these researchers can help practitioners to blueprint corporate financial analysis and strategies in bank performance. Cai (2014) stated that the Chinese economy had increased, and the financial institution market has become more composite. The government used the four major national financial institutions to modify the macro-control. It mainly causes significant nonperforming investments and capital adequacy ratio for the large associated financial institution. Pop et al. (2018) probed the Romanian financial institution and concurred that budget deficit and public debt practically affect nonperforming loans. This correlation highlights those fiscal problems in these nations might lead to an essential rise of problematic loans. Cai (2014) further stated that the

critical question of the Chinese financial institution is that the lower the nonperforming loans, the higher the capital adequacy ratio of the four financial institutions.

Hu et al. (2016) stated that the Apex Bank in 2005 made a giant stride by pronouncing the central regulation that brought transparency and professionalism to the financial institution industry's activities and programs. Allen and Jones (2018) stated that the per cent of nonperforming credit facilities in the US shows the health of the financial institution system. The higher percentage of such loans shows that banks have difficulty collecting interest and principal on their credit’s facilities.

Akintunde and Akaighe (2016) stated that when the cost of a bank's sales declines and customer loyalty is at its lowest ebb, losing customers will have devastating effects on the Bank's performance in terms of profitable business growth and expansion. Akintunde and Akaighe further stated that this underscores the importance of customer retention in a keenly competitive banking environment. Omoregie and Kelikume (2017) suggested that no correlation exists between executive remuneration and financial institution performance. Omoregie and Kelikume examined the relationship between compensation and financial sector performance in 10 commercial banks in the country between the 2005-2014 periods. The banking sector does not determine the executive remuneration in Nigeria's financial institution sector performance. Omoregie and Kelikume's CEO remuneration in South Africa and bank performance in the banking industry show a positive relationship between CEO remuneration and financial institution sector market performance.

Akintunde and Akaighe (2016) presumed bank customers complain about the delay in their transactions in the Bank, resulting in long lines, few tellers at the counters, and inappropriate behaviors by some staff of the financial institution poor information dissemination. Omoregie and Kelikume (2017) stated that stakeholders need to ensure that executive remuneration is aligned with bank performance to debar financial institution executives from lavishly spending the resources in custody. Akintunde and Akaighe stated that the fact remains that customers are the primary resource that provides the conduit for business survival sustainability. The same customer is the main issue in the administration of the expectations and demands of customers to retain them for continued patronage. Akintunde and Akaighe argued that financial institutions should personalize customer relationships to allow each customer's need to be identified and treated congruently with their identified needs. Omoregie and Kelikume related that the financial institution's size does not determine the remuneration paid to directors of banks in Nigeria. The financial institutions' performance and capital strength suggest that factors other than financial institutions' performance variables determine the top executive remuneration in the Nigerian financial institution sector.

Ejike et al. (2016) presumed that NFI is failing to harness the technology responsible for the mass market, which has an opposing view to the performance of the banks. The effect will, in return, ripple into the affairs of a more vibrant business sector in the country. Izuchukwu et al. (2014) stated that to survive in the new technological environment, banks need to understand the challenges and opportunities and respond to

opportunities intelligently. Izuckukwu et al. further noted that their research showcases a competitive advantage in assessing bank employees' perceptions of change on job outcome variables using the technology, which serves as determinants for change success in the banking sector. Ojeka and Ikpefan (2011) reported that, consequent to the invention of electronic banking by NFI in the 1990s, the new generation banks like Zenith Bank and Guarantee Trust controlled the Bank's financial services delivery improved. Hence the Bank's clients had to spend hours in long lines in the banking hall to carry out a transaction to withdraw or pay money into their account.

Ojeka and Ikpefan (2011) presumed that change is the most significant room for improvement. Employers should enforce the employees to be compassionate to the online financial institution. Employees should have conversant training at intervals on keeping data private, which combines a numerical word to form the password. They need to be watchful about who stands by or behind them when using the ATM. In 2011, Ojeka and Ikpefan stated that it was impractical to bear in mind that infrastructure in Nigeria, as a base, could be on a condition that where a neighboring city could connect with an online financial institution if it were impossible to situate an internet facility in each town in Nigeria.

Paniagu et al. (2018) further stated that regression analysis and Poisson analysis helped understand the complex relationship between corporate governance and financial performance. The researcher found Paniagu et al. (2018) study on the agency that provided theoretical footing that their research was a link between corporate governance

and financial performance. Thus, the information gained from this study can help practitioners like chief financial officers and chief executive officers of financial institutions. Paniagua et al. examined corporate governance and economic performance in Nigeria. Adegbite et al. (2013) examined corporate governance in Sub-Saharan Africa and utilized Anglo-American theories and principles in highly developed countries. Abioye (2017) further stated that the recent economic recession has shown that the financial industry in Nigeria still nurtures weaknesses in governance, epitomized by instances of unclear rendition of returns corporate governance abuse such as unreported losses. There is a big exit package for directors, insider nonperforming loans, over-domineering executives, high-interest charges, contravention of prudential guidelines and lending limits, poor appraised credits, and weakening of shareholders' funds.

Summary

The essence of good banking is that proper risk management must be in place because financial institutions create wealth through the Bank's assets. The banks pay their employees and leave something for the stakeholders at the end of the accounting year. This chapter started by defining key concepts, risk management, and corporate governance. The second part reviewed the various kinds of risks in a financial institution, a brief history of banking in Nigeria and a review of the Basel Accord I, II and III to ensure it is regulatory. The researcher compared and contrasted peer-reviewed journals and articles related to credit abuse, high-interest rates, and nonperforming loans in

Nigeria's 10 major financial institutions. The analysis done here is particular to Nigeria's financial institution situation.

Chapter 3: Research Design and Rationale

The design of this research stemmed from the data collected from the survey and the analysis of financial statement data on financial institution performance in Nigeria. The dependent variable was credit abuse. The independent variables were high-interest rates and nonperforming loans. By obtaining data relating to bank performance in Nigeria and relating the main variables, I determined if high-interest rates and nonperforming loans were responsible for the non-bank performance of NFI during 2008 to 2009. Correlation and regression analysis connected with the research questions because the questions were designed to identify a relationship between credit abuse, high-interest rates, and nonperforming loans. The historical information showcased in the background information of Chapter 1 helped provide the required data that assisted in the survey. It was to affirm whether credit abuse, high-interest rates, or both are the root causes of nonperformance in NFI. It was possible to attest whether credit abuse and nonperforming loans advanced financial institutions' failure. This section will consider the historical analysis of bank nonperformance and a survey plan, complementing the historical analysis.

Marshal (2017) stated that the ongoing financial institution failure in Nigeria suggests that there is something wrong with the economic and monetary policies of the government that created room for these institutions not to comply. Financial institutions' failure in the 1940s to 1950s and 1994 to 2000 in Nigeria resulted in poor bank performance in the banking system. Further review of 1994 to 2000 showed that 33

financial institutions were reduced from 89 financial institutions in 2004 to 24 at the end of 2005 financial year. The consequences of the above situation are as follows: first, many people were hostile to the financial institutions’ business and kept large amounts of money outside the financial institution industry. The implication is that the financial institutions’ ability to operationalize the government's monetary policy was constrained. Second, the exercise threatened the banker-customer relationship as most people lost confidence in the banking sub-sector. Third, the distress in the economy tended to reduce the rate of economic growth.

Corporate governance has become essential in the present situation where credit abuse is increasing, resulting from increased fraudulent activities among credit officers and executive directors, agency conflicts, and insider trading. These weaken corporate performance (Enobakhare, 2010). Other challenges ranged from a persistent breach of the governance rules to failure of corporate governance regulators to balance some of the practices in financial institutions that resulted in the exposure of the oil sector. The oil sector involved large nonperforming loans and high-interest rates that resulted in wrong decisions during the 2008 and 2009 financial crises. In recent times, the downfall of Enron in 2001, the Bank of Credit and Commerce International and World com are the band Basic bank scandals in the banking sectors of Bangladesh. These represent types of corporate failure because of the lower efficiency of corporate governance.

The CBN’s regulation on bank performance assisted the board in discharging its duty to review the loan portfolio quality (Najjar & Belghitar, 2011). The loan committee

of the banks should imply strong independence and transparency from the board of directors and communicate to all employees the risk strategy and risk appetite or tolerance of the financial institutions. Grove et al affirmed that the extent of competence of the board structure is positively associated with financial performance.

Most of the problems that prevented worthy bank performance can be categorized as credit abuse, nonperforming loans, high-interest rates, poor governance, and lack of banking ethics among the credit and banking officers. Most of these institutional factors are either managerial or operational. Other factors identified could be lack of adequate working capital needs, board intervention in the active process of the financial institutions, and inadequate regulations and implementations. Credit abuse, which comes from poor governance, lack of banking ethics, and board interventions in the loan procedures are responsible for nonperforming loans, which was the dependent variable. In contrast, nonperforming loans and high-interest rates may be accountable for non-bank performance in Nigeria financial institutions (Zimmermann, 2017).

Data Collection Strategy

The survey targeted specific top executive management team members who comprised the population of the respective financial institutions with the requisite experience in credit abuse, high-interest rates, nonperforming loans: poor corporate governance, banking regulation, board intervention, and lack of oversight of banking ethics. The study used a self-direct distribution channel and a web-based survey instrument to complete the survey. The two main collection strategies were a direct self-

administered system to complement the web-based program and the physical follow-up of the research instrument to ensure proper completion and accelerate the chances of the success rate of raw data collection. I obtained the email addresses of the top executive management in each financial institution and contacted them to direct them to the website page, complete the survey instrument, and submit the form upon completion. Using the web-based survey was cost-effective, enhanced the speed of data collection, and provided easy access to the survey form. The web-based program survey provided the required confidentiality/privacy appropriate for the research exercise and cost-effectiveness. The web-based program helped coordinate the respondents in the research and direct them to the online survey.

The study generated questions from a survey designed already established. The survey instruments and respondents' responses reflected each of the variables in the study. All reactions were measured using a five-point Likert scale. These scores range from 1 for *disagree* to 5 for *strongly agree* with each statement in the survey instrument. High-interest rates and nonperforming loans variables may lead to credit abuse. Lack of banking ethics among the credit officers, non-positive board intervention in the credit policies, and non-experts in-house relating to some industries where the banks invest their money may lead to nonperforming loans.

Methodology

The study used primary and secondary data. The analysis used the ordinary least square method for the preliminary data collected for the study. The study used these data

to estimate the numerical value of the secondary data. The analysis classified the data obtained in the primary data analysis between 1-5. The preliminary data analysis for both the multiple regression and correlation analysis is used to determine the correlation of the variables and test the study's hypothesis. The reliability analysis procedure provided information about the correlation between the individual variables on the scale.

The study used Cornbrash's alpha to equivalent reliability to estimate the internal 'consistency based on the coverage for inter-items correlation. Cronbach's alpha is a function of the number of items in a test, the average variance between item pairs, and the total score variance. The expected result suggested that all items are higher than the minimum requirement, less than 0.40.

Sampling

The frame of the population of 500 bankers, with 200 sampling units and the intended three stages, involved data collection, analysis, and application of the study results. The sampling accuracy depended on the sampling frame (Likert, 1932) was considered. The survey intended that the responses be a cave in into condensed categories. The analysis formulated a template based on the data obtained and input into the SPSS software to generate both the regression and correlation output for analysis or calculated mannerly. The Likert scale was used to Likert data generate continuous data. Likert is at the level of 1 to 5, which is strongly agreed, disagree, and strongly disagree. However, treating Likert data as continuous at the scale level is more accessible, but compiling items can create more variability and more possible data points to be more

comfortable. Compiling articles created more variability and more possible data points to make the collected data more continuous (Allen & Seamon, 2017).

The data collected for the study related to the four research questions represented both the dependent and independent variables. According to Kim (2018), selecting a sample of participants representing a study population is critical.

For scholarship purposes, I will use 0.4%, as against 0.80%, which makes it more realistic considering the nature of the study, which is credit abuse, high-interest rates, and loan performance in NFI. Keeping the power at 0.40, the α level at 0.05, the effect size at 0.3, using the G* power gave a sample of 200 from a population of 500. The conversion of Ordinal Likert Data into Interval or Scale Data; the transformation's controversies could be justified when first converted the Likert data into continuous data.

Population and Research Design

Considering the nature of the data, population composition, and data collection spread, I chose the survey design to complement the financial statements of the ten major financial institutions. The target population was the bankers who were:

- Top executive's management.
- Especially credit officers.
- Senior credit analyzers.
- Loan managers.
- Relationship managers.
- Divisional heads of credit and marketing managers.

Also included are assistant general managers, general managers, executive directors, chief executive's officers of banks, executive directors, the governor of CBN, and the Nigeria Deposit Insurance Corporation management team. The population used were from the NFI of 500 senior bankers related to credit analysis. The study elected a research survey design because it was economical and allowed a rapid data collection procedure.

Given the large population of 500 bankers, the study looked for 200 sample surveys to return for the research analysis. Hence this survey strategy benefited achieving 40% of the entire population. A G*Power was used to determine the sample size. I obtained financial statements from financial institutions' income statements and balance sheets. The survey forms for data were given out and collected through a self-administered survey instrument with internet survey collection. The study created a web page. By obtaining email addresses of some of the bankers I was able to attract participants to complete their forms online. These surveys were collected and analyzed for research and opinions based on the analysis.

Credit Administration Questionnaire

Please answer the first 6 questions from a scale of strongly disagree to strongly agree. (1) Strongly disagree, (2) slightly disagree, (3) neutral, (4) slightly agree, (5) strongly agree.

1. Loan officers command respect and behave very politely when transacting business transactions with customers?

2. Do you agree that employees should be well-dressed/neat in the banking sub-sector before attending to customers?
3. The banking institutions show sympathy and reassuring when the customers have problems after loan disbursement?
4. Do you agree that your financial institution should segment their institution's asset size?
5. It is unrealistic to expect employees to fully understand the needs of the customers and their business working cycle?
6. Appearance of the loan officer and their remuneration should be consistent with the nature of the job they do so as not demand illegal money from customers?

Please answer the next questions from a scale of Poor to Excellent.

Poor (1), Average (2), Good (3) & Excellent (4)

7. How do you rate loan and banking operations officers on willing to always help customers?

Please answer the next questions Yes/No.

8. Does the financial institution meet up with their promise time frame for loan disbursement in your financial institution?
9. Have you ever appraised credit that has high interest rate and high processing fees?

Open ended Questions

10. What strategies are financial institutions in Nigeria adopting to increase funding?
11. When your financial institution needs short- term liquidity, where does it turn to?
12. What have you found to be the most effective strategy your institution utilizes to attract short term and long-term loan customers?
13. Have you ever written credit appraisal or approved a credit analysis that is skewed towards the customers?
14. Has your bank ever drafted a recovery agent to recover a loan from a customer of the bank?
15. Has your bank ever provided for a loan in compliance with banking institutions provisions?
16. What else would you like to add that is not part of these questions?

Converting Survey Data (Likert) Into Interval or Ratio Data

The methodology used by researchers can convert that to data obtained from the Likert scale into scores on which correlation and regression can apply by generating a composite or subscale and summing item responses across participants. Likert scales are used to measure abstract concepts by causing several statements and procuring answers in 7-scale alternatives with inherent order. The five responses were weighed in decreasing order from 5 to 1 to use a broader scale.

The Limitations of the Use of Likert Data in Regression Models

The limitations in Likert data to interval data are the main challenge in analyzing the data obtained. However, it is not easy to convert Likert scales scores into continuous

data per se. Likert treats the data as serial data for the analysis. It means the mean and standard deviation are invalid parameters for descriptive statistics whenever data are on ordinal scales, as with other parametric studies based on the normal distribution. Also, the study grounds this nonparametric procedure on rank, median, or range appropriate for analyzing these data. When data are analyzed using means where gaps are left, there could be misleading conclusions leading to wrong mean averaging. In most cases, this provides a lower than the average result, which is different from the actual distribution of the responses (Allen & Seaman, 2012).

Secondary Data in Methodology

The study collected secondary data from the financial statements of 10 major NFI on credit abuse and nonperforming loans for 2008. The research study used the data of the consolidated and recapitalized financial institutions. It included the eight financial institutions that were tagged illiquid and which the government drafted the Central Bank team to take over their management after the CBN bailed them out.

Data Collection

Data was grouped into two sections, primary and secondary data. Primary data is the data collected from the survey and carried out by the bank officers and secondary data is data collected from the financial statements of these 10 significant banks understudy. The methodology adopted determined a relationship between credit abuse and high-interest rates and nonperforming loans. The least-square was used to predict the behavior of the high-interest rates and nonperforming loans and estimate the parameters of the

primary data with multiple linear regression models and correlation coefficients to test the research hypotheses. At the same time, the secondary data consisted of the financial statements of the various financial institutions that were under review to determine how the banks performed during that period. These were applied to match the hypotheses and answer the research questions.

The primary data for the regression and correlation analysis was used to determine the relationship between performing and nonperforming loans in the financial. Multiple regressions were used on the secondary data to affirm the relationships between the variables of nonperforming loans and high-interest rates. A ratio analysis was performed to determine if the key performance indicators confirm whether a bank was solvent or insolvent. The study results might guarantee whether credit abuse and high-interest rates were also responsible for nonperforming bank loans if credit abuse was the root cause of bank distress. Suppose a correlational relationship existed between nonperforming loans and high-interest rates in the NFI.

The secondary data was made up of the financial statements of the 10 banks to determine the key performance indicators; ratio analysis asserts quality, financial leverage, general analysis of income statements, balance sheets and their effects on the respective banks. Correlation and multiple regression analysis were used to evaluate the relationship between high-interest rates and nonperforming loans. The regression analysis determines a relationship between credit abuse, high-interest rates, and nonperforming

loans. The study will help to predict the score of the credit abuse variable from the high-interest rates and nonperforming loans in the study.

Measurement and Operational Definition of Variables

It was essential to determine the variables that represented these primary constructs, known as independent variables. How dependent variables are associated with each independent variable can also be measured like the main variables. Nonperforming loans were the proxy variable for the credit abuse and equally the dependent variable. The independent variables were the high-interest rates and nonperforming loans. The value of a nonperforming loan is the ratio of nonperforming in individual banks. The study can obtain the mean weight at risk (VaR) in mathematics for all the financial institutions. The ideal situation is a 5% quarterly profit and loss measurement.

In 2001, Jorion stated that VaR represents the worst loss over a target horizon with a given confidence level. VaR represents the quintile of the projected distribution of gain and losses over the target horizon. Since x was the known confidence level, VaR corresponded to the 1-x lower tail levels. The study adopted a 95% confidence level. If the VaR exceeded 5% of the total number of observations in the distribution, The study could equally estimate the VaR by using nine-quarters of profit and loss data for each bank in the last two years. The nonperforming loan ratio was a ratio of nonperforming loans to total loans. This ratio showed how nonperforming loan behavior related to all the financial institutions' resources. A higher nonperforming loan showed that these institutions took more risks in their loan booking facilities and investment decisions. The

Apex Bank, the controlling bank in Nigeria, insists that commercial banks maintain their nonperforming loan rate of less than 5%. In this wise, the ratio of the relevant proxy was for both nonperforming and high-interest rates in the NFI of 10 significant institutions.

Business risk can be pre-determined by the standard deviation of return on an asset using nine overlapping periods on quarterlies. The study could equally use the return on investments for overlapping data. Capital asset returns were castoff as a proxy for corporate governance, and capital divided by risk-weighted average assets determined this. The CBN insists that financial institutions reserve a minimum level of CAR at least 8%. In 2004, Konishi and Yasuda stated that implementing the capital adequacy requirements of the capital adequacy requirement reduces risk-taking of NFI. In 2006, Supriyatna generated a model that showcased how he found complex corporate governance values on financial institution grouping. Supriyatna developed six dependent variables in assessing corporate governance in financial institutions. They are stated in this research as follows:

Capital Ratio:

Capital ratio = Loan Loss Provision + Equity/Total Loan

Cash Claim on Central Bank:

Cash Claim on Central Bank = Central Bank Account/Total Deposits

Secondary Reserve Ratio:

Secondary Reserve Ratio = Marketable Security/Total Deposits

Loan to Deposit Ratio:

Loan to Deposit = Total loan/Total Deposits

Loan Loss Provisioning:

Loan Loss Provisioning = Allowance for losses/ Total loans

Fixed Assets and Inventories to capital:

Fixed Assets and Inventories to capital = Fixed Assets and Inventory Capital

ROE (proxy for credit abuse) and Net Profit Margin (bank performance)

ROE: Earnings/Common Equity Net Profit Margin:

Net Profit Margin: Net Profit Margin/Operating Income

In this research study, three fundamental issues that desired to respond: 1) nonperforming loans, high-interest rates as it affects credit abuse, and non-positive board intervention in the credit policies of the financial institutions; 2) whether there was a relationship between these variables, and 3) whether there were some silent causes of financial institutions' failures other than credit abuse as the root causes of the financial institutions' failure.

Data Analysis Method

The study utilized a multiple regression model to determine the relevant influence of high-interest rates on nonperforming loans. The SPSS generated tables and figures giving leads on the relationship between the output variables. The regression analysis was used to determine whether the dependent variable had an affinity with the outcome (ROE) proxy variable for bank performance. The coefficients (beta-values) showed the

relationship between the known high-interest rates predictor and the nonperforming loans predictor variable, where the credit abuse predictor was positive. To determine if there is a significant relationship between independent and dependent variables, a p-value of less than 0.05 was used (i.e., the high-interest rates significantly contribute to the model). The greater the high-interest rates and credit abuse contribution to the outcome. The value of r to the power of 2 in the SPSS showed an output squared the correlation. While in between the observed return on equity and the importance of bank performance of nonperforming loans. It could equally predict the affinity of the combined effects of the nonperforming loan and the high-interest rates.

The questions focused on the high-interest rates, nonperforming loans, and credit abuse. Likert ordinal data from the institutions' performance were part of the alternative answers. The study changed the scores' scaling between 1 to 5 into quantitative data with repressible functions. The dependent variables were the responses to nonperforming loans, high-interest rates, and other factors to financial institutions were credit abuse. The reaction to credit abuse was a dependent variable. The study revealed these three scales of variables in functional relationships and multiple linear regression models, which parameters were estimated and evaluated to operationalize and test the research hypothesis. The study used the ordinary least square method to estimate the numerical values of the model parameters to obtain relevant statistics for further analysis. Correlation and regression analysis were castoff to determine the relationship between credit abuse and loan performance and other silent causes of institutions' failures.

The secondary data obtained from the ten banks' financial statements determined the independent and dependent variables expressed in ratios. The coefficient parameter was estimated using the ordinary least square technique, which aided in eliminating the econometric assumption problem. The independent variable for nonperforming loans as credit abuse was selected using the return on equity as the dependent variable. The independent variables were:

- Capital adequacy ratio (CAR) as a proxy for credit abuse.
- Mean value at risk (VaR) proxy for nonperforming loans.
- ROE proxy for bank performance.

The dependent variables were high-interest rates, capital ratio, cash claim on the Central Bank account, secondary reserved ratio, loan to deposit ratio, loan losses provision, and fixed asset and inventory capital interplay with each other in the analysis.

Secondary Data Analysis Using the Regression Equation

Using the established regression equation, the multiple regression model was used in the study for primary data collected from the respective financial institutions. The study applied the ordinary least square (OLS) techniques to consider the independent variable obtained on the primary constructs estimating the coefficient parameters.

Validity and Reliability

The validity of this research study depends on the extent to which a study concept is rhythmic in this quantitative study. While reliability is the extent to which this study

instrument consistently has the same results if castoff in the same situation repeatedly. Some variables could either be dependent or independent. The measurement procedure needs to be appropriate to measure the blocked variables. The validity of the measurement was concentric with the nature of the variable studied. The essence of the truth of the size of the instrument was to ensure that the validity will help conclude after testing the hypothesis. Frankfort-Nahmias (2019) stated three basic types of validity tests: content validity, empirical validity, and construct validity. Each relates to distinctive evidence and unique value to the instrument.

Construct validity correlates the measuring instrument to the general theoretical framework to ensure it is empirically bound to their employing concept. The empirical fact looks at the association between a measuring device and the measured results. Content validity guarantees that the instrument has addressed all allocated ideas. To utilize each aspect of the three types of variables (credit abuse, high-interest rates, and nonperforming loans) stated above, this research study will adopt the three types of validity, which adopted Pearson's correlation coefficient to test the truth. The above measurement consists of the correlation analysis between each construct variable and the total score of the items in each variable.

Forensic Accounting Audit

According to Krouter (2017), forensic accounting applies to legal cases to answer the question regarding damages, generally with an economic bearing or where there is a concern expected by a company potentially experiencing fraud or suffering from

deficient internal controls. The forensic accountant became a detective uncovering evidence to prove the existence of a crime. At the point of inception, the Nigerian banking industry implemented financial reforms in 2009 by the CBN in conjunction with the NDIC. The Apex bank injected close to $2 billion by engaging international audit firms like KPMG, Price Water House Cooper, Auther Anderson, and Akintola Williams Dolomite to review the financial institution's financial statements of these institutions in Nigeria. With the view of producing accurate and reliable financial information to develop a more precise record of their operations (CBN, 2011, Annual Report). This exercise was in the form of a forensic audit of NFI. This forensic exercise helped generate databases on financial institutions in 2010 and 2011. They were considered valid or reliable (IMF Banking Reform report, 2011). This exercise contradicted reports of financial institutions in 2008 and caused the declaration of eight of the operating financial institutions to be empty shells and illiquid.

Banking Reform Exercise by International Monetary Fund

According to the International Monetary Fund (2019), a country's financial system includes its banks, securities markets, pension and mutual funds, insurers, market infrastructures, central banks, and regulatory and supervisory authorities. The IMF presumed that these institutions and markets provide a framework for carrying out economic transactions and monetary policies and help channel savings into investments, enhancing economic growth. However, the recent analytical work by IMF staff point to crucial links between theory financial stability, financial depth, and financial inclusion.

The IMF promotes financial system soundness in member countries through its ongoing bilateral and multilateral surveillance, the design of its lending programs, and provisions of technical assistance.

The IMF team was involved in the financial institution reform exercise in Nigeria. After the training, they recommended the model to other developing nations (IMF, 2019). This reform became imperative as the CBN governor in 2019. He gave the financial institutions oversight functions in line with the Basel Committee on Banking Supervision rule in the Basel III document in 2015 to improve risk management corporate governance in financial institutions to strengthen financial institutions' transparency and disclosures.

The returning governor of Emefiele of CBN for 2019 executed strategic moves for reforms in the financial institutions, which emphasized the consultative documents that the committee responded to as to the financial system the G20 leaders endorsed. Further cross-checking the figures were generated by the supervising agencies such as the CBN and NDIC as they related to capital adequacy ratio (CAR) as a proxy for credit abuse, value at risk (VaR) representing risk management for nonperforming. Some international financial experts appraise chief risk officers (CRO) representatives for ERM on financial ratios. One of Supriyatna's (2015) accomplishments developed a model to obtain the composite value for credit abuse for financial institutions based on the bank category. Supriyatna (2015) uses six dependent variables that are important in assessing corporate governance in financial institutions.

Validity for Primary Data

The figures obtained from the primary data were used to check the data from Central Bank from Nigeria and Nigeria Deposit Insurance Corporation on the main variables: nonperforming, high-interest rates, capital adequacy, value at risk, return on earning, and critical performance indicators checking the validity of the primary data. The definitions of the variables were used. It was pertinent to check the measurement precisely for what they claimed to measure. The primary intention is to test the least square model in the quantitative study. The study considered two validity issues related to constructing and content validity. Construct validity seeks to measure "the degree to which a test measures what it claims or purports to be measuring." Construct validity is the agreement between the concepts expressed in a study. It deals with how the study research converts the initial thoughts of the investigation into existing programs. Construct validity considers an overreaching term to assess the measurements procedure to measure the study's constructs that incorporate several forms.

In contrast, content validity refers to the extent to which the items on a test are relatively representative of the domain of the study. The component of the primary constructs is to align with the secondary data provided by financial institutions, which was the financial statement. This validity test assessed how complete the data were to the questions and objectives, looking at measurement validity and the covered financial institutions. A review and evaluation measured the suitability of the data after confirming its authenticity with the CBN. The secondary data's validity was essential to consider the

relevant forms of reality: criterion-related and content validity, the criterion related to the velocity which measure relates to an external standard. Content validity refers to how much an action covers the range of meanings. The construct validity confirms that the study instrument must display construct validity, whereas the empirical fact looks at the measuring device and the measured outcome in the study. A reliability issue was scrutiny as a measurement error variance issue. The study adopted the secondary data obtained from the 10 NFI to avoid doubts about the authenticity of the figures. These figures cross-examine with the CBN to ensure genuinely.

Validity for Secondary Data

Because the financial statements of the NFI were in a bid to meet the regulatory requirements in making returns to the supervisory agencies like CBN, NDIC, and SEC, this situation was most prevalent during the distressing period of NFI. However, this situation eased when the CBN and other supervisory agencies increased their monitoring and enforced the various guidelines and new reform strategies. The triangular process ran through the Apex Bank, the NDIC, and the SEC. The study used only data from the financial institutions and used their financial statements for the analysis. The study made concerted efforts to cross the data collected with Apex Banks that the commercial banks rendered their monthly returns.

Summary

The study distributed 500 survey instruments to top executive officers, hoping to return 200. The data collection strategy adopted was a web-based survey and direct distribution channels of the survey instruments. The study explained the data collected for the primary and secondary programs with the dependent and independent variables.

Chapter 4: Data Analysis and Findings

Introduction

This chapter analyzed the data collected from the respective 10 NFI. The goal was specifically to determine if credit abuse, high-interest rates and nonperforming loans were responsible for the poor performance of these 10 NFI in this study. It is crucial to restate the two research questions that form the primary construct of the hypothesis of this study. These two research questions were:

(a) RQ1.

What was the relationship between credit abuse and nonperforming loans in NFI?

(b) RQ2.

What relationship was between insider abuse and high-interest rates in the 10 Nigerian significant banks?

The distinction between credit abuse and insider abuse is that credit abuse relates to credit processes or procedures in the bank. Insider abuse was abuse that the bankers practiced because of their privileged position in the bank, and it may or may not relate to credit processes directly in the bank. Insider abuse is like a set. Credit abuse is a subset of the bank. Since my independent variables are highly correlated, how I controlled that was to combine the independent variables by adding them together linearly. The two questions listed above asked if there was a significant relationship between credit abuse, high-interest rates, and nonperforming loans in the NFI. Chapter 4 deals with an analysis of the primary and secondary data of the study. The preliminary data were from 200

survey instruments returned by the bankers of the 10 NFI out of the 500 survey instruments sent out for this study. Presented in this chapter was the primary data analysis from the banker's bio data. They showed a descriptive analysis of the data on each leading design based on the Spearman Rank Correlation, which led to the conclusion of the relationship between the main variables under study. The primary data collected was used to analyze the regression model and determine the relationship between the variables that test the hypothesis of this research study.

This analysis helped me determine if a variance in the independent variables (nonperforming loans and high-interest rates) influenced the dependent variable (credit abuse). At the end of the study analysis, the variables in this study assisted in establishing whether the alternate hypothesis (H1) of the study should be accepted or if the survey should reject the null hypothesis (Ho). The study interpreted the analysis result based on the regression and correlation analysis results.

The study obtained secondary data from the financial statements of the respective NFI. The study received other data sources, including empirical studies of the NFI industry, particularly those that examined the various causes of credit abuse and high-interest rates that propelled loans made by the financial institutions into the not perform well classification in the past years. I obtained Walden University IRB conditional approval on February 2, 2021, 0138950 and final approval on April 19, 2021 to conduct this research, and personally collected the data from the 10 NFI.

Analysis of the Primary Data

The study distributed 500 survey instruments bank-wide to the 10 selected NFI, and 200 were completed and returned to me. The researcher adopted a face-to-face distribution channel for the surveys to the various branches of the 10 financial institutions. A web-based survey was designed for busy bankers to complete and return on their own electronically. The geographical areas in which I concentrated were cities Lagos, Abuja, Port Harcourt, Aba, and Uyo and their environs.

Banking Departments

These were highly populated cities with the most branch networks of the NFI. The data collected related to the two questions: the purpose of the study the indicated variables representing the dependent and independent variables. For this analysis, I used the various departments of the banks where these bankers worked, namely credit and marketing, banking operations, internal control and supervision, financial control and audit, and the chief executive officer's office. All these classes of bankers were involved in the bank's credit processes. The responses received from these departments are shown in **Error! Reference source not found.**.

Table 1-1. ***Banking Departments***

Department	**Surveys Returned**	**% Of Whole**
Credit and Marketing	60	30
Banking Operation	42	21
Internal Control and Supervision	30	15
Financial Control and Audits	46	23
Chief Executive Office	22	11
Total	200	100

Employment Qualifications

Most respondents held diploma certificates, graduate degrees, and post-graduate degrees some held professional certifications from the Institute of Bankers of Nigeria and the Institute of Chartered Accountants of Nigeria (Table 2). Most heads of credit and marketing departments were male officers (nominal scale). The banking operations officers were primarily female. Individuals were asked questions about their certifications before the distribution of the survey.

Table 2. ***Employment Qualifications***

Educational Qualification	**Held**	**% Of Whole**
Diploma Certificate	21	11
Bachelor's Degree	30	15
Master's Degree	38	19
Doctorate	20	10
Non-disclosed	91	45
Total	**200**	**100**

Designation Status in Financial Institutions

I gathered from bankers who were available during the 2008-2009 banking crisis in the NFI. These bankers participated in the credit and marketing process, prepared the credit appraisal, were involved in loan interviews, recommended credit approvals, possessed credit approval rights and were involved in the loan recovery process for the 10 NFI (Table 3).

Table 3. ***Designation Status in the Financial Institutions***

Designation in Financial Institution	**Count**	**Percentage (%)**
Credit Monitoring Offs/Asst. Mgrs.	80	40
Head Credit & Marketing/Dept. Mgrs.	40	20
Divisional Head/Bank Supervisor	30	15
Internal Control Officer/Mgrs.	30	15
Executive Director	20	10
Total	**200**	**100**

Work Experience in Credit and Marketing/Loans Handling and Approval Processes

The analysis of Table 4 shows that the number of participants with 13-18 years of experience in banking/financial institutions was in the majority: 120 (60%) of the total sample population. There were 70 (35%) with 19-24 years of experience in the banking/financial institutions of the sample population. Only 10 (5%) of the sample population had 25- 30 years of experience in banking/financial institutions. A further review showed that those bankers who had the most experience were in the top

management positions of their respective financial institutions and would be due for retirement soon. Overall, the bankers who had more years of experience were in the approval cadre. This credit administration area required more years of experience to approve loans and complete the loan workout identifying general credit abuse issues. In this area, the study attempted to analyze each question in the survey. Also determine the relationship between the review of the facts and the respondent's comments. The survey is on the banking crisis in 2008-2009, 13 years ago. Any banker who was not in the banking in 2008-2009 was not allowed to complete the survey. The table has been changed to 13-18, 19-24 and 25-30 intervals to reflect the correct participation of these bankers.

Table 4. ***Years of Experience in the Nigerian Financial Institutions***

Years of Experience	Number of participants	Percentage (%)
13 – 18	120	60
19 - 24	70	35
25 – 30	10	5

Do Loan Officers Command Respect and Behave Politely When Completing Customer Business Transactions?

From 500 surveys distributed to bankers within the 10 commercial banks in Nigeria, responses were 207. The study discarded seven of those 207 responses that did

not correctly complete. However, from the survey forms adequately completed, six bankers strongly disagreed with the question, 20 bankers were neutral, 24 bankers slightly agreed to the question, and 150 strongly agreed that loan officers commanded respect and behaved when completing business transactions with customers. Since 150 bankers strongly agreed with the statement, it was correct to conclude that loan officers command respect and behave politely when completing customer business transactions (Table 5).

Table 5. ***Do Loan Officers Command Respect and Behave Politely When Completing Customer Business Transactions?***

Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
6 (3%)	0	20 (10%)	24 (12%)	150 (75%)

Do You Agree That Employees Should Be Well Dressed/Neat in The Banking Sub-Sector Before Attending to the Customer?

According to Richard (2019), when an officer dressing is interesting, the customers can see him as expensive and most likely to accept his high-interest rates for the loans (Table 6). The analysis of the survey distributed to the bankers in the 10 commercial banks in Nigeria showed that 11(5.5%) of the bankers responded neutral, 19 (9.5%) of the bankers slightly agreed that employees should be well dressed /neat in the banking sub-sector

before attending to the customer. One hundred seventy (85%) of the bankers strongly agreed that employees should be well dressed/neat in the banking sub-sector before attending to the customer. The survey results led the researcher to conclude that bankers who were well dressed /neat in the banking sub-sector commanded respect and confidence in attending to the customers (

Table 6).

Table 6. *Do You Agree That Employees Should Be Well Dressed/Neat in The Banking Sub-Sector Before Attending to the Customer?*

Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
0	0	11 (5.5%)	19 (9.5%)	170 (85%)

Do the Officers at Bank Institutions Show Sympathy and Provide Reassurance When Customers Have Problems After the Loan Disbursement?

The surveys collected from the bankers in the 10 commercial banks in Nigeria showed that four (2%) of the bankers disagreed that banking institution officers showed sympathy and reassurance when customers had problems after loan disbursement. Also, 24 (12%) of the bankers responded neutrally to the question; 15 (7.5%) of the bankers slightly agreed with the question, and 157 (78.5%) of the bankers strongly agreed that

officers at banking institutions showed sympathy and reassurance when their customers had problems after the loan disbursement (Table 7). When customers had issues after the loan disbursement, it was beneficial for the bank officers to do a loan work-out for their customers. If the officers understood that the customers had a problem, they could help prevent non-performing loans. Working with the customers was the best option to collect their money on due dates. Not helping the customers resolve their problems could make it difficult for the bank to manage its cash due dates (Table 7).

Table 7. ***Do The Officers at Bank Institutions Show Sympathy and Provide Reassurance When Customers Have Problems After the Loan Disbursement?***

Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
4 (2%)	0	24 (12%)	15 (7.5%)	157 (78.5%)

Do You Agree That Financial Institutions Should Segment Their Institutions' Asset Sizes?

The survey distributed to the bankers in the 10 Nigerian Commercial banks showed as follows; 12 (6%) of the bankers responded neutrally to the question that the financial institutions should segment their asset size. Twenty (10%) of the bankers slightly agreed with the question, and 168(84%) of the bankers strongly agreed that the financial institution should segment their institutions' asset size (Table 8). The Study

preferred asset size segmentation for accounting and reporting purposes. Investors can distinguish between their current assets and fixed assets or cash when segmented assets. Segmentation of assets provided the investors with important information when they were considering whether to invest in the bank or not.

Table 8. ***Do You Agree That Financial Institutions Should Segment Their Institutions' Asset Sizes?***

Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
0	0	12 (6%)	20 (10%)	168 (84%)

Is It Unrealistic to Expect Employees to Fully Understand the Need of the Customers and Their Business Working Cycle?

The bankers' response to the survey showed that 25 (12.5%) of the bankers strongly disagreed with the statement that it was unrealistic to expect employees to fully understand the needs of the customers and their business working cycles (Table 9). Two (1%) bankers responded neutrally to the same statement. Twenty-three (11.5%) of the bankers slightly agreed; 150 (75%) of the bankers strongly decided if it was unrealistic to expect employees to fully understand the needs of the customers and their business working cycle. Many of the banker's agreed that it was realistic to expect the bankers to fully understand the customers working procedure and their peculiar need for the credit facility. Interviewing the customer before the banker's wrote credit appraisal would help

the bankers understand the customers' needs their business working cycle. Credit officers of the bank required a thorough credit analysis training to understand the customers' peculiar conditions and the different types of business working cycles which needed the credit officers to ask more specific questions about the customer's business. The excellent credit analyst often found out that what the customer had written differed from his actual need. The business working cycle was different from the customers initially envisaged.

Table 9. ***Is It Unrealistic to Expect Employees to Fully Understand the Need of the Customers and Their Business Working Cycle****?*

Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
25 (12.5%)	0	2 (1%)	23 (11.5%)	150 (75%)

Should the Appearance of the Loan Officer and Their Remuneration Be Consistent with the Nature of the Job; They Do So as Not to Demand Illegal Money from Customers?

The data from the survey distributed to the bankers of 10 commercial banks in Nigeria showed that 9 (4.5%) of the bankers responded neutrally to the statement that appearance and remuneration should be consistent with the nature of the credit officers' job done (Table 10). 45 (22.5%) of the bankers slightly agreed with the statement, and 146 (73%) of the bankers agreed with the idea that the appearance of the loan officers and

their remuneration should be consistent with the nature of the job they do so as not to demand illegal money from customers. When credit officers collected cash from the customers to get their credit request approved, they skewed the credit appraisal towards the customer, and the bank eventually suffered because it could not collect payments on its loan.

Table 10. ***Should the Appearance of the Loan Officer and Their Remuneration Be Consistent with the Nature of the Job; They Do So as Not to Demand Illegal Money from Customers?***

Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
0	0	9 (4.5%)	45 (22.5%)	146 (73%)

How Do You Rate Loan and Bank Operation Officers on Willingness to Always Help the Customers?

The survey stated that bankers from the ten financial institutions in Nigeria showed that 20(10%) bankers rated the loans and banking operations as good, and some of the bankers elected 20(10%) for average while 160(80%) bankers rated the loans and operations officers as excellent in terms of performance (

Table 11). Most customers who borrow money in the financial institution will meet the credit officers during the loan application and processing. In contrast, the

customer will meet with operations officers during loan disbursement and repayment. These two departments are essential in processing, monitoring, and reimbursements.

Table 11. ***How do you rate loan and bank operation officers on willingness to always help the customers?***

Poor	Average	Good	Excellent
0	20 (10%)	20 (10%)	160 (80%)

Do financial institutions adhere to their promised time frame for loan disbursement in your financial institutions?

The survey collected showed that a total of 165 (82.5%) bankers of the ten commercial banks in Nigeria agreed that their financial institutions attached to their promised time frame for loan disbursement (Table 12). Thirty-five (17.5%) bankers disagreed that their financial institution adhered to their promised timeframe for loan disbursement. The study confirmed that if the bank did not meet the timely need of the customers, it might negatively affect the loan performance.

Table 12. *Do financial institutions adhere to their promised time frame for loan disbursement in your financial institutions?*

Agree	Disagree

165 (82.5%)	35 17.5%)

The results from these two survey questions (

Table 11and

Table 12) showed that, 165(82.5%) agreed that bankers adhered to their promised time frame while 160(80%) rated the loans and operations officers as excellent in banking operations and credit procedures, which may confirm that the banking public was happy with the quality of services they received.

When Your Financial Institution Needs Short-Term Liquidity, To Whom Does It Turn?

Concerning the survey carried out with the bankers from the ten commercial banks in Nigeria, 156(78%) of the bankers stated that their financial institutions turned to the bank's treasury department if they needed short-term liquidity (Table 13). The treasury department adjusted it to make the funds available for their banking transactions or short-term facility funding. Forty-four (22%) of the bankers stated that they relied on inter-bank financing or the CBN. However, the bank managed treasuries from the head office of each bank. When the credit committee approved credit, the bank provided the funding for the transaction through the head office, or the bank obtained the funds through inter-bank borrowing.

Table 13. ***When Your Financial Institution Needs Short-Term Liquidity, to whom Does it Turn?***

Treasury Department	Inter-Bank Borrowing
156 (78%)	44 (22%)

What Strategies Are NFI Adapting to Increase Funding?

In the survey collected from the bankers of the ten commercial banks in Nigeria, 102 (51%) of the bankers stated that the strategy adopted by their bank was Deposit Mobilization of Funds (Table 14). Banks issued targets and pressured their officers to meet the target mobilization. 38 (19%) of the bankers responding opined that the strategy adopted by their bank was Capital Structuring and 60 (30%) of the bankers shared that their bank adopted Inter-Bank Borrowing. Deposit Mobilization was a good strategy for a bank to increase funding because it put all the employees on their toes. Most banks played a lot of public sector accounts. For example, a bank branch that obtained state government accounts did well in fund mobilization. The institutions used diversification of funds to increase funds through inter-bank funding.

Investors decided to bring in additional equity or a part of the capital, which was on call to the bank, to increase funding in the bank. The three, which are deposit mobilization, capital structuring and inter-bank borrowing, are not mutually exclusive because the three of them cannot happen at the same time. Most banks agreed to aggressive deposit mobilization targets for all their employees, handled by their management. Capital structuring is done at the board level by the board members and

investors of the bank. Inter-bank borrowing requires board approval before one bank can borrow from another bank. The treasury department and inter-bank borrowing are not mutually exclusive because they cannot happen simultaneously. If a treasury department can fund a loan, there is no need for inter-bank borrowing. The head office of each bank controls the branch borrowing from their treasury and is responsible for funding loan disbursement. When a bank can fund a loan disbursement, the treasury department will provide the funds, but they can borrow from another bank when the bank cannot. Inter-bank borrowing is a loan that one bank made to another bank, and inter-bank loans, in most cases, require the board of directors' approval before the bank can make it.

Table 14. What strategies are NFI adapting to increase funding?

Deposit Mobilization	**Capital Structuring**	**Inter-Bank Borrowing**
102 (51%)	38 (19%)	60 (30%)

What have you found the most effective strategy your institution utilizes to attract short-term and long-term customers?

The survey completed by the bankers of the ten commercial banks in Nigeria reported that 148 (74%) of the bankers' utilized innovations or new bank products which met the customers' needs and satisfaction to attract short-term and long-term loans in their respective banks (Table 15). At the same time, 52 (26%) of the bankers stated that

their commercial banks used bank credit cards and loan outlets to attract short-term and long-term customers. Innovation of new bank products was preferable because most products like traders' paradise, thrift accounts, and group trader's accounts, to mention a few were structured accounts that had built-in loans. If a customer participated and brought in his contribution of 40%, the bank provided 60%, and this type of facility required no additional security from the customers to establish credit. The customer's contribution served as security. The study showed that the bankers that are 38(19%) in the study did not answer question 12 in the survey. So non-response is 38(19%).

Table 15. *What have you found the most effective strategy your institution utilizes to attract short-term and long-term customers?*

Innovations of New Bank Products	Bank Credit Cards
148 (74%)	52 (26%)

Have you ever written a credit appraisal or approved a credit analysis that was skewed towards the customer?

The survey completed by the bankers from the ten commercial banks in Nigeria revealed that 112(56%) of the bankers strongly agreed that they had written a credit appraisal or approved a credit analysis that skewed toward the customer (Table 16). At the same time, 45 (22.5%) of the bankers disagreed that they had written a credit appraisal or approved a credit analysis skewed toward the customer. Forty-three (21.5%)

bankers strongly disagreed that they had agreed credit skewed toward the customer. When a skewed credit analysis is towards the customer, the analyst provides the required information that moves the credit application through the approval process. Most times, the information contained details about the customer's financial records that pushed the credit analysis through the approval processes when appropriately recorded and doctored accordingly. Doctoring is done mainly by some credit officers who know the proper credit procedures of the bank and knew how best to present the standard requirements. Yes, it can be a yes or no answer and can be the way it is now, but again the validated survey that I am using designed by Bank Executive Business Outlook had it that way.

Table 16. *Have you ever written a credit appraisal or approved a credit analysis that was skewed towards the customer?*

Strongly Disagree	**Slightly Disagree**	**Neutral**	**Slightly Agree**	**Strongly Agree**
43 (21.5%)	45 (22.5%)	0	0	112 (56%)

Has Your Bank Ever Drafted a Recovery Agent to Recover a Loan from a Bank Customer?

Table 17 shows that 112(56%) of the bankers stated that their bank had not drafted a recovery agent to recover a loan from their customers. Forty-four per cent of the bankers said that their bank had not prepared a recovery agent to recover a loan from a

bank customer. Loan recovery occurred when the customer did not adhere to the repayment schedule after the loan disbursement. The CBN had a classification system that provided guidelines for classifying loans. Based on the borrowers ' repayment record, the financial institutions ranked loans as performing or non-performing and bad. CBN classified loans as standard, sub-standard or lost loans. A good credit officer and his loan manager monitored the performance of the loans and moved them into recovery before the loans became unbeneficial for the bank. The CBN provided a prudential guideline for classifying loans.

Table 17. ***Has Your Bank Ever Drafted a Recovery Agent to Recover a Loan from a Bank Customer?***

Yes	**No**
112 (56%)	88 (44%)

Has Your Bank Ever Provided a Loan in Compliance with the Banking Institution Provision?

Table 18 shows that 138(69%) of the bankers responded yes that their bank had provided for a loan in compliance with the CBN’s Banking Institution Provision Prudential Guidelines. 62 (31%) of the bankers responded that their bank had not provided a loan in compliance with the CBN’s Banking Institution Provision Prudential

Guidelines. The researcher believed that the bankers who responded no were unfamiliar with the CBN's Provision Prudential Guidelines because their loan oversight did not directly involve them with the Provisions' Prudential Guidelines. Loans were provided for each month by the Credit Department of the bank. When loans are not performing well, they will move them to the non-performing classification list. Loans on the non-performing classification list started performing will be returned to the loan performing classification list. Classified loans according to performing, non-performing and bad. The practice in banking is that when loans are not performing well, the bank moves loans to a non-performing list or Group B, and if the credit officers do a restructuring them or loan work–out. It started to perform well; the officer returned to Group A, the performing list.

Table 18. *Has Your Bank Ever Provided Ever Provided is different than provided fora Loan in Compliance with The Banking Institution Provision?*

Yes	No
138 (69%)	62 (31%)

What else would you like to add to this survey that was not included in these questions?

Most bankers left this question unanswered, and some responded 'nothing.'

In Table 19, the distribution of survey questions that confirmed that loan abuse had taken place.

Table 19. ***Survey Questions*** **about** ***Loan Abuse.***

Questions	Strongly Disagree	Slightly Disagree	Neutral	Slightly Agree	Strongly Agree
Have You Ever Appraised a Credit That Has a High-Interest Rate and High Processing Fees?	15	20	**0**	0	165
Have you ever written a credit appraisal or approved a skewed credit analysis towards the customer?	38	30	0	0	132
Have you ever appraised a credit analysis that has high-interest rates and high processing fees?	15	20	0	0	165
Has your bank ever drafted a recovery agent to recover a loan from a bank customer that defaulted in repayment?	43	45	0	0	112

Survey Results Conclusion

The study analyzed the survey distributed and completed by the bankers of the 10 Commercial Banks in Nigeria. It showed that credit abuse exists on credit officers working within the ten Commercial Banks in Nigeria and that loans from these banks carry high-interest rates. The research identified these two facts; credit abuse and high-interest loan rates prevail within the ten Commercial Banks in Nigeria and may be responsible for the non-performing loans. Banks are charging high-interest rates to cover their operational costs and pay their employees monthly salaries.

Multiple Regression model

The multiple regression model is aimed at investigating if a relationship exists between the variables. The dependent variables are non-performing loans and high-interest rates. The independent variable is credit abuse. The regression line is an equation, which conveys Y as a function of X (Mertler & Vannatta, 2018).

Y= the equation of credit abuse

β0 – High-interest rate

β_1 - Non – performing loans

X_1 – Known as the raw score value on the independent t variable

E - Error of prediction

Credit abuse is the estimated regression coefficient that quantifies the association between the risk factor X_1 and the outcome adjusted for X_2 (β_2) is the estimated regression coefficient that quantifies the association between the potential. The multiple regression

test is used to predict the value of a variable based on the value of another variable. This form of analysis estimates the coefficients of the multiple equations involving one or more independent variables (credit abuse) that best predicted the value of the dependent variables (high-interest rates and nonperforming loans). This study estimated the values of credit abuse variable from the high-interest rates and nonperforming loans. The multiple regression model developed in this study will be used as a proven way to predict the future scientifically and reliably in the banking subsector industry in Nigeria. In this multiple regression equation, β_o (high-interest rates) is the estimated regression coefficient that quantifies the association between the risk factor X_1 and the cogent and the outcome.

Table 20 shows the variables: credit abuse, high-interest rates, and nonperforming loans being assigned values of Y, X_1 and X_2 $X^2{}_1$ is high-interest rates raised to the power 2, $X_2{}^2$ is nonperforming loans raised to the power 2, X_1Y is a combination of high-interest rates and credit abuse, X_2 Y is a combination of nonperforming loans and credit abuse, X_1 X_2, a combination of high-interest rates and nonperforming loans, XY is a combination of non- high-interest rates, and credit abuse, Y^2 is credit abuse raised to the power 2 This is aimed at making the calculations of the regression and correlation analysis easy for understanding to the readers.

Table 20. ***Multiple Regression Model for Credit Abuse. Seems to be coefficients and not a model***

Y	X_1	X_2	X_1^2	X_2^2	X_1Y	X_2Y	X_1X_2	XY	Y^2	Ranking
165	20	15	400	225	3,300	2,475	300	3,300	27,225	3
132	30	38	900	1,444	3,960	5,016	1,140	3,960	17,424	2
112	45	43	2,025	1,849	5,040	4,816	1,935	5,040	12,544	1
∑409	95	96	3,325	3,518	12,300	12,307	3,375	12,300	57,193	
∑X136.3,	31.7,	32								

Multiple Regression Model Calculations and Output

The multiple regression equation is shown below.

$Yi = \beta o + \beta X_{I} + €_{1.}$

Y_1 represents the dependent variable (credit abuse) for i-the data collected.

X_1 and X_2 represent the independent variables (high-interest rates and nonperforming loans) for i –the data collected,

βo represents the intercept, and β represents the coefficient for Xi.

€ represents the error term for i-th data collected.

Bo and bi represent the estimated values of βo and β, Y_1 represents the estimated value of Y.

$Y_1 = bo + bX_1$ and €i represents the residual between the actual Y_1 and estimated Yi.

Step 1: Calculate X_1^2, X_2^2, $X_1 Y$, $X_2 Y$, and $X_1 X_2$ from the table above.

Step 2: Calculate regression sums:

$\sum X_1^2 = \sum X_1^2 – (\sum X_1)^2/n$ = 3,325-(95)^2/3= 3,325-9,025/3 3,325-3,008.3= 316.7

$\sum X_2^2 = \sum X_2^2 – (\sum X_2)^2/n$ =3,518 – (96) ^{2}/3 = 3,518 – 3,072 = 446

$\sum X_1Y = \sum X_1 Y – (\sum X_1 \sum Y)/n$ = 12.300 – (95)(409)/3 = 12.300 - (95)(409)/3 = 12.300 -12,952 = - 652

$\sum X_2 Y = \sum X_2 Y – (\sum X_2 \sum Y)/n$ = 12,307 – (96)(409)/3 =12,307 -13,088 = -781

$\sum X_1 X_2 = \sum X_1 X_2 - \sum X_1 \sum X_2/n$ = 3,375 – (95)(96)/3 = 3,375 – 3040 = 335

Step 3: Calculate bo, b_1, and b_2

The formula to calculate b_1 is:

$\sum(X_2^2)(\sum X_1Y) – (\sum X_1 X_2)(\sum X_2Y)]/ [(\sum X_1^2) (\sum X_2^2) – (\sum X_1 X_2)^2]$

Thus, $b_1 =$ (446)(-652)-(335)(-781)/(3,167)(446) - (335)^2

= - 290,792+261,635/1,412,482 – 112,225

= - 29,157/1,300,257 = 0.0224

b_1= 0.0224

The formula to calculate b_2

$b_2 = (\sum X_1^2)(\sum X_2Y) – \{(\sum X_1X_2)(\sum X_1Y)\}/\{(\sum X_1^2)(\sum X_2^2) - \sum X_1X_2)^2\}$

= (316.7)(-781) – {(335)(12,300)}/(316.7)(446) – (335)^2

$= 247,342.7+4,120,500/ 141,248.2 – 112,225 = 4,367,842.7/29,023.2$

$b_2 = 150.5$

The formula to calculate bo is $= \bar{y} - b_1 \bar{x}_1 – b_2 \bar{x}_2$

Thus, bo = 136.3 - 0.0224(31.7) – 150.5(32)

bo = 136.3+4,816.71008 = 4,952.80421

bo = 4,953 approximately

Step 4. Place bo, b_1 and b_2 in the estimated linear regression equation

$Y = bo + b_1 X_1 + b_2 X_2$

$Y = 4,953 + 0.0224X_1 + 150.5X_2$

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2$

$\hat{Y} = 4,953 + 0.0224X_1 + 150.5X_2$

The above multiple regression equation is interpreted as follows:

$\beta_0 = 4,953$. When both predictor variables are equal to zero, the mean value for Y is 4,953. A total of 4,953 obtained from the regression model showed the number of times that credit abuse occurred in the ten selected commercial banks in Nigeria during the 2008/2009 that is under review.

$\beta_1 = 0.0224$. A one-unit increase in X_1 is associated with a 0.0224-unit increase in Y, on average, assuming X_2 is held constant. The 0.0224 showed the rate at which interest rate is increasing among the 10 selected banks during 2008/2009 under review.

$\beta_2 = 150.5$. A one-unit increase in Y is associated with a 150.5-unit decrease in X, on average, assuming X_1 is held constant. While 150.5 showed the number of times at which

nonperforming loans occurred among the 10 selected banks in Nigeria during the 2008/2009 period under study.

This analysis above provided accurate evidence that the relationship between the variables credit abuse, high-interest rate, and non-performing loans. The independent variables, high-interest rates and nonperforming loans indicate that the independent variables' changes correlate with a shift in the dependent variable (credit abuse). The regression test confirmed that high-interest rates and nonperforming loans might be responsible for credit abuse in the ten commercial banks in Nigeria. The multiple regression model above showed that high-interest rates were a weak relationship and nonperforming loans were substantial between the variables and that the variables – credit abuse and high-interest rates led to non-performing loans. Finding the line of best fit from the regression model. The R- squared is 0.01, means that the chances are only 1 in a hundred. The choice of significance level at which I reject the null hypothesis is arbitrary as the r^2 approaches zero. The model is significant because it measures the strength of the relationship between the model, representing the proportion of the variance for the credit abuse variable explained by high-interest rates and nonperforming loans caused in the ten banks. Identifying credit abuse can be used to forecast the bank's ability to recover the loans it disburses. Credit abuse and non-performing loans were a trend. High-interest rates and non-performing loans led to credit abuse. The Pearson correlation analysis, which measured the relationship between credit abuse, high-interest rates, and non-performing loans, implied that,

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{\{n\sum x^2 (\sum x)^2\} \{n\sum y^2 - (\sum y)^2\}}}$$

$$r= \frac{3(12,300) - (95)(409)}{\sqrt{(3)(3,325) - (95)^2\}\{3(57,193) - (409)}}$$

$$r = \frac{36,900 - 38,855}{\sqrt{(9,975)-(9,025) \quad \{171,579) -(167,281) \}}}$$

$$r = \frac{36,900 - 38,855}{\sqrt{(9,975 - 9,025)\{(171579) - (167,281)\}}}$$

$$r = \frac{- 1.955}{\sqrt{(950)(4,298)}}$$

$$r = \frac{- 1.955}{\sqrt{4,083,100}}$$

$r - 1.955/2,020$, $r = - 0.0096782$, $r = - 0.001$

The equation was $-1 \leq 0 \leq +1$. The number1 is not less than or equal to 0. However, the equation range is within -1 to +1, given the number 0 which is a whole number and is less than 1. If P-value $\leq \alpha$, then the p-value is less than or equal to the significant level, concludes that the relationship obtained in the study was unlikely to have occurred unless there is really a relationship between the variables. Since the P- value is under 0, the result is considered statistically significant among the variables.

Analysis of Secondary Data

Some of the data analyzed below was collected from the CBN, the Apex Bank controlling all the commercial banks. Some data from the commercial bank's website was used this data in the analysis. The financial statements of one bank varied from the financial statements from another bank. Information from each bank was gathered to provide a more specific and less generalized hypothesis.

Access Bank PLC Financial Analysis and Interpretations for 2008/2009 accounts.

A close look at the business model of Access Bank PLC showed that it was structured along with four major strategic business sub-sectors, which included investment, commercial, institutional, and retail banking. A quick review of the bank's financials (audited accounts) showed gross earnings of #57,627,098 in 2008 and #104 494,981 in 2009. This was an increase of 81% between the two years. Profit before taxation in 2008 was #19,042,106 and #28,105,815 in 2009, which showed an increase of 48%. Profit after tax in 2008 stood at #16,056,464 and #22,885,794 in 2009, which showed an increase of 43% between the two years under review. Dividends proposed in 2008 were #10,492,625 and #11,349,981 in 2009, which increased 8%.

Increases in earnings, profits and dividends showed that the bank's management held stakeholders' interests highly. Loans and Advances in 2008 were #244,595,621. In 2009, it was #391,688,687, an increase of 60%. A further investigation showed some silent points; "some loans went uncollected based on the bank's structured due date."

Two possible reasons for not collecting the loan debt, banks did not understand the work cycle of their financed businesses and/or the board's intervention in the bank's credit procedures or due diligence. This made the loan not pass through the recommended standard of CBN.

Advances under finance lease in 2008 stood at #2,497,683, and in 2009 at #3,725,766, this was an increase of 49%, deposit liabilities recorded #351,789,279 in 2008 and #405,657,055 in 2009. This was only a marginal increase of 15%. The shareholders' fund in 2008 stood at #172,002,026 and #184,830,757 in 2009, which were a low increase of 7%. The key performance ratios of the bank for the cost to income in 2008 were 51.4% and 53.4% in 2009, which was only a 2% increase in the years under review. PLC/Total Loans in 2008 was 3.67% and 2.2% in 2009, a decline of 1.47% on the loans granted within the two years under review.

The coverage ratio in 2008 was 118.4% and 156.4% in 2009. Capital Adequacy Ratio (CAR) in 2008 was 36% and 35% in 2009. It appears that the CAR for the two years under review was too low for the bank to meet its financial obligations to its customers. It was clear that the capital available for banking operations continued to decrease because outstanding loans were not paid on the due date. Unpaid loans affected the bank’s ability to create new loans.

Staff productivity in 2009 was 19,600, and in 2008, 17,374. Staff productivity improved over the two years. Earnings per share declined from 173k in 2008 to 144k in 2009. This decline indicates that the stakeholders and investors did not get the actual

value of their money. The bank's Return on Average of Equity (ROAE) in 2008 was 19%, and in 2009 it was 15.8%. This decline continued for a couple of years. The Returns on Average Asset (ROAA) in 2008 was as low as 2.4% and rose to 33.3% in 2009, resulting from asset revaluations by the bank. The dividend yield in 2008 was 2.7% was paved at 14% in 2009.

Interest Income was 40,536 in 2008 and witnessed a solid rise for 80,023 in 2009, a 97% increase or double the size. The net interest margin was #22,431 in 2008 and #36,252 in 2009. This was a 62% increase. Other incomes like professional and administrative fees were #17,091 in 2008 and #24,472 in 2009, which indicated that more loans and out of treasury transactions were created in 2009, and the bank earned more fees from revolving and roll-over loan options.

Operating expenses shot up to #32,168 in 2009 compared to #20,112 in 2008. This increase marked a 50% increase in the operating costs for the bank. This increase could have occurred because the bank funded more information technology and network activities to enhance their banking business at the branch levels. The bank's management approach in handling loans with trading put the bank at high risk. Loans with trading were a significant expense contributing to 24% of the bank's expenses, communication expense was 17%, real estate expense was 6%, construction expense was 2%, transportation expense was 1%, oil and gas expense was 23%, the manufacturing expense was 14%, individuals' expense was 3%, financial Institution expense was 7%, and other expenses account for 3%.

Loan loss expenses stood at #1,049,414 in 2008 and #1,999,597 in 2009, showing an increase of 91%. Provisions for other assets and doubtful balances in 2008 were #147,416 and #114,788 in 2009, a negative (-22%) position. Depreciation for assets, which included loans in 2008, was #418,837 and #991,747 in 2009, increasing by 137%. The depreciation of the assets showed that the bank's assets were adequately provided for, which was in line with the prudential guidelines of the CBN.

Stanbic IBTC Financial Statement, Analysis, and Interpretation of 2008/2009 accounts.

The Stanbic IBTC bank financial Statement for 2008 and 2009 witnessed a gradual but managed to unwind excess leverage by the Nigerian financial system, which was integrated with a decrease in developed economies. A review of the Stanbic IBTC audited accounts for 2008/2009 with all figures presented # (000) showed interest income of #28,586 in 2008 compared to #25,609 in 2009. This difference of #2,977 accounted for a 10% change over the two years under review. Interest expenses in 2008 stood at a negative # -12,698 for 2008 and #9,685 in 2009, a change of 24%. The implication was that the bank had high costs associated with borrowing funds in 2008 compared to 2009. The bank’s net interest income stood at #15,887 in 2008 and #15,924 in 2009. In terms of percent value, there was no difference. A further investigation revealed that the bank did not have any growth in terms of net income for 2008/2009, which meant that there was no difference between the revenue generated from the bank’s interest-bearing assets and expenses associated with payments on its interest-bearing liabilities. Non-interest revenue in 2008

was #27,704, and #28,221 in 2009. This change reflected a change or difference of 2% for the two years under review. Net fees and commissions revenue for 2008 was #14,421, and for 2009, #13,707. This decreased or negative 5% between the two years under review.

Trading revenue/income in 2008 was #11,150. In 2009, it was #15,707, accounting for a positive increase of 23%, indicative of the bank engaging in more trading transactions in 2009. Credit impairment and charges in 2008 were #2,962 and in 2009 stood at #3,956, which was an increase of 34% for the two years under review. The bank provision for specific credit losses on non- performing loans was #2,232 in 2008 and #4,059 in 2009. The bank's provision for general credit losses on performing loans was #7,308 in 2008 as against a negative of 103% in 2009, which was greater than 100% negative position decrease which showed that the bank's performance for loan loss provision was better in 2009 than in 2008. Income after credit impairment charges was #40,691 in 2008 and #40,189 in 2009.

Operating expenses in 2008 stood at #23,787, and these expenses shot up to $28,752 in 2009, which showed that the bank was making higher expenses and that there was insufficient income to cover the bank's expenses. Employee's compensation and benefits in 2008 were #10,607 and #13,598 in 2009, which showed a change of 28%. Other operating expenses rose to #15,154 in 2009 from #13,180 in 2008, accounting for a 15% increase in 2009. The Stanbic bank profit before tax in 2008 was #16,904 and #11,437 in 2009, a decrease of 32%. This showed that the bank's income was better in 2008 compared to 2009.

Loans and Advances for 2008 totaled #229,391. In 2009, it stood at #153,371, which showed a decrease of 33% when the two years under review were subjected to a comparative analysis. Loans and Advances to customers, which included overdraft position for 2008 were #121,034 and in 2009 was #111,976, which showed a negative change of 7%. Loans and Advances to other banks in 2008 were #108,357 and in 2009 was #41,395 showing a decrease of 62%. When comparing the two years in terms of loans, it was clear that 2008 performed better than 2009. A further investigation on the bank's total equity and liabilities in 2008 was #392,320. In 2009 was #345,492. So, this means that balance sheet wise Stanbic IBTC bank performed greater by #46,828 in 2008 than in 2009. This 12% difference between 2008 and 2009 could have resulted from stakeholders introducing more equity into the business or new investors joining the bank board.

The key performance ratios showed that the return on equity (profit before tax) was 19% in 2008 and 12.8% in 2009. Return on equity (profit after tax) in 2008 was 15.4%, and in 2009 it was 10.1%. According to Fernando (2021), return on equity shows the bank's net assets, creating profitability concerning equity that was not looking great. The bank's earnings per share in 2008 were #64,000. In 2009, the bank's earnings per share were #46,000. Industry analysis stated that its earnings per share (EPS) must be #98,000 for a bank to do well. Based on its Stanbic IBC's EPS, the bank did not meet the standard for the industry. This was true to the extent that the bank's monetary value of earnings per outstanding shares and common stocks was low. The cost to income ratio in

2008 was 54%, and in 2009 it was 48%. However, this showed how efficient the bank was compared with its operating expenses, as was already presented during the discussion of the high operating expenses witnessed in 2009. The net interest margin in 2008 was 6.0% and 3.6% in 2009. Rerun on equity in 2008 was 15.2% against 10.1% in 2009. The credit loss ratio in 2008 was 5.1% and 9.8% in 2009. Total qualifying capital in 2008 was #82,379 and #82,657 in 2009, with no percent change. This could mean that investors' capital eroded because of loans loss and provisions made by the bank in line with the CBN prudential guideline for Banks.

Zenith Bank PLC Financial Statement, Analysis, and Interpretation

Zenith Bank PLC provided universal banking services to individual customers, corporate entities, and commercial bodies, including loans and advances, leases, financial advisory and consultancy, investment banking, and foreign and other services. Zenith Bank was incorporated as a limited liability company with 100% equity shareholding Nigerians. A review of the Zenith bank financial statements (audited accounts) for 2008/2009, which depicted all figures in # (000), showed that gross income for 2009 was #254,147 and #190,120 in 2008, accounting for a change of 34% for the two years under review. Interest income for 2009 was #186,019 and #137,814 in 2008, which showed a change of 35%. Interest expense in 2009 was negative #82,836 and negative - # 49,964 in 2008, which accounted for a change of 66%, showing that in 2009 the bank had high costs associated with borrowing money. This interest charged to their customers resulted from the bank completing many transactions, which led to bank charges and provided

income to the bank. This interest expense represented the cost of borrowing money from Zenith bank. The bank's net interest income for 2009 was #103,183 and #87,850 in 2008, which showed a change of 17% for the two years under review. In 2009, bank transactions witnessed more revenue generated by interest-bearing assets than the cost of servicing its liabilities, and these interest-bearing assets were mainly loans, advances, and overdraft charges from the bank.

Net interest income at Zenith bank for 2009 was #103,183 and #87,850 for 2008, which increased by 17% over the two years under review. This meant that in 2009 the bank did more transactions in terms of revenue generated by interest-bearing assets than the cost of servicing its liabilities and these interest-bearing assets were mainly loans and advances.

Other bank incomes for 2009 totaled #68,128 and #52,306 in 2008, an increase of 30%. Other incomes for Zenith bank included processing fees, management fees, commission on turnover fees, issuing of credit bonds fees and advance performance bond fees by the bank. These fees accounted for a sizable portion of Zenith bank’s income on their 2009 accounts. Operating income for 2009 was #17,311 and #14,156 in 2008, which showed an increase/change of 22%. Operating income increased in 2009 because the bank did more transactions in 2009 than in 2008. Operating costs were wages and salaries, accounting and legal fees, recovery fees, advertising fees, public relations to get government accounts.

Operating expense in 2009 was #103,410 and #81,321 in 2008. Operating expenses increased 27%. Diminutions of assets values for 2009 were #36,148 and #9,876 in 2008, increasing 26%. Zenith Bank's diminution of their assets was three times more in 2009 to make their books look good and stay within the guidelines of the CBN. Profit before tax in 2009 was #31,751 and #48,958 in 2008, which showed a negative change of 35%. Zenith Bank made more progress in 2009, but it made a very high provision at the end of the year, which gulped the money; extra ordinary items for 2009 were negative 20. Taxation paid by Zenith bank for 2009 was #13,888 compared to #2,414 in 2008, which amounted to a change of 17%. This appeared to be an outrageous figure. Profit after tax for the bank in 2009 was #18,365 compared to #46,524 in 2008, which accounted for a negative position of 61%. A critical look at the financials of Zenith bank for 2009/2008 showed that the bank’s general performance for 2009 was better than 2008, yet the bank reported less profit after tax.

A further investigation revealed that the bank did the following: provided #38,455 for nonperforming loans in 2009 and #4,418 in 2008, a provision no longer required for non-performing loans was a negative - #4,177 in 2008. The bank made provision for diminution of their investor’s fund of #1,764. All the provisions gulped up most of the bank’s income for 2009. Zenith bank’s corporate tax for 2009 was #5,192 and #4,146 in 2008. In the same vein, the bank over-provided loan loss provision by #8,090 in 2009 and #5,307 in 2008. Therefore, the charges for the period stood at #14,472 in 2009 and #4,127 in 2008. These charges ate up the income the bank generated in 2009.

The bank recorded positive earnings for key performance ratios despite the increasingly complex operational environment, which did not enable the business to make meaningful progress. The total cost of the income ratio in 2009 was 71% compared to 67% in 2008, which showed a difference of 4% for the two years under review. Interest Income/Total income for 2009 was 70%, and in 2008, it was 68%, which showed a difference of only 2% between the two years. Return on earnings (ROE) for 2009 was 6.1% and in 2008 was 14.2%. This showed how well the bank profited after dividend payments were reinvested. This was a good indicator of growth in Zenith bank. Returning assets (ROA) were 1.2% in 2009 and 2.5% in 2008. The ROA showed how the bank's activities were related to its total assets. The adjusted earnings per share (EPS) confirmed that the bank determined zenith bank's performance following generally accepted accounting principles for inclusion in the annual audited financial statements adjusted for the year. Zenith bank's 2009/2008 fiscal year had a consolidated net income/loss more minor than the preferred stock divided required for the year.

The balance sheet position bank wide showed loans and advances in the balance of #669,261 in 2009 and #422,874 in 2008, which accounted for 58% in the two years under review; hence loans and Advances were the major income generator for the bank. Advances under finance lease for 2009 were #5,281 and #3,940 in 2008. Other banks in 2008 were #299,025 and #481,092 in 2009, which showed a change of negative 40%. Regardless of the turbulent financial industry, the Zenith Bank did well, like the Access Bank.

First Bank of Nigeria PLC - Financial Statement, Analysis, and Interpretation for 2008/2009 accounts.

First Bank of Nigeria provided a complete range of retail and corporate solutions. Its subsidiaries contributed to national economic development in insurance brokerage, capital market operations, bureau de change, pension funds management, private equity ventures, trusteeship registrar ship, micro finance, and mortgage business. First Bank of Nigeria (FBN) presently has the most diversified financial services group in the country, serving more than 4.2 million customers throughout 536 locations in Nigeria. The figures expressed in this analysis are in # (000). The FBN gross earnings for 2008 were #130,600 and #175,189 in 2009, which showed a change of 71%. The gross earning was higher in 2009, which means that FBN had more banking transactions in 2009. The bank may have booked more good loans and advances, issued some advanced performance bonds (APG) out of the treasury, and made fee-based incomes more than what it made in 2008. Charge for doubtful accounts for 2008 was #5,819 and rose to #13,959 in 2009, which showed a change of 42%. The charge for doubtful accounts doubled in 2009, which showed that most credit facilities extended to customers were not paid on the due date.

A further investigation showed that some 90 days facilities did not come back on their due date; instead, they were paid in full at the 120 days mark. The bank provided for those that were more than 120 days. The bank charged default fees, rollover fees, processing fees and administrative fees to secure approval for the extension and restructuring of those facilities. Profit before exceptional items and taxation for 2008 was

(38,020) and # (46,110) in 2009, which showed a change of 82% for the period under review. The bank's performance in 2009 was better because the bank may have used aggressive marketing that paid off in the end.

The information technology development levy for 2008 was 380 and 461 in 2009. This was a change of 82%. Taxation for 2008 was #7167 and #10,575 in 2009, which showed 67%. The taxes, which FBN paid to the government and used to raise revenue for government expenditures, were high in 2009 because the bank made more income for the period under review. Again, this showed that FBN was socially responsible to corporate citizens considering that the bank paid #5,000 in taxes that year. Profit after taxation for 2008 was fixed at #30,473, and in 2009 it was #35,074, a change of 87% for the period review. For 2009, the bank did not declare any dividends for the stakeholders. In 2008, it declared #23,868 in dividends. A dividend payment was a sign that the bank's management held the interest of the bank's stakeholders in high regard. The basic earnings for 2008 were #2.23 and #1.41 in 2009.

Basic earnings per share showed the amount of FBN's profit that could be allocated to one share of the bank's common stock. In 2029, Ganti confirmed that basic earnings informed investors how much of a bank's net income was allotted to each share of common stock. Adjusted earnings for 2008 were #1.58 and #1.41 in 2009. Adjusted earnings provided a measurement of how the bank's current performance was compared with previous years and how adjusted earnings were used compared to other banks in the industry (Kagan, 2020). Net assets for 2008 were #17.08 and #14.12 in 2009. The net

assets showed FBN's total assets minus its total liabilities. FBN's position was higher in 2008 at #17.08, which showed the amount of returned earnings left in FBN. This was the amount that remained in FBN to help with business growth.

The higher the bank's net assets value, the higher the value of FNB in the banking industry. According to Kenton (2021), adjusted net assets was a technique that changed the stated values of the returned assets and liabilities to reflect its estimated current fair market values. Total assets adjusted for 2008 were #67.06 and #11.24 in 2009. Actual total assets for 2008 were #8.60 and #67.06 in 2009. Key performance ratios for FBN's cost to income in 2008 were #64.47 and #67.43 in 2009. According to Money Week (2018), the cost to income was important for the valuation of banks. It showed FBN's cost concerning its income. The lower the cost to income, the lower FBN's bank profit. However, if these costs rose, FBN's costs were rising at higher rates than income, which suggested that the bank's appetite for loans and advances had dropped because of bad loans.

The return of assets for 2008 was 3.26. It was 9.99 in 2009. The Capital Adequacy Ratio (CAR) for 2008 was 48.23 and 29.74 in 2009. The CAR showed the statutory minimum capital reserve that FBN must have available, based on regulations, to remain and stay healthy in business. Beers (2020) stated that the capital of FBN was tightly regulated by the CBN, which provided additional protection to depositors. A further review of the CAR of FBN showed that FBN's CAR was better in 2008 at #48.23 compared to #29.74 in 2009. Beers (2020) further stated that CAR was necessary because

of its importance in the bank and how it helped the Nigerian economy's proper functioning

The number of branches /agencies and subsidiaries for 2008 was #453 and #510 in 2009. The number of staff for 2008 was #7,495 and #8,203 in 2009. The number of shares issued (million) in 2008 was #19,890 and #24,804 in 2009. Loans and Advances for 2008 were #437,667 and #684, 107 in 2009. Deposit liabilities for 2008 was #661,624 and #1,071,836 in 2009, Shareholders' funds for 2008 was #339,847 and in 2009 stood at #351,054. Kagan (2020) stated that deposit liabilities were monies placed in FBN for safe keeping, which the bank returned upon demand, so deposits were liabilities, which FBN owed to the banking public. Financial dictionary (2020) stated that the Shareholder's fund was an accounting measure of the state of return that shareholders had obtained on the capital they had invested in the bank. However, the return of the shareholder's funds was greater by 1% in 2009. So overall, the bank performed better in 2009 when compared with 2008.

Guaranty Trust Bank PLC, Audited Financial Statement for 2008/2009 Analysis and Interpretation.

Guaranty Trust Bank (GTB) was a universal bank and a public Limited liability company with its shares quoted in Nigeria's stock exchange. The bank's principal activity was to continue to provide commercial banking services to its customers. These banking services included retail banking, granting loans and advances, equipment leasing, corporate financing, money market activities and foreign exchange operations.

GTB had branches in Nigeria and other countries like Gambia, Sierra Leone, the United Kingdom, the Netherlands, and Liberia. All figures displayed here were expressed in #(000).

A review of the income statement showed that the bank's interest income for 2009 was #128,605 and #71,733 in 2008, a change of 56%, which meant that the bank made more income in 2009 than in 2008. Interest expenses stood at #44,227 in 2009. In 2008, it was #22,358, which showed a change of 50.6%. Interest expenses in 2009 were double the expense in 2008. The Bank's expenses increased because the financial institution was involved in aggressive marketing drives and advertising of its products which paid off at the end of the 2009 financial year. These expenses were paid monthly, quarterly, or semi-annually depending on how the credit facility of GTB was structured and when repayment was due. GTB's cost of borrowing funds was higher in 2009, which explained why the bank granted more credit facilities to individuals, corporate bodies, and other financial institutions in 2009 compared to 2008, the years under review.

Net interest expense in 2009 was #84,378 and #49,375 in 2008, which accounted for a change of 57.5%, more than twice the amount for 2008. This good result was achievable in 2009 because GTB's loans and advances were mainly paid on the due dates, and the bank was able to grant new loans and advances to its customers. Fees and commissions income for 2009 was #27,886 and #20,830 in 2008, a change of 74.5% for the period under review , the fees and commission income were higher in 2009, which showed that the bank collected many fees and commissions income based on issuing

Advanced Performance bonds to their customers, consultancy services and utilization of its chartered Accountants in-house to prepare books for customer accounts and charged them professional fees, processing fees and application fees for credit facilities which came as income without having any effect on the treasury of the bank. Fees and commissions' expenses for 2009 were a negative #349,720 and a negative - #175,208 in 2008, showing a change of 50% for the two years. Net fees and commission income for 2009 were #26,537 and #20,655 in 2008, a change of 75%, which showed that GTB made more fees and commissions income in 2009 than in 2008.

GTB's net trading income for 2009 was #7,443 and #6,892 in 2008, which accounted for a change of 92% for the two years. Net income from other financial institutions for 2009 was negative #140,764 and #2,684 in 2008, a change of 52%. The net income to other financial institutions showed a negative value for 2009, which meant that GTB bank owed #140,764 to other banks. The bank's other operating income for 2009 was #4,000 and #1,426 in 2008, which showed a change of 35.6% for the two years under review. Other operating income of GTB did not include taxes and other one-off items that may skew a bank's profit negatively each year. Premiums from insurance contracts for 2009 were #5,362 and #4,037 in 2008, with a change of 72% for the two years under review.

Premiums ceded to reinsurers for 2009 were negative - #2,199 and negative - #1,583 in 2008, a change of 71% for the two years under review. Both figures were negative, showing that these funds were paid to the ceding reinsuring company for their

services. The operating income of GTB for 2009 was # (126,318) and # (83,488) in 2008 for the two years under review, a change of 66%. The year 2009 witnessed a more reasonable operating income than in 2008. The change showed that at GTB in 2009, the amount of revenue left after deducting the operational direct and indirect cost from the turnover revenue was higher than that of 2008. GTB's operating income for 2009 was higher, which showed how the bank efficiently utilized the business that it was operating. The higher the operating income, the higher the level of bank efficiency, which meant that GTB's level of productivity and its ability to generate more earnings could be used for further expansion of the bank's business.

Most investors monitored the operating income of GTB to determine whether to invest in the bank. The operating income of GTB was used as a financial metric to determine the worth of the bank for a potential buyout (2021, CFI Education Inc). GTB's net impairment for financial assets for 2009 was negative #33,276 compared to a negative #4,757 in 2008, which accounted for a change of 17%. GTB made more provisions for financial assets in 2009 than it did in 2008. They were giving rise to net operating income after net impairment loss of financial assets for 2009 of #93,105 compared to #78,730 in 2008, which showed a change of 85% for the 2009/2008 period. Personnel expenses were high in 2009 with a negative 18,848 compared to a negative 12,751 in 2008, which showed a change of 14%. The personal expense was much higher in 2009 than in 2008.

Operating lease expenses for 2009 were #969,720. In 2008, it was #661,414, which showed a change of 68% for the two years under review. GTB's depreciation and

amortization for 2009 were #5,950 and #3,976 for 2008, which showed a change of 66.8%, which explained why the bank made more provisions for the depreciation of its assets in 2009 compared to the 2008 financial year. Other operating expenses of GTB for 2009 were #32,687 and #23,706 for 2008, a change of 73% for the two years under review. The other operating expenses of GTB increased in 2009. Other operating expenses for 2009 were higher by almost #10,000, which showed that the bank made more aggressive efforts in 2009 to achieve a profitable position than in 2008. Total expenses for 2009 were #50,092 and #41,095 in 2008, a change of 82% for the years under review.

A further investigation into the bank's cash flow expenses meant that the bank must have contracted an outside company to do loan recovery. Profit before income tax for 2009 was #35,012 and #37,634 for 2008, accounting for a change of 93%, which showed that GTB made more profit in 2008 than in 2009. The bank’s income tax expense for 2009 was #6,409 and #7,720 in 2008, a change of 83% for the two years under review. GTB paid more taxes for 2008 compared to 2009 but made more provisions for 2009, which gulped the income generated for 2009, so the bank paid less tax to the tax collectors. Profit for 2009 was #28,603. It stood at #29,913 for 2008, which showed a change of 95% for the two years under review. Overall, the bank posted more profit in the 2008 financial year than in 2009.

A critical review of the balance sheet and the cash flow analysis showed that loans and Advances to customers in 2009 were #574,586 and #421,773 in 2008,

accounting for a change of 73% for the two years under review. The total balance sheet size of the bank for the two years showed #1,078,177 in 2009 and #963,118 in 2008, a change of 89%. The key performance ratios for GTB were as follows: The return on average assets (ROAA) for 2008 was 5.1% and 9.1% in 2009. The return on average equity (ROAE) for 2008 was 24.3% 12.7% in 2009. , the net interest margin for 2008 was 7.68%. In 2009, it was 8.23%. The GTB cost to income for 2008 stood 50.69%. In 2009, it was 56.0%. The bank loans to customers deposit for 2008 was 81.7%. In 2009, it was 86.5%. GTB's liquidity ratio for 2008 was 42%. In 2009, it stood at 49%. The bank's CAR ratio for 2009 was 22.1%. In 2009, it was 32.1%. The bank's NPL/total loan for 2008 was 1.70%. In 2009, it was 2.40%. The bank's provision for loan loss NPL for 2008 was 122%; in 2009, it was 130%. The bank made more progress towards profitability in 2009 and acquired more assets. Branch networks and investors put more equity into the bank as a capital investment in 2009. The bank invested in networking and bank software to enhance the efficiency of bank operations and made more provisions for assets, loans and advances which resulted in less profit but paid fewer tax payments to the government. The bank retained their money in their system, making them healthy as a commercial bank.

Fidelity Bank PLC - Financial Statement for 2008/2009, Analysis and Interpretation of accounts.

Fidelity Bank PLC aimed to support small, medium, and large-scale agricultural establishments via Nigerian agricultural products. The Bank believed in resuscitating the

agricultural sector to provide food security, employment and enhance export revenues. Fidelity bank embarked on cooperative union facilities, agriculture lease facilities, self-help group facilities and agriculture trust funds for their customers. In this analysis and interpretation, all bank figures were expressed in #(000). A quick review of the bank's financials for 2008/2009 showed that the gross earnings for 2009 were #70,597 and #40,474 in 2008. This accounted for a 74% change over the two years under review. It highlighted a difference of #39,123 growth in 2009. Interest expenses for 2009 were 17,318 and #7,447 in 2008, a change of 133% with a difference of #9,871 growth in 2009. This showed that the bank conducted much business in loans and Advances, which garnered those reasonable earnings. This is seen in the bank's high-interest expenses incurred in the 2009 financial year. Operating expenses for the bank for 2009 were #26,014 and #15,825 in 2008, accounting for 64% with a difference of #10,189 for the two years under review.

With an operating expense of #10,189, the bank embarked on productive advertising of their banking products, and the banking public responded positively. The bank involved itself in marketing and public relations, which yielded positive results. Provisions for risk assets for 2009 were negative #29,342, and a negative #1,405 in 2008 accounted for a change of negative 6.9%, which showed that in 2009 a negative difference of #17,936 was witnessed which showed that the bank provided a reasonable amount of money for its assets in the year 2009. Profit before taxation for 2009 was #4,569. In 2008, it was #15,796, which showed a negative 71%. The year 2008 showed

more profit of #11,227 than the 2009 financial year. However, in a real sense, the bank made more money for 2009 but provided heavily for its assets, which was reasonable, resulting in less profit before taxes and enabled the bank to pay fewer taxes and retain their money with the bank. Profit after taxation for 2009 was 2,297 and 12,987 in 2008, which showed a negative of 82% and a difference of 10,680 between the two years under review.

Deposit and other client's accounts for 2009 were #356,137 and #379,729 in 2008, which showed a change of negative 6% accounting for differences of #23,592, which meant that in 2008 there were more deposits and other client's accounts. Loans and Advances for 2009 were #215,112 and #230,713 in 2008, which showed a negative 7% with a difference of #15,601 which accounted for more loans and Advances being booked in 2008 compared to 2009, Share capital for 2009 was #14,481 and #14,481 in 2009, which showed no increase/decrease for the two years under review. Share premiums for 2009 stood at #101,272 and #101 370 in 2008, showing no significant difference. Shareholder's funds for 2009 were #129,374 and #135,864 in 2008, which showed a negative of 5%. Total assets of Fidelity Bank for 2009 were #504,164 and #533,122 in 2008, a change of negative 5% showing a difference of #28,958. This showed that the total assets of the bank were more in 2008.

Ordinary shares issued earnings of 0.08 in 2009 and 0.45 in 2008, a negative of 82%. Net assets for the bank for 2009 were 4.47. In 2008 it was 4.69, which accounted for a negative 5%. Total assets for 2009 were #17.41 and #18.41 in 2008, a change of

negative 5%. The stock exchange price for the bank on the 30 of June 2009 was #3.46 and #10.20 in 2008. The number of bank branches in 2009 was #140 and #108 in 2008. The number of staff for the bank was #3,247 in 2009 and #2,532 in 2008. Total liabilities for 2009 were #374,789. In 2008, it was #397,258, a difference of #22,469. In the 2008 financial year, the liabilities were greater when compared to the 2009 financial year. , capital and reserves were #59,043 in 2009 and #49,258 in 2008, a difference of #9,785. 2009. 2009 led in capital and reserves, which meant that the investors introduced additional capital to augment the working capital needs of the bank.

Union Bank of Nigeria – Financial Statement, Analysis, and Interpretation of 2008/2009 account.

Union Bank of Nigeria was a financial service institution that provided banking products for individuals, small and medium-sized enterprises, and corporations. The bank provided a wide range of complete services, including transaction accounts, savings accounts, fixed deposits to personal and corporate loans, overdraft protection, and online/mobile banking services. The bank granted credit solutions. The bank granted credit solutions that included asset financing, corporate lending, working capital, project financing, investment management services and trade finance solutions. In this analysis, all Union bank financial statement figures were shown in #(000).

Gross earnings for 2009 were #130,187 and #92,935 in 2008, a change of 14.0% between the two years under review. This showed that gross earnings were higher in 2009 because the bank made more money than in 2008. Interest paid for 2009 was

#104,371 and #92,935 in 2008, a change of 11.2% for the two years under review. This showed that the bank did more banking transactions in 2009. More charges were made for that year which could be interest elements on loans granted and/or charges for processing fees and administration fees. , the facility could have been rolled over or had a rollover option in which the bank realized fees. Net interest expense for 2009 was #66,806 and #48,304 in 2008, a change of 13.8%. Hence, there was more expensive in 2009. Commissions or other income in 2009 was #25,816, and in 2008 it was #26,211, a change of negative 9.8%. Overheads in 2009 were negative #54,184 and #35,548 in 2008, a negative change of 15.2%. Overheads were more significant in 2009, and the bank was involved in more banking activities in 2009.

The bank provided for depreciation in 2009 and 2008, which had no significant change within that period. Provision for losses of risks assets/others for 2009 was #34,925 and #35,349 in 2008, which showed a negative change of 9.8% between the two years. Union bank provided for losses of risky assets in 2009. A further investigation revealed that the maturity profile of the bank for loans under one month for 2009 was #250,897 and #230,800 in 2008. One to 3 months for 2009 was #130,214 and #9,611 in 2008, 3 to 6 months for 2009 was #30,198 and #9,165 in 2008. Six to 12 months for 2009 was #20, 299 and #9,465 in 2008. 1 to 5 years was for 2009 was #30,299 and #4,146 in 2008 and the maturity profile for over 5 years was #18,269 for 2009 and #9,779 in 2008. The Insider related that the credit that was outstanding in 2009 was grouped in

performing and nonperforming loans, so performing loans was #1,708 for 2009 and #2,211 for 2008. Nonperforming loans were #499 in 2009 and #125 in 2008.

Loans and advances classified by nature as overdrafts for 2009 were #225,905 and in 2008 was #149,937. Term loans for 2009 were #130,358. In 2008 was #114,661. Commercial paper was #120,779 for 2009. It was #5,184 for 2008. Others for 2009 were #3,164 and #3,185 in 2008.

The analysis of loans and Advances by performance for 2009, nonperforming net loans/ substandard loans were #22,075, doubtful loans were #25,851, and lost loans were #52,876. Performing net loans were #372,478. In 2008, nonperforming net loans/substandard loans were #41,042, doubtful loans were #4,208, and lost loans were #9,039. Performing loans were #207,882. Loss/Profit before taxation and exceptional items for 2009 were negative #48, 4930 and #29,746 for 2008, which showed a change of 16.3% for the two years under review. Profit after taxation for 2009 was negative #71,052 and negative #24,737 in 2008, which showed a negative 28.7%. The bank made a statutory reserve of #3,710 in 2008. Transfers to a small scale were #1,237 for 2008. None were recorded for 2009. Loans and Advances for 2009 were #401,546. In 2008, it was #244,845, which showed a change of 16.4%. Deposits current and other accounts for 2009 were #758,390. In 2008 it was #646,334, which showed a difference or change of 11.5% for the 2009/2008 period.

Sterling Bank of Nigeria – Financial Statement for 2008/2009 Analysis and Interpretation

Sterling Bank of Nigeria was a commercial bank that provided financial services, banking services and products to artisans, corporations, commercial organizations, and high individuals in the cities where they were located. The bank provided full service, offering consumer and commercial banking activities and commercial wholesale banking. This banking institution was formerly known as NAL and quoted in the Nigerian stock exchange. All calculations to this account were expressed in 000.

Gross earnings for 2009 were 43,464 and 32,777 in 2008, which showed a change of #13.2% for the two years under review. A further review showed that in 2009 the bank made more earnings when compared to the earnings of 2008—the gross earnings of #43,464 sign that the bank worked hard for that financial year. Interest and similar income for 2009 were #32,587 and #22,177 in 2008 for the period under review, which showed a change of 14.6%. The interest income in 2009 was high, showing that the bank earned a more reasonable income in the 2009 financial year than in the 2008 financial year. Interest and similar expenses in 2009 were #20,134. In 2008, they were #10,457, which showed a change of 19.2%. 19.2% was an increase compared to interest and similar expenses in 2008. High-interests and similar expenses signify that the bank's marketing activities, other publications, and products designed when added up were responsible for the income achieved that year. Net interest margins for 2009 stood at #12,452. In 2008, it was #11,720, which showed that the bank witnessed a margin of 10.6% between the two years under review. Fees and commission income for 2009 was

#5.599 and #6,725 in 2008, which showed a negative 8.3% and showed that commission expenses were higher in 2008.

Foreign exchange earnings were #944 in 2009 and #564 in 2008. The bank's foreign exchange earnings rose by 380 in 2009, showcasing that more exchange transactions were done in investments in 2009, increasing the banks' foreign earnings. Income from investment stood at #2,071 for 2009 and #2,044 in 2008, which showed no significant change in the two years under review. Other income for 2009 was #2,211 and #1,265 in 2008, showing a change of 17.4% and a difference of #946 for the two years under review.

Operating income for 2009 was #23,330 and #22,320 in 2008. Operating expenses for 2009 were #19,434 and #13,966 in 2008, which accounted for a 13.9% change between the two years under review. This showed that the bank's operating expenses increased by #4.532 compared with the previous year. This was traced to the high profit declared by the bank in the 2009 financial year. Loan loss expense for 2009 was #11,513 and #2,134 in 2008, which showed an increase of #53.9% and accounted for the difference of #9,379 between the two years under review. A high loan loss expense in 2009 showed that the bank had a loss in terms of loans.

It was interesting to investigate further the quality of loans for that year and how the bank secured them. Diminution in value of other risk assets for 2009 was #1,455 and #122 in 2008, which showed a difference of #1,333 for the two years under review. 2009 witnessed more valuations and revaluations. Sterling bank's exceptional income was nil

for 2009. In 2008, it stood at #4,774, meaning exceptional charges were #3,081 in 2008 and 2009, the charges showed nil. The bank's profit and loss before taxation were negative #9,072 in 2009, and in 2008 it was #7,789. This meant that the bank posted a profit in 2008 and was in a loss position in 2009.

Taxation was #2,412 in 2009, and it was in a negative position of #1,266 in 2008. Taxes were calculated from the profit the bank made within the financial year. The profit and loss on ordinary activities after taxes for 2009 were negative 6,660 and positive #6,523 in 2008. The Sterling bank's appropriations included a transfer to the statutory reserve in 2008 with #1,956; none was made in 2009. The bank transfer to the general reserve for 2009 was negative #6,660 and #4,566 in 2008. The earnings per share expressed kobo was negative #5,300 and positive #5,200 in 2008. Earnings per share (EPS) told the investors whether Sterling bank was a profitable investment. EPS further explained if Sterling bank had profit to distribute to its shareholders. There was a profit to distribute in 2008. The bank had no profit in 2009 because it was negative.

A further look at the balance sheet of Sterling bank showed that loans and advances to customers in 2009 were #78,140 and #65,787. In 2008, income for 2009 was #17,943 and #11,756 in 2008, a difference of #6,187, which was a credit for 2009. , lending to non-bank customers in 2009 was #18,584 and #12,234 in 2008, which accounted for a difference of #6,350 in 2009. The bank's deposits comprised of current accounts, savings, time, and inter-bank takings/borrowings for 2009 were #20,134 and #10,457 in 2008, a difference of #9,677 in favor of 2009. Total assets of the bank were

#205,640 in 2009 and #236,665 in 2008, a difference of #31,025 in favor of 2008. In contrast, the bank's net assets were #22,141 in 2009 and #30,238 in 2008. The share capital was #6,281 in 2009 and #6,281 in 2008. Share premiums were #12,314 in 2009 and #12,314 in 2008. Retained earnings in 2009 were negative #6,214 and #1,702 in 2008. Other reserves in 2009 were #4,484 and #4,664 in 2008. Attributable to equity holders in 2009 was #22,141 and #30,238 in 2008.

Standard Chartered Bank - 2008/2009 Financial Statement Analysis & Interpretation

Standard Chartered Bank was listed in the London and Hong Kong stock exchange. This financial institution ranked among the top 25 companies in FTSE of 100 by market capitalization. The bank aspired to be one of the international financial institutions for its customers. Presently this financial institution derived over 90 percent of its operating income and profit after taxes from Asia, Africa and the Middle East from its wholesale and consumer banking business.

The bank aspired to be the right partner for its shareholders by upholding a high standard of corporate governance, social responsibility, environmental protection, and staff diversification with over 70,000 people in its employment. Standard Chartered bank’s market focus was on Asia, Africa, and the Middle East. The bank’s view was to set overall strong corporate strategies and put in place strong governance to manage their financial performance, the bank’s capital well, and build a solid corporate brand.

The bank's objective was to provide fast, friendly, and accurate services to their customers and become a financial institution customers recommended to their colleagues and friends. All the calculations were expressed in # 000 for this analysis and interpretation. The earnings per share (EPS) in 2009 was $179.8 cents. In 2008, it was negative $(174.9 cents), a difference of 4.9% and a change of 10.2% for the period under review. The EPS showed that the bank's profit per outstanding share of stock was calculated annually. Return on shareholder's equity was 14.3% in 2009. In 2008, it stood at 15.2%, a change of 0.9% growth in the shareholders' equity for the two years under review. The EPS further depicted how much money was returned to the stakeholders as a percentage of their money in the bank. The operating income of Standard Chartered Bank for 2009 was $15,184 and $4,568 in 2008, a difference of $10,616 in favor of 2009 and a change of 33.2%, so the bank made significant progress in 2009 hence a reasonable income.

Cash and balances at Standard Chartered Bank in 2009 were $18,131 and in $24,161 2008, which showed a negative difference of $6,030 in favor of 2008 and a change of 25% for the period under review. Standard Chartered Bank loans and advances to banks in 2009 were $50,883 and $46,583 in 2008, a difference of $4,302 and a change of 9%. Loans and advances to customers for 2009 were $198,202 and $174,178 in 2008, a difference of $24,114 in 2009 and a positive change of 14% for the two years under review.

Investment securities held at amortized cost in 2009 was $6,688. In 2008 it stood at $17,493 with a difference of negative $805 and a change of 11%. This showed that Standard Chartered Bank's performance was better in 2008 for investment securities held at amortization cost. Investment securities held at fair value cost through equity in 2009 was $69,040 and $61,849 in 2008, which accounted for the difference of $7,191 in favor of 2009 and the change of 12%; financial assets held at fair value through profit/loss in 2009 was $22,446 and $15,425 in 2008 which sho4wed a difference of $7,021 in favor of 2009 with a change of 46%. However, a change of $7,021 showed that the bank's management had their hands on deck in 2009 compared to 2008.

The return on equity for 2008 was 15.2%, and in 2009, 21.8% with a change of 4.3% and with the growth of $6.60 in 2009. The bank's dividend per share in 2008 was $(61.62 cents), and in 2009, it was $66.03cent which showed an insignificant difference of 4.41cents which accounted for a change of 10.7% for the two years. The bank's operating income for 2008 was $5,950. In 2009, it was $9,291, which showed a difference of $3.341 growth in operating income and a change of 15.6% for the two years under review. The bank's operating profit for 2008 was $1.12bn. In 2009, it was $4,076bn with a difference of $3,056bn and terms of profit, which could generate more income, noted a change of 8.9% for the years under review.

The Standard Chartered Bank interest income for 2008 was $16,378 and $12,926 in 2009, a difference of $3,452 in favor of 2008 and a change of negative 7.8%. Interest expense in 2009 was $5,303 and $8,991 in 2008, a difference of $3,688 and net interest

income of 2009 was $7,623 and $7,387 in 2008. In 2008 the bank was leading in interest income and expenses. There was no significant change in the net interest income. The bank's fees and commission income in 2008 was $2,941. In 2009, it was $3,824 with a difference of $(883) and a change of 13.0% for the two years under review. While fees and commission expenses in 2009 were $354 and $479 in 2009.

The net trading income in 2009 was $2,899 and $2,405 in 2008, a difference of 485 in favor of 2009's financial year and a change of 12.0%. Total operating income for 2009 was $5,629 and $5,952 in 2008, a change of negative 9.5%. Other operating income in 2009 was $1,301and $1,235 in 2008, with only an insignificant change between the two years. Non-interest income in 2009 was $7,561 and $6,581 in 2008, a change of 11.4%. The bank's operating income for 2008 was $13,968 and 15,184 in 2009, with a difference of $1,216 and a change of 10.8%.

The bank's operating expenses for 2008 were $7,611 and $7,552 in 2009, with an insignificant difference between the two years. Profit before taxation for 2009 was $5,151 and $4,568 in 2008. Operating loss/profit for 2008 was $4,568. In 2009, it was $5,629, with a change of 12.3% for the two years under review. Profit for the year 2008 was $3,511 and $4,076 in 2009 it accounted for the difference of $565 and a change of 11.6%. The basic earnings per ordinary share (cent) in 2008 were $192.1 and $167.9 in 2009, a difference of $24.2 in favor of 2009.

In 2008 the bank was active in 13 markets with 151 branches and 6,045 employees' bank wide. In 2009, it was a major player in 71 markets with 77,326

employees' bank wide. The banks' called-up share capital in 2009 was $1,013 and $948 in 2008. Eligible reserves for 2009 were $25,001 and $19,928 in 2008. A difference of 0.073 showed that the bank made more money and more reserves in 2009. Excess expected losses of the bank in 2009 were $502. In 2008, it was $483, which accounted for an insignificant difference. Securitization was 85 in 2008 and stepped up by 12 in 2009, meaning that the bank became money security conscious in 2009. Credit risk stood at $161,276 in 2008 and stepped up in 2009 with an additional $12,039. The step-up in 2009 accounted for the bank posting more profit in 2009. The bank's operational risk was $18,340 and $20,696, with a difference of $2,356 for the two years and a change of 11.2%.

Market risk in 2009 was higher in 2008, with 2009 leading at $19,912 and $9,200 in 2008. The total capital ratio is 2009 was 16.5% and 15.6% in 2008. Consumer and whole banking were $53,215 in 2008 and $160,708 in 2009, respectively, while $52,124 in 2008 and $136,697in 2009, respectively. The bank's earnings per share growth in 2009 were 20.35%, and in 2008 it was 27.48%. Total equity for 2009 was $27,920 and $22,895 in 2008. The total equity and liabilities for 2009 were $436,653 and $435,068 in 2008. The analysis above indicated that the bank did better in the 2009 financial year than in 2008.

Keystone Bank Plc – 2009/2009 Financial Statement, Analysis, and Interpretation

The Keystone Bank was a commercial bank that the CBN licensed to conduct banking business in Nigeria. The bank was formerly known as Platinum Habib bank and was set up to do universal banking business in Nigeria. The bank offers banking services and other financial consultancy services to the banking public. All expressions of Keystone Bank financial were done in billions. The bank profit after tax (PAT) for 2009 was #5.3million and #4.8 million in 2008. There was a # .5 million difference for the two years under review. The Keystone Bank's capital expenditure growth was higher in 2008 than in 2009, above the bank's net working capital. The bank increased its fixed assets, which were mainly automobiles. During the years under review, the bank witnessed excessive growth in administration.

It was pertinent to say that the customers' deposits rose by #20 billion or 34%, from #59 billion in 2008 to #79 billion in December 2009. However, the bank could not sustain this growth because it had to compel management to bring down the average cost of deposits during the period under review. Keystone Bank loans and Advances rose from $175.8 billion in 2008 to $186.8 in 2009, which amounted to a 3.2% growth of compounded interest yearly. This helped increase the bank's revenue but could not do much for the operating cost of the Keystone Band.

Before taxes, the Keystone Band's profit witnessed a drastic fall from #3.7 million in 2008 to #6.0 million in 2009. After taxes, the bank's profit rose to #5.3 million in 2008, later crashing to #9.56 million in September 2009 before crumbling to #1.3

million at the end of 2009. According to the Chief Analyst of Keystone Band, the Nigerian banking sector had a rough 2008/2009 financial year.

Like most banks in Nigeria, keystone could not weather the financial storm. During these two years under review, the Keystone Bank's expenditure affected their financial position. The bank’s proposed huge budget items had increased depreciation charges and operational costs for the bank. The Keystone Bank’s expenses on automobiles in 2008 were about three-fifths or 60% of the borrowing net capital expense for 2008, and these expenses remained in 2009. In the mid-stream of 2009, the bank got into problems with its current liabilities exceeding its current assets, which added a negative working capital. The bank’s major problems were mainly poor governance and risk management assessments which constrained the extent and size of positive bank capital. By 2009 the financial assets base of the bank was #259 billion, but the current liabilities were #299 billion. Given this position, it was only common sense for the bank's management to cut costs on bank capital expense spending to save the distressed bank. By September 2008, administrative costs rose from #4.67 billion to #1.6 billion in 2009. This showed a change of 15.6%. In 2008, the bank administrative expenses were #125 million and rose another #225 million in 2009. The bank cost to income ratio was 88% in 2008. By the end of 2009, it was 185%. This was a significant percentage disparity to compare for the two years under review. It became imperative that Keystone Band learn to lean into lower service costs leveraging higher quality employees.

In conclusion, the new generation banks in Nigeria performed better than the old generation banks. The new banks were Access Bank, Zenith Bank, Fidelity Bank, and Standard Chartered Bank. The old generation banks were First Bank, Union Bank PLC and the worst bank, Keystone Bank; was running an empty shell in the name of a bank. In the older generation banks, most bank loans were not performing well, but the bank loans did perform well within the new generation banks. In the banks where the loans did not perform well, it may be confirmed that credit abuse caused high-interest rates and nonperforming loans. All these analyses of secondary data helped to act as a complement of the primary data. They answered the research questions by showing that a solid and significant relationship exists between high-interest rates and nonperforming, displaying that credit abuse may be responsible for the two variables: high-interest rates and nonperforming loans in terms of bank performance.

Summary

The purpose of chapter 4 was to analyze and interpret the primary and secondary data collected by the researcher on the ten NFI to decide if credit abuse and high-interest rates were responsible for nonperforming loans that were witnessed during the 2008/2009 period that under review. The researcher collected, analyzed, and interpreted the collected data, and a position was reached based on the analysis and their interpretation. The consensus agreement reached from the survey is that credit officers, loans managers, and executive directors of these financial institutions engaged in credit abuse during the loan processes and approval. These bankers agreed that they processed loans at high-interest

rates, of which the credit committee members responsible for the approval process were aware. The credit committee members allowed high-interest rates loans to pass through their approval processes in a bid to earn enough income for the bank and pay themselves well.

The likely effect of these practices, including other silent points like board intervention in the credit procedures, poor governance, and inadequate monitoring by the controlling authorities, among others, may have led to some of the loans granted not being repaid on the due dates. In contrast, others requested an extension of the facility to affect bank performance. The meaning of not being able to repay the loan on due dates and asking for an extension of the life of the loan is an early sign that some of the loans extended to the customers were not doing as well as expected. The multiple regression analysis prepared from these bankers' responses showed that the independent variables indicate that the independent variable's changes correlate with a shift in the dependent variable. The correlation analysis in the same vein showed that the line equation fell within $-1 \leq 0 \leq +1$. The researcher concluded that a relationship obtained in the study was unlikely to have occurred unless there was a relationship between independent and dependent variables. The p- value is less than or equal to the significant level. Since the p – value is under 0, the result is considered statistically significant among the variables.

These financial institutions' financial statements and the secondary data were used to compare the two years under review and complemented the survey data collected for the research. The analysis of the financial statements showed that in terms of income

earned for 2008/2009, Zenith International Bank, Guarantee Trust Bank, Access Bank and Standard Chartered Bank were leading in terms of higher income. Fidelity Bank, First Bank of Nigeria, and Union bank were behind in income performance, and Keystone Bank recorded a minor income among the Banks.

For the Loans and Advances booked by these financial institutions for 2008/2009 under review, Zenith International Bank, Guarantee Trust Bank, Access Bank PLC, and Standard Chartered Bank recorded a more significant amount of loans. Standard IBTC Bank, Fidelity Bank, First Bank of Nigeria, Union Bank of Nigeria, and Sterling Bank were behind. In contrast, Keystone Bank recorded loans, and advances were small. Loan loss provision was very high in all the banks, which suggested that most of the accounts were over-inflated by the chartered accountants who prepared the financial statements because the prudential guideline stipulated only one percent for performing loans. All the financial institutions under review posted large loan loss provisions, which can be explained as either a high percentage of loans that were not performing or the banks hiding the high-interest rates income in loan loss provisions. In sum, it means that high-interest rates and nonperforming loans existed in the banks under review. From this summary, I can conclude that high-interest rates and nonperforming loans prevailed in the 10 Nigerian banks that were under review

Chapter 5 will discuss the recommendations of this research study, including a summary of the study. The interpretation of the findings and the analysis of the findings were in line with the conceptual framework. It will contain the conclusion and limitations

of the study, recommendations for further studies and implications of the study, and positive social change. Chapter 5 will include a study's methodological, theoretical, and empirical implications and a summary.

Chapter 5: Discussion, Recommendations, and Summary

The purpose of this study was to determine if credit abuse, high-interest rates, and nonperforming loans were responsible for the poor performance showcased by 10 commercial banks in Nigeria during the 2008/2009 financial year. I examined the role of these 10 commercial banks where credit officers, loan managers, and executive directors are involved in loan processing, approvals related to loan losses, and how these banks provided for loan loss. The financial statements analyzed showed that in most cases, these financial institutions over-provided for loan losses which was a good strategy of not posting a high profit at the end of the financial year. This practice meant that these banks ended up paying fewer taxes after profit to the internal revenue of the federal government. This study used a quantitative approach derived from statistical inferences. The conceptual framework was on credit abuse that demonstrated high-interest rates and nonperforming loans in three significant constructs of the study, which I tested empirically.

This research was intended to show what happened during the 2008/2009 banking crisis in the commercial banks in Nigeria. The findings of this study are as follows: there exists credit abuse among the credit officers and loans managers of these 10 commercial banks in Nigeria. The abuse stems from a lack of banking ethics from credit officers and loan managers responsible for credit analysis which these bank officers displayed. If every banker followed banking ethics, there would not be credit abuse. These financial institutions were charging high-interest rates on the loans lent to the customers of these

10 commercial banks. These high-interest rates made the loans nonperforming in these banks very challenging for the customers. The main factor, the lack of banking ethics on credit officers and loans managers, may be positively related to the primary study constructs (credit abuse) under review. There is statistically significant relationship between the credit abuse and the high interest rates the banks charged for the credit facilities granted to the customers of the 10 commercial banks during the period under review. These two constructs (credit abuse and high-interest rates) may be responsible for nonperforming loans among these financial institutions. The study further confirmed that other salient factors contributed to the failure of NFI. Other factors include but are not limited to board interventions in these financial institution's credit procedures, including insider credit knowledge, poor corporate governance, and poor regulations and policies of the CBN.

The regression equation based on the data collected from the 10 commercial banks was: $Y = 4,953 + 0.0224X1 + 150.5X2$. From the equation, X1 is the variable with high-interest rates, and X2 is the nonperforming loans. The original equation was $Y = \beta0 + \beta1\ X1 + \beta2X2$, implying that 4,953 means that when both predictor variables are equal to zero, the mean value for credit abuse is 4,953. It means that the value of 4,953 obtained from the regression model showed the number of times that credit abuse occurred in the 10 selected commercial banks in Nigeria during the 2008/2009 that is under review. While 0.0224 means when one-unit increase in high-interest rates are associated with 0.0224 units increase in credit abuse, on average, assuming

nonperforming loans are held constant. The 0.0224 showed the rate at which interest rate is increasing among the 10 banks that is under review. While 150.5 means that a one-unit increase in nonperforming loans is associated with a 150.5 unit decrease in credit abuse on average, assuming high-interest rates are held constant. While 150.5 showed the number of times at which nonperforming loans occurred among the 10 selected banks in Nigeria. A unit of credit abuse shows the rate at which credit abuse occur in the bank. The nonperforming loans were caused by the high-interest rates when the customers cannot pay off the loans on their due dates. It shows that the independent variables are a good predictor of the R-Squared. R-Squared is significant because it measures the strength of the relationship between the models. A reasonably high R-squared of 0 value made sense in the study because it helps to determine the proportion of variance in the high-interest rates and nonperforming loans that the credit abuse activities can explain on the part of the bankers. In the Pearson correlation coefficient analysis, R-squared value is $- 1 \leq 0 \leq + 1$, denoting the choice of significance level at which I rejected the null hypothesis is arbitrary as the r-squared approaches zero. The p-value is under 0, the result is considered statistically significant among the variables namely credit abuse, interest rates and nonperforming loans

Interpretation of the Findings

The interpretation of the finding was primarily demonstrated from the regression and correlation analysis above that a relationship exists between credit abuse, high-interest rates, and nonperforming loans. In a bid to post a profit for the financial year and

cover operational and staff costs, these banks charged high-interest rates, processing fees, and administrative fees, making it challenging for the customers to repay the loan. The high operating leverages introduced in the financial institution increased uncertainty in the bank's operational cost and risks for a credit facility granted to the customers. It was revealed from the study that most of the bankers agreed to have written credit appraisals or approved credit proposals that had high-interest rates that were skewed to the bank's customers. The question in the survey asked the respondent was if they ever wrote a credit appraisal or approved a credit analysis that was skewed to the customer. This contradiction of banking rules confirmed that there might be credit abuse in the credit processes of these 10 financial institutions. The revelation showed that bankers were aware that skewed credit appraisals existed, and still, these bankers went ahead to let it pass through the credit committee meetings and other approval processes, which amounted to credit abuse. The value of the Pearson correlation coefficient is 0, which showed that p- value is less than or equal to the significant level, $- 1 \leq 0 \leq + 1$ interval limits is equal to the significant level, which means that the results obtained are unlikely due to chance of event but some factors of interest. At point of 0, the r-squared is considered statistically significant among credit abuse, high interest rates and nonperforming loans.

A relationship existed between credit abuse and charged high-interest rates, resulting in nonperforming loans in the regression model. The three constructs arising from the regression and correlation analysis negatively influenced the bank’s

performance. That may explain why the empirical study confirmed that credit abuse resulted in high-interest rates, and the after effect was nonperforming loans in these financial institutions. These variables may be responsible for the failure or distress of the banks during 2008/2009, which was the period under review. Chiejine (2020) and Ahunwan (2020) stated that advanced credit abuse, high-interest rates, board intervention, corporate governance, policy, and regulations, among other factors, are responsible for bank failure. Omeda (2019) underscored Ahunwan (2020) and stated that regardless of high-interest rates, the lower-end borrowers are punished for bank regulatory failures in Nigeria and lack of adequate supervision by the controlling authorities. However, most of these studies did not show the significance level involved in the distress or how strong or weak those levels were in the failure of the financial institutions.

All financial institutions are managed by regulations and policies of the CBN that streamline the credit procedures and processes for NFI. For instance, every credit facility emanates from credit officers (or analysts) tables in the credit and marketing departments. The credit analyst will review the customer’s credit application. The analyst visits the customer's office, collects the proposed business’s financials, inspects the collateral security for the proposed facility, appraises the credit on its merit, and ensures that all loan documentation was completed. The analyst will go to a credit committee meeting to present and defend the credit appraisal and secure the committee’s approval before drafting the offer letter, which must include all terms and conditions agreed with the

customer and some that are introduced by the credit committee members during the approval processes proceeding to close the loan with the customer.

When the customer signs their offer letter in the credit department, the file is passed to the operations department to double-check the terms and conditions before disbursement or drawn down is allowed. The credit department then enlists the customer's name in their credit returns, and the loan monitoring will continue until the credit facility is repaid and the file closed. There are instances where because of the urgency, a credit may be approved outside credit committee meetings, but the file will later go to the credit committee meeting for ratification. There are cases that the interest rates charged are very high which may affect repayment by delaying the loan from coming in on the due date. If the customer cannot meet the due date, they may request a rollover or reschedule the loan repayments. The bank’s corporate governance in its full scope -may influence credit procedures which is an issue that needs to be resolved at the bank's management level. The board intervention in the work processes of the credit facility is a common issue in the credit department. All credit officers and loan managers will take instruction from their executive directors. The executive director will determine whether to continue to hire these officers or not based on their performances on the job he assigned to them.

The concept can work if the management is ready to embrace the bank’s policy and see it work for the bank. The concept means that the bank does not lend large amounts but must do small loans and lend to the bank's customers possessing the

necessary security to secure each credit facility. Most banks prefer to do microcredit lending to associations and trade unions and collect cross guarantees of the association leaders after participating in the bank products. Microcredit lending is part of a concept already explained because it permits lending a small amount to an individual at a time. If any microcredits loans are not performing well, the bank will debit the association's account instead of going after the customer's member. In that case, the bank can receive their repayment promptly.

The annual report and statement of accounts (2009) of CBN stated that it injected # 620 billion nairas of liquidity into the banking sector and replaced the leadership of eight Nigeria banks. During this period, banks slowed down on credit to the economy. The experience in 2008/2009 resulted from bank's terrible banking decisions, leading to massive provision for bad loans and erosion in their issued and authorized capital. The four components of the study hypothesis are that there were a significant or there was no significant relationship between credit abuse and high-interest rates in the ten major financial institutions under review and that there were a significant or no significant relationship between nonperforming loans and high-interest rate in the financial institutions under review may have answered the research questions. The null hypothesis from the regression model test study findings was rejected. The alternative hypothesis was accepted. In summary, credit abuse and high-interest rates may be responsible for nonperforming loans of these financial institutions for the 2008/2009 period.

The four components of my study’s hypothesis confirmed a lack of banking ethics among the credit officers, which is the root cause of financial institution’s credit abuse. There is a significant relationship between high-interest rates and nonperforming loans in Nigeria's ten major financial institutions. Finally, other salient factors like capital adequacy, insider abuse, board intervention, regulation, and policies may have caused loan failure and subsequent bank distress during the 2008/2009 period Iyatse (2021) and Gbalam (2020).

Analysis and Interpretation of Findings in Line with Conceptual Framework.

This study has shown that high-interest rates and nonperforming loans may be responsible for Nigeria's financial institution’s failure. When related to the concept, these financial institutions did many lending to a single obligor or customer, consisting of a more significant amount of bank funds. Suppose there is a problem with the borrowing due to the volume of funds involved; the banks will need considerable time to recoup the credit advanced to the customer. Assuming the bank applies the wide and shallow concept, the obligor’s limits (amount of money to be granted to one customer) will be adhered to strictly. By maintaining the single obligor limit to a single individual, the bank will reduce the risk to its barest minimum without the transaction substantially affecting its treasury.

The customers demand helps to determine the credit appetite of these financial institutions and how they should control these credit facilities in terms of prudential guidelines spelt out by the CBN. Two independent variables and one dependent variable

were used to explain how they are interrelated. It is like a chain reaction: the credit abuse displayed by the credit officers who initiated the loans caused the problem by hiking up interest rates. The high-interest rates made repayment of the loans on due dates challenging, leading to nonperforming loans. This exercise, in turn, may have caused distress or failure of financial institutions. The null hypothesis was rejected and accepted the alternative hypothesis on this background.

Conclusion

The combinations of high-interest rates and nonperforming loans may be responsible for the distress of Nigeria's 10 selected financial institutions. There is a lack of banking ethics among these institutions' credit officers and loans managers in the financial institutions examined. There was no statistically significant relationship between the lack of ethical attitudes displayed by the credit officers and the high interest rates these officers used to process/appraise their credit facilities application. A weak positive relationship was obtained in correlation analysis between the high-interest rates charged by the respective banks and the nonperforming loans of these financial institutions. In that wise, from the correlation analysis, if the test value result showed that $P \leq 0.05$, the test hypothesis is false and should be rejected since it is 0 is therefore rejected, but in the case of the regression model, it is the opposite.

Other salient factors that helped contribute to nonperforming loans in the respective financial institutions are poor governance, insider knowledge, and board intervention in the credit procedures. These factors are not easily measured, but their

effects are enormous on the financial institution's distress/failure. According to this study, credit abuse had a high effect on bank loan performance, followed by high-interest rates. In contrast, high-interest rates have a negligible impact compared to the study's three primary constructs since, in the regression model, it is 0. 0224 values which are lower than other values.

Limitations of the Study

The limitation of this study is that there are 22 commercial banks in Nigeria. Only 10 major financial institutions were included in this study for logistic reasons. However, the findings from these financial institutions were used to generalize the situation in Nigeria. The role of these banks was to provide financial services to the banking public. Though credit creation is a significant function of these financial institutions, Nigeria is still under-banked.

The other limitation is the validity and reliability of the secondary data obtained through the website of these commercial banks for the study and the CBN. The events have made many chartered accountant firms not trustworthy in terms of auditing the financial transactions of these commercial banks. The Company and Allied Matters Act 2020 provision stated that directors of financial institutions must prepare the accounts of the financial institutions. A firm of chartered accountants will verify and publish the audited accounts. The regulatory guidelines for most of these accounts are prepared by the firm of chartered accountants, making it possible for these figures to be adjusted to suit the purpose of these financial institutions. Most Nigerian banks have the firms of

chartered accountants prepare different accounts for them. The accounts meant for internal revenue purposes differ from those presented to investors. This makes the accounts not to be relied upon by the banking public as there is no full disclosure in the bank's financial accounting.

Recommendations of the Study

A recommendation of a wide and shallow concept of lending (the practice of lending small amounts of loans rather than many loans to an obligor). This lending concept permits lending only to be done on the surface as it is not a high amount of lending. By so doing, the financial institutions can lend less than six figures to a single obligor which is easier to repay. This recommendation came from the research after reviewing the notes to these banks' financial statements, and the books showed that a good chunk of the bank funds is granted to a single obligor. Some of the funds are in litigations and not paid. So, I am proposing a concept that will enable the bank to spread their funds instead of doing significant lending to a single obligor or company. The concept assisted in answering the research questions and bolstered the purpose of the study, which was to investigate if a relationship existed between the independent and the dependent variables.

It is recommended that the credit officers/analysts have adequate education and must be trained and retrained because they are the significant cause of bank distress/failure. Those officers who displayed early signs of greed should be removed from the credit and marketing department because the department requires strong

integrity. The bank management should stay within the interest rates stipulated by the CBN. Going against these rates may be why some customers could not service the credit facilities when due. Financial institutions should endeavor to stay within their centers' income and capital base; trying to live a life above their income was always responsible for significant problems.

Proper loan monitoring is key to controlling the bank's performance of these loans. Therefore, from the time a loan is granted until repaid, the credit officers must constantly monitor the process. This exercise will ensure no diversion of the funds and help repay on the due date. Redemption of proper accounts to the controlling authorities like the CBN and the Nigeria Deposit Insurance Corporation (NDIC) is essential as it ensures sound financial systems and reporting. The banks should practice the concept of wide and swallow principles where the financial institutions lend to a single obligor a certain percentage of their money because most financial institutions that lend a large amount of money to a single customer always end up with loan default.

Recommendations for Further Studies

1. The lending technique called the wide and shallow concept was used in this study for illustration purposes. It is presumed that other models can help these financial institutions if adopted in the credit facilities lending so that these facilities, when extended to the customers, can be repaid by their due dates. This lending style will prevent the bad loans or the bank from providing for the bad loans. Further

studies should identify other techniques to make lending or granting credit facilities accessible for these NFI to help to improve their lending policy.

2. The company and allied matters decree stipulated those directors must prepare the bank's audited accounts, and the firm of chartered accountants will verify and publish the audited accounts. I observed that none of the directors in the 10 commercial banks studied occupy the financial controller position. This implies that these accounts were in the hands of other staff who are not directors of the bank or members of the chartered accountants. The CBN should make it a condition that a director of the bank must be a chartered accountant so that this will help to authenticate the reliability of the primary and secondary data. The books of the financial institutions are so important that they should not be in the hands of a financial controller who is a staff of the bank who has no invested interest in the commercial bank.
3. Banks should develop further research on how to manage or bring to the minimum limit the inherent credit facility risk in the bank to debar further distress or bank failure in the NFI. This exercise will restore the lost confidence in the sub-sector of the bank.

Implications of the Study

The purpose of this research was to determine if credit abuse, high-interest rates and nonperforming loans were responsible for financial institutions' distress/failure in the 2008/2009 period. It was shown that credit abuse, high-interest rates, and nonperforming

loans were responsible for the 2008/2009 distress among banks in Nigeria. Other salient factors like lack of banking ethics on the credit officers, board intervention in the credit procedures, and insider credit knowledge were found to contribute to the distress/failure of the NFI. The study helped showcase the activities of the credit officers and loans managers holding them accountable for loan failures during the 2008/2009 period, correcting the public's impression about the incident, and completing the story about what happened during that period.

Banks developed a desire to drive income and post a profit for their stakeholders to conduct business on level ground. To pay themselves well enough not to steal bank money, these officers set out to make more income but often at the detriment of the bank. Lending remains the highest way for the banks to earn income. However, banks must trade with caution; otherwise, splendid financing is not proper banking. Financial institutions must select risk and underwrite the risk properly; otherwise, public banking funds may be at risk. The invention of microcredits should be considered an appropriate measure so that any failed loan will not affect the bank treasury. This study implies that high-interest rates and performing loans would decide whether a bank will post a profit or not. I think these banks' abuse of credit procedures was done at the management level, amounting to an abuse of processes by these credit officers. It means that these commercial banks would not post any excessive profit. If these officers appropriately, did it well, their financial institutions would have posted the desired profit, which is the mainstay of any business.

Positive Social Change

Bikker and Bos' (2008) theory on bank performance and the wide and shallow concept adopted in the study may help guarantee the safety of the public banking deposits and save the entire society from the panic of loss of funds. Any distress among the financial institutions will affect the economy and have a lasting negative effect on the financial institutions' existence and profitability. Bikker and Bos' theory is on bank performance, emphasizing profitability, competition, and efficiency. The concept of wide and shallow enabled the banks to lend safely to many customers a small amount of money instead of lending to a single obligor a large amount of money. In an ideal situation, the financial institutions' investors want to ensure that they have secured investments and know that there is growth in their issued or authorized capital.

In the same way, customers want to be sure that they have secured deposits in the bank. A distressed bank will make growth in capital impossible and may not secure deposits of the banking public. The new era's favorable implication of positive social change ensures that the best banking practices are used to save society from chaotic situations and ensure that customers' deposits are available to them each time they call or show up in their bank. If done well, the idea will guarantee that the CBN will not use taxpayer funds to bail out any distressed bank. The NDIC, which has the mandate to protect the insured funds of the financial institutions, will not pay out money to make good these accounts from the distressed banks.

In this wise, there is a need for the ten Nigeria financial institutions to define their credit facility appetite. The banks need to determine how to process the facilities in terms of merit and monitor them until they are paid to the financial institution. In the case of problematic loans, the bank should quickly recover bad loans and do their credit reports correctly for the monthly returns. All the income earned in each transaction should be captured or provided for a credit facility that falls within the prudential guideline of a 30, 60, or 90 - day tenors for the banks' books not to look bad at the end of the financial year.

The study will be helpful as a reference point to the ten commercial banks in Nigeria. It will help the CBN, NDIC, and other supervisory agencies in Nigeria ascertain what happened during the 2008/2009 period. The study will guide whoever will carry out additional research in the future on credit abuse, high-interest rate, and nonperforming loans. Financial institutions following the CBN guideline and performing well will guarantee a sound payment system as the investors and depositors will have confidence in the banking sector. The banks adhering to CBN policies will reduce the lack of ethics among the credit officers and charge high-interest rates to their barest minimum limit. Businesses will thrive, as the economy will grow in that wise. Financial institutions will not make outrageous profits that are at the detriment of the customers.

When a prospect is introduced to a banking product, at the individual level, an account is opened with the banker, who understands the client's business and is ready to help the business grow. This prospect now becomes a bank customer, and if they can give

a good turnover in their account, it may give rise to a credit line with the bank. Suppose the customer deposits money into their account regularly and collects it whenever needed. This will guarantee family stability because he can plan with his money in the bank. There will be societal peace when the bank can earn some commission turnover on this account. The customer can access the credit facility and repay on the due date. There will be peace and order in society as the economy grows. The banks, on their part, will be earning some money from the services they are rendered to the customers. The customers would have conducted their business through their banks and benefited from their credit facilities. Society will have confidence in the banking payment system of banks in their community, and the economy will show positive signs of growth, which will benefit society.

Overall, the positive social change will be for the banks to understand the wide and shallow lending concept and apply it very well to improve their financial statements as seen in the study, that most of the bad lending was higher six figures which should have been spread to many customers and make repayment of loans more accessible, and which may have drastically reduced the defaults in loan repayment and litigations. If this is done well, most loans will perform. The banks regain the public's confidence in the banking system. The banking sector will contribute its quota to the Nigerian economy.

Methodological, Theoretical, and Empirical Implications

The conceptual framework of this study is on the theory of Bikker and Bos (2008) as it relates to bank performance, an empirical framework for the analysis of profitability,

competition, and efficiency. This theory interplay with the wide and shallow lending policy earlier discussed. Bikker and Bos (2008) core competence is bank performance, a theoretical and empirical framework for analyzing profitability, competition, and efficiency. In this study, I analyzed ten selected major NFI. Their financial statements audited between the 2008/2009 financial years in terms of profitability, competition amongst other financial institutions, and efficiency of those banks were analyzed.

In comparison for profitability, Zenith International Bank posted a profit after tax of ₦64,524 million in 2008 and ₦ 18,365 million in 2009. Guaranty Trust Bank posted a profit after tax of ₦ 29,913 million in 2008 and ₦ 28,603 million in 2009. Standard Chartered Bank's profit before taxes was $4.568 million in 2008 and $4.076 million in 2009. Keystone Bank posted a small amount of ₦ 4.80 million in 2008 and ₦ 5.300 million in 2009. The First Bank Plc posted a profit after taxes of ₦ 31.3 million in 2008 and ₦ 25.4 million in 2009. Union Bank posted a profit after tax of ₦ 12.4 million in 2008 and ₦ 61.5 million in 2009. Zenith Bank and Guaranty Trust Bank are leading in profit after taxes. Keystone Bank is behind in profit earned for the two years.

In terms of competition, Zenith International Bank had 500 branches. Guarantee Trust Bank had 231 with 17 Cash Centers, 18 e-Branches, 41 GT Express. Only 155 are full-fledged branches. Standard Chartered Bank in 2008 had 125 branches and 130 branches in 2009. Some of First Bank Plc and Union Bank Plc branches were politically motivated. Their performance in terms of volume of business cannot compete with that of Zenith International Bank or Guarantee Trust Bank branch. Zenith Bank leads the bank

efficiency and services delivery, with Standard Chartered Bank and Guarantee Trust Bank following up. The average customer waiting time in Zenith International Bank was estimated at five minutes, including transaction processing time. In Guarantee Trust Bank and Standard Chartered Bank, it is estimated that First Bank and Union Bank fall within seven to eight minutes. At the same time, Keystone Bank is estimated to be over ten minutes.

Bikker and Bos (2008) emphasized the theory of cost and profit, x-efficiency scale, and economics scope on the bank's performance. The concept of wide and shallow analysis is in terms of economies because of its wide range of lending and not going deep by lending a large portion of the bank's money to a single obligor. So, the wide and shallow concept made lending a small amount of money to many customers each time, not large lending to a single obligor. Bank costs have significantly impacted the banks' overall profit and can lead to bank failure or inability to profit. When a financial institution extends facilities using the concept of wide and shallow, administrative costs on the loans are reduced to their barest minimum because there is no need for litigations with the customers.

In the financial statements of the banks analyzed, Keystone Band's operating cost was ₦2.04 million in 2008, and ₦ 2.40 million in 2009 was very high considering the profit the bank made for those financial years. Zenith International Bank posted ₦ 58,092 million in 2009 and ₦41,095 million in 2008 for the period under review. Guarantee Trust Bank posted ₦58,092 million in 2009 and ₦ 41,095 million in 2008. Zenith Bank

and Guarantee Trust's operating cost was reasonable considering the profit level in the two years under review. The scope of economies existed in the case of Guarantee Trust Bank with various bank products, which permits the unit or one bank product cost to produce another product to decline as the variety of bank products increases. The bank has a wide variety of products that is mass-produced. Whenever Zenith International Bank cannot sell one product to the customer, they will succeed in selling another one to meet their customers' tailored needs.

The bank will gain by selling more products to their customers, which means more transaction volume. This idea will enable the bank to produce more products using the resources available or at its disposal. The theory helped determine how well a financial institution performs in terms of profitability, competition among other financial institutions, and its efficiency in service delivery to its clientele. The analysis further shows that the old banks like the First Bank Plc and Union Bank Plc, and IBTC Standard Bank have many loans that are not performing. These old-generation bank's deposit funds are not as much as Zenith Bank, Guarantee Trust Bank, Fidelity Bank, and Standard Chartered Bank. These new generation banks are aggressive in marketing, set targets for their officers, and ensure they struggle to achieve those targets.

The theory explains that stakeholders have the right to profit from the bank as investors, who expect to receive dividends on their investments and want to know that their capital is secured and growing. Zenith International Bank and Guarantee Trust Bank declared dividends to their shareholders for 2008 as 185,000 and 73,000 for 2009. In

2008 it was 134,000, and in 2009 it was 60,000 for Guarantee Trust Bank. If appropriately adopted, the theoretical and imperial work of Bikker and Bos (2008) may help answer five questions in this study, namely.

The model helped to show the major factors responsible for persistent bank distress in Nigeria financial institutions. These were credit abuse, high-interest rates, and nonperforming loans. It explains that ineffective management of credit abuse can be associated with a lack of banking ethics among credit officers, loans managers, and executive directors. The survey that was distributed and returned explained that the respondents agreed that credit appraisals were skewed to the customers to ensure that their credit review passes through the approval processes of the credit committee. There was a possible relationship between high-interest rates and nonperforming loans. The bank survey disclosed that the majority of the bankers agreed that they approved credit appraisal with high-interest rates, which may have led to nonperforming loans in the banks.

There was a weak correlation between credit risk abuse and nonperforming loans. This shows that the credit officers must have done some work before a loan can perform well. It is processing the credit appraisal well, getting it approved by the credit committee members, disbursing it to the customer, and monitoring it until the bank was repaid the loan. If one of these steps is not observed and done by the credit officers and loans manager, the loan may go unpaid, in which case the bank must provide for it or write it off as a bad loan. Therefore, there is a strong need to create the desired awareness in the

banking institutions to identify the inherent risk early and place adequate measurement processes to control and monitor them properly.

Implications on Practice of Financial Institutions

The significant implication of this study findings are changes in the inherent risks of credit abuse and high-interest rates in the financial institutions and the corresponding effect on the good governance of the bank. The regulations and policies prevailing in the sub-sector banking industry at a particular time affect the return on the investment of the financial institutions. No financial institution can survive if the regulations are unfriendly to banking operations. For instance, if there is a firm policy of foreign exchange rates, this policy may affect banks to create income through that area. Training and retraining of the credit officers of the bank can save the financial institutions from imminent collapse. Other significant problems are ensuring that credit officers that displayed an early sign of splendid financing or a lack of banking ethics should remove from the credit and marketing departments. Banking ethics should be the watchword for all the credit officers in financial institutions.

Financial institutions should be proactive in managing inherent risk in financial institutions. The bank can create a new facility today and open itself up for the diversion of the disbursement fund if not monitored to the end-user's position. Early and close monitoring is crucial and will help the financial institutions dictate early signs of a bad loan and move fast to checkmate it before it goes bad. Regular credit committee meetings, preparing the credit returns, and ensuring that all incomes are captured and

reported accordingly will help avoid bad loans. The study proves a relationship between credit abuse, high-interest rates, and nonperforming loans. The study can help good banking performance and save the NFI from distress or collapse, which will have a lasting effect on the banking public and the Nigerian society.

Summary

Risk management is critical in every financial institution worldwide and Nigeria in particular. There is a need to ensure that all credit officers are trained well before performing credit functions. Splendid financing and extensive borrowing are not good financing options, but relatively wide and shallow options are better except if they can supervise it properly. Financial institutions should lend only when they are sure that the credit will go and come back without much effort. Interest rates should be moderate to enable the customers to do business and reimburse when the loan is due. This practice will ensure that the banks earn enough money to cover their costs and leave some as dividends for stakeholders. The customers will conduct their business through the bank and profit from their company.

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