**THE EFFECT OF GOVERNMENT POLICY ON COMMERCIAL BANK LENDING ABILITY IN NIGERIA A CASE STUDY OF UNION BANK.**

**ABSTRACT**

This research work is aimed at satisfying those who have interest in the effect of government policy on commercial banks lending ability in Nigeria (1999-2005) especially the bankers throughout the world who are involved in financial transaction with Nigeria. The data required for achieving these questionnaire, Newspaper, Journals union bank Bullion were used. Finally, the title the effect of government policy on commercial bank lending ability in Nigeria (Union Bank) as discussed in this project does not supply enough information needed, therefore there would be need for an investigation into the extent of actual effect on lending ability of commercial bank.

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**CHAPTER ONE**

**INTRODUCTION**

This chapter deals with the back ground of the study, statement of problems, objectives of the study, research question, significance of the study, hypothesis, scope limitation of the study and definition of items.

**1.1 BACKGROUND OF THE STUDY**

The banking system in Nigeria has undergone radical changes during the 35 years since independence . Banking developed from an industry which in 1960. was dominated by a small number of foreign owned banks into, one in which public sector ownership predominated in 1970s and 1980s and in which Nigeria private investors have played an increasingly important role since the mid 1989’s government polices had a major influence on developments in the banking industry. Extensive government intervention characterized financial sector policies beginning in the 1960s and intensifying in the 1970s, the objective of which was to influence resource allocation and promote indigenisation. Since 1987 financial sector reforms have been implemented, encompassing elements of liberalization and measure to enhance prudential regulation and tackle bank distress.

The effect of government polices on the commercial bank lending in Nigeria in the period since independence all examine how banks were affected by public ownership and polices of financial repression the reasons behind the growth of Local Private sector banks, to causes of the financing distress in the banking industry and the efficacy of financial reforms undertaken. We aim to explore two related issues first, that government control on financial markets. Public ownership of banks and the neglect of prudential regulation as opposed to allocative regulation had detriment effects on the banking lending, especially in terms of the quality of banks loan portfolio. Efficiency and competition second, that the efficacy of financial liberalization and other financial sector reforms to enhance the efficiency of intermediation in banking market has been limited. In part because of the legacy of pre-reform intervention ion banking lending, which left large sections of the banking industry in financial distress, but also because some of the reforms were inappropriately sequenced and other were not implemented in a consist ant manner.

On the commercial banks. Although other financial institution have been set up in Nigeria including development finance institution (DFIS), insurance companies and plethora of finance houses, hire purchase companies and mortgage companies, banking dominates the financial and merchant banks together accounted for 85 percent of the total asset of the emerged during the 1980. Some of these banks were set up banks by state governments but the majority were stated by Nigeria private investors. The tensive growth of the local private banks was very rapid after 1986, particularly in merchant banking sector by 1992 there were 66 commercial banks operating in Nigeria. Despite the growth of new entrants however the three largest banks have retained their dominance of banking market, accounting for 48 percent of the total deposits of the commercial banks while Afric bank accounts for a further 7 percent.

The banking industry has been afflicted by wide spread financial fragility almost half, the total number of banks in operation, were regarded as distressed or potentially distressed by the regulatory authorities in 1995. The state government owned most of the distressed banks.

**1.2 STATEMENT OF THE PROBLEM**

The environment in which commercial banks operate has been the direct result of the banking sector has been subject to extensive regulation of the banking sector of the Nigerian government lending. There is competition among banks and non-banks financial institution. It is now the survival of the fittest the central bank of Nigeria as well as direct participation by the federal government and state government during the post independence period economic nationalism and developmental aspirations were important motivation for interventionist polices. The character of these polices was that of financial repression in that control depressed interest rate and cancelled resources away from areas where private rate of return would have been maximized. The allocate control have been liberalized to some extent since 1986, although controls over lay areas remain in force. This section outline the efforts made by the Union Bank of Nigeria to influence resources allocation in banking lending through the use of administrative controls polices pertaining to public ownership of banks.

The denomination of banking by expatriate banks during the colonial period provoked considerable resentment among Nigerian, including businessmen and politicians. The expatriate banks were perceived as acting solely in the interest of their foreign owners rather than in Nigerians and of the Nigerian economy in particular they were accused of discriminating against indigenous businesses in the allocation of loans and falling to finance the developmental needs of the country, instead concentrating on the provision of short term loan related finance to foreign companies. Consequently government objective following independence included securing greater local control over the banking lending and ensuring improved access to credit for indigenous businesses and priority sector.

During the 1960s the union bank of Nigeria was given extensive powers to regulate the quantity cost and direction of bank credit. These powers were used to further monetary control a priority throughout most of the post independence period because of inflationary pressures in the early 1990s by the issuance of stabilization securities by the Union bank of Nigeria to those banks with excess liquidity. The consequence was a reduction in the aggregate liquidity of the banking system which contributed to a sharp rise in interest rates on later bank deposit. Inter bank rates rose to us percent the availability of funds on the inter bank market diminished sharply when some banks began to default on their inter bank lending obligation. As the scale of the fragility in the industry become apparent depositors withdraw funds from banks suspected of being more secure. The difficulties involved in deposit mobilization combined with the non servicing of a large share of their loan portfolios meant that the distressed banks became increasingly illegal and overdrawn on their accounts with the union bank of Nigeria.

The problem in the effect of lending have effectively mobilized deposits for the banks, this work is aimed at finding the night answer to the question raised.

**1.3 OBJECTIVE OF THE STUDY**

The purpose of the study is to find out.

1. Effect of lending policy on commercial bank ability to grant loan.

2. to assess the effect of government policy on inflation rate in the country.

3. if monetary policy will, in any way reduce inflation in the country.

4. how government policy on commercial bank affect its ability to grant loan

**1.4 RESEARCH QUESTIONS**

1. How does lending policy affect the commercial bank ability to grant loan?

2. Did government policy affect inflation rate in their country?

3. How does monetary policy affect inflation?

4. How does government policy on commercial bank affect its ability to grant loans?

**1.5 RESEARCH HYPOTHESIS**

1. Ho: Lending policy does not affect the commercial bank ability to grant loan.

Hi: Lending policy affect the commercial bank ability to grant loan.

2. Ho: Government policy does not affect inflation rate in the country.

Hi : Government policy affect inflation rate in the country.

3. Ho: Monetary policy has nothing to do with inflation.

Hi : Monetary policy has something to do with inflation.

4. Ho: Government policy on commercial bank does not affect its

ability to grant loan.

Hi: Government policy on commercial bank affect its

ability to grant loan.

**1.6 SIGNIFINCANCE OF THE STUDY**

The study is significant for the fact that many banks has been introduced and more are scheduled to hit the loan government progress on its efforts.

It is of great importance to the operation in the banking lending in that it would enable them assess the degree of the successes of their banks and be able to identify unprofitable ones. It will also serve as the first information for new comers in the bank and those intending to lend some. In determining their targets in bank lending, again it will be beneficial to student in banking and finance and research who may be interested in this area of study.

**1.8 DEFINTION OF TERMS**

1. COMMERCIAL BANKS: This is an institution set up to do banking business accepting deposit from public and make profit by lending money out of the public.

2. LENDING: The giving of money to the customer by a bank with interest on the ground that such bank has enough security to back up such loan when the due time is matured.

3. INTER BANK CLEARING: This is an arrangement by which banks settle instrument drawn on them by their customer in the clearing house, representatives of commercial bank deliver chques drawn on other banks and receive instruments drawn on them by the bank.

4. LIQUIDITY: The liquidity of an assets means the ease with which it can be turned into cash with certainty a bank has to keep adequate volume of non-earning assets such as, cash call money, treasury bills and other short term maturing instruments in its portfolio

**CHAPTER TWO**

**LITERATURE REVIEW**

1. **INTRODUCTION**:

Bank decision making in Nigeria like in America and Britain is characterized by a number of rules of the thumb from a combination of environmental factors such as random deposits, loan flu action, legal constraint and enacted Acts and established decrees. Banks behavior can better be explained by developing a framework that combines the environmental and profit maximinsation approaches.

Hister and Pierce (1975) referred to in sightful analysis of Roland Robinson (1962) as a esculent example of the traditional banking approach. According to them Robinson Sought “to describe methods of achieving the most profitable employment of commercial bank funds consistently with safety. The method as reported by Hister and Prerce comprises essentially of setting and following a hieracly of priorities in the employment of bank funds. These priorities well arranged in a descending order as follows.

* Legal required reserve
* Secondary reserve
* Customer credit demand
* Open market investment income

After the bank have satisfied the first two above, then it can meet its customer’s needs for funds and if after customers demands are met any residual

fund could be invested at the investment market. In criticising Robinson’s work, Hister and Pierce pointed out that the framework among other things does not indicate how a bank optimises when deciding whether or not to shift funds from the asset to another. They also commenced on the work of Hoglgman who attempted to remedy the shortcomings observed in Robinson’s work.

Hodgman agreed that customer relation gives banks a strong reason to lend to customer with large balances.

1. **COMMERCIAL BANKING IN NIGERIA**

“The structure of Commercial Banking in Nigeria is tailored towards that

prevailing in the UK according to Femi Adescanye (1984). In other words commercial banking in Nigeria can be said to have taken the form of the branch banking system which is dominated by a few large banks with a wide network of branches spread through out the country. As at 1989 there were about twenty seven commercial banks in the country, but today the number is three times the later with over 2000 branches.

The first three commercial banks to be established in Nigeria were of British origin. It came under the name. British Bank of West Africa in 1894. The second is the present Union Bank former Barlays Bank established in 1917. The third being UBA (PLC) which was a British and French Bank established in 1949.

1. **CHARACTER AND TYPES OF LOANS**

Credit is generally granted by commercial banks based on confidence in a customers ability to repay the amount granted plus the agreed fixed interest. Such confidences are built on the lender’s satisfaction of the five “Cs” namely character, capability, capacity, capital or collateral.

The existence of credit involves a lender and a borrower. Commercial banks are therefore called upon to extend credit to borrowers who may wish to obtain cash to make purchases. The credit or lending policies of a bank are in effect its screeching and appraisal devices by which it tries to determine the type and character of the loan it should grant, from a strict policy view point the character of a loan should take precedence over its form Grosse (1963). In other words it is a better appraisal method that a loan be sound and healthy than that they just be in form of mortgage or business loans or customer credit. For instance a bank in a rapidly growing residential area such as the newly created state capital or local government capital like Nasarawa State should have a higher ratio of long term loan to total loan than a bank in a stable industrial area like Lagos, Kano or Onitsha. The later also ought to have a higher ratio of commercial loans and perhaps a consumer credit. Grosse (1963) opined that as a matter of policy it is desirable for a bank to establish ceilings on the various forms of lending but the should do so solely for the purpose of distributing bank credit in proportion to the community’s need. Commercial bank loans have been classified into various forms based on

the purpose of the loan. These classes are.

1. Loans to Business (i.e Commercial and Industrial Enterprises)
2. Loans to Agriculture for current purposes
3. Loans on purchasing and carrying securities
4. Loans on real estate mortgage
5. Customer loans
6. Other loans not falling into the above categories.
7. **BANKS LENDING POLICIES**

Until in recent years, lending has been the essence of commercial banking

and infact now colossal part of banks assets are in credit grant. As a result the formulation and execution of a sound lending policies constitute part of the most vital responsibilities of bank management. As earlier mentioned it is the screening device through which the appraisal techniques are weighed. Grosse (1963) opined that well conceived lending policies and careful credit practices are essential for a bank if is to perform it credit-creating functions effectively and efficiently and at the same time minimise or eliminate the risk inherent in any extension, of credit.

It is important to note that the type and number of loans a bank will make as well as to whom it will grant credit and what conditions and circumstances requires a sound policy decision. The lending decision like any other investment decision involves enormous amount of risk. Therefore adequate case must be taken in the process of arriving at such decisions. Thus a meaningful periodic appraisal of lending and credit Administration can only be based on qualitative policies of the lending institution with respect to extension of credits. Bankers should not relax on the qualitative lending policies of their banks because even the best policies needs periodic review in the light of ever changing environmental condition.

The starting point of a sound lending and credit policy begins with knowledge of the legitimate credit need of the customer. It is important to recognize that loans should not be given simply because of personal interest or favoritism. Legitimate credit is one that will further the growth and stability of the community and the economic well being of its inhabitants including the customer. In addition, the Banker must have a clear concept of how much credit and what variety of loans the community needs, in order to effectively appraise his own willingness and ability to meet the credit demand of the customer. The limiting factor in this case ought to be the customer’s genuine needs for credit and the banks ability to meet those needs rather than any arbitrary pre-conceived ideas or average statistical and personal relationship.

The need for a sound policy to regulate bank lending arises from the fact that uncontrolled monetary expansion can in addition to the unavoidable risks involved accelerated inflationary pressures in the economy. This indeed is a negation of the objectives of promoting monetary stability and the achievement of a sound financial structure. Similarly, poor lending policies of a commercial bank can lead to a high loan to deposit ratio and this can result to liquidity crisis for the bank.

Another important aspect of lending policies and guidelines is in respect of payment. Credit is commonly believed to be the lifeblood of the economy. If this assertion is correct, any credit, which ceases to flow, becomes stagnant. It should therefore be a basic policy of commercial bank lending that any money loaned in whatever form and to whom ever should flow back to the bank in form of repayments. That is the terms of repayment should be related to the form and nature of the transactions being financed and a definite repayment program should be established with respect to every loan no matter how well secured or how sound. A sound bank loan should be collectable from the anticipated income or profit of the borrower rather from liquidation of any collateral that may be pledged. This should be the ideal situation and ideal relationship between the banker and the borrower. In Nigeria however, Bank experts believed that certain loan ideals particularly those that result to bad or doubtful debts is sequel to ownership structure and liberal credit administration. Loans and advances in Nigeria according to Pius Okigbo (1981) are treated almost like a grant by the customers since with the collection of the staff and through inefficient book keeping, the bank will not press its claim when the advances are due to be retrieved.

1. **BANK APPROVAL TECHNIQUES**.

Lending is a traditional function of commercial banks. They accept deposits many times their capital and lend them at a narrow margin above cost, which is turned into a satisfactory return on equity by the substantial gaining. Because of the highly geared nature of commercial banks, the loss of only 5% to 10% of its loan portfolio can wipe out its capital. Donaldson (1979) posited that the attitude of commercial banks is highly geared lenders. To remain highly geared and earn a sound return on capital despite a low return on each individual asset requires most importantly the customers “confidence”. Thus confidence in the character of the customer becomes one of the most vital criteria in evaluating a loan applicant. However, before you begin to build your confidence on the customer, the Bank needs vital information about the loan – applicant. These information are often classified into the Five Cs already mentioned. Hister and Pierce (1975) gave a simple illustration on the information concerning loan applicant as follows.

Suppose a commercial bank desires to place N1, 000,000.00 in commercial loans. For simplicity let us assume that the bank’s sole objective is to maximize its discounted stream of expected future net present value and that market loan interest rates exceeds the rate of return available from securities and other assert portfolio; the bank understands that risk can be reduced by extensive and costly reviews of potential borrowers; financial statements, integrity and previous repayment history, collateral etc; it also understand that different firms have various expected future rate of sales growth and that the relationship with a growing firm is likely to yield the bank future. Profits from loans; if it is also understood bargain strength of different potential borrowers vary and that bank profits can be augmented by discriminating among potential borrowers; firms and other customers in need of funds can be induced to provide the bank with consistently information about themselves and rather importantly about other business forms which they trade.

Dr. Neil V. Sunderland (1974) posited that an investigation of the criteria used by Banks to grant loan. No full stop shows that expected future earnings are of primary importance. This is contrary to Donaldson’s inclined position that confidence in character of the customer should be the primary importance in addition to other criteria. Despite the anticipated earning criteria a high proportion of loans are not repaid but are consistently renewed. This is because most times funds taken for short-term investment are used for long-term investments. Thus it becomes impossible for funds raised for specific transactions to be repaid from the proceeds of the resulting sales.

Granting a credit without supporting its utilization by administrative procedure is like having a baby and asking the baby to grow without the paternal attention. All the same a credit cannot be administered without it being granted. The effective and efficient management of any loan as earlier pointed out begins at the appraisal stage. The appraisal exercise reveals at the initial stage if the proposal is viable. The source of repayment, the adequacy of such source and other key credit issues. A badly appraised loan cannot be successfully managed.

Bankers have often been criticized and some had to loose their jobs for lending money to customers when right from the start it is likely that they will ever be able to repay the loan. Below are some factors that are considered for loans, which must be appraised critically before granting loans.

* 1. Trust worthiness
  2. Collateral security
  3. Market survey
  4. Risk assessment.

1. **THE CAUSES OF BAD LOANS IN NIGERIAN COMMERCIAL**

**BANKS.**

Relaxed lending standards and complacency, unguarantee credits, cultural influence, partisan politics, man know man and carelessness in enforcing compliance are some causes given for why loans granted for which repayment is expected plus interest go bad. Most of the banks that are now neck deep in bad debts found themselves in that situation through mismanagement of their loan management portfolio. Considering the ratio of defaulters in Banks with Government equity and those that are one hundred percent private one may tend to agree that partisan politics in its rotten form has some influence in granting and administering loans. Anthony Ononye believed there is what he called political lending (Banking and Finance Digest Vol. 5 pg. 13). Mr. Ayo a chartered Accountant also opined that tribal and sentimental lending is eating deep into lending and credit administrations of commercial banks. He stated that Bankers relax, more than they should the lending standard because of Mr. A and B who helds from our village or State etc.

Other analyst believed that loans go bad due to human errors or unforeseen circumstances. Some others argue that the inconsistent economic policies are largely responsible for why certain loans turn out to be bad. These inconsistent economic policies of the government make feasibility study to become obsolete. This often creates a situation of the borrower making all the assumption initially considered in the proposal to become unrealistic.

A good percentage of bad loan is also believed to fall within loans granted to government and government contractors who had failed to pay or collect that money from Government due to political changes resulting from political and economic instability.

Another reason advanced by Mr. Bayo in the Banking and Finance Digest was the present economic down turn in the country. Most businesses and individuals could no longer cope with the repayment program.

However, in spite of these factors, some banks grant credit without requesting for guarantee of an owner. This inclination the felt was a way to compass for seemingly desirable credits. Problems for so may of these loans cropped up early in the repayment process and were exacerbated by the recession. Credits began to go bad in increasing numbers, with no guarantees to back them up.

Borrowers perceptions forms one of the causes why loans goes bad. The events of the 1980s spawned dangerous perceptions in borrowers. One is that the deep pocketed, high – speeding banks can easily absorb the loss caused by a business loss have no particular financial effect on the economy. When they compare themselves with the high profile financiers of the 1980s, some owners look upon their moral retreats as in significant.

1. **PROCEDURES FOR LOAN MONITORING**

A part from individual loans, it is important that the overall quality of the

portfolio and of the way in which they are carried out be monitored. How elaborate, effective and efficient with which this is done depends on the size of the bank and number of branches a bank has as well as the variation in marketing and delegation of authority. It may be necessary to sometimes monitor the concentration of the portfolio, geographically by industry or any other method to control maturity and mismatch which have some implications for the bank’s treasury but are also vital credit factors; and assess the average quality of borrower of loan. Sometimes it is useful to operate a form of a rating system, which makes it possible to generate an interesting profile of range of quality in the portfolio.

All commercial banks make use of external Auditors and examiners or bank Inspectors as an independent check and other outside reviews. Internally there are three possible methods advanced by Donaldson (91979) in which to monitor loan portfolio.

The first method is what he called continuing quality control. This involves constant quality control within each branch at head office. The continuous review may be made by the general management of the bank either in the form of a credit committee or by continuous review by branch managers. Either as a part of this or in lieu of it, there should exist specialist personnel who surveys and reports on the quality of the lending, the quality of the individual loans, the authorities in each case and effective co-operation within the department. However, whether as a specialist staff or as an internal auditor, he will be expected to do most of the detailed work, identify and follow problem loans, supervise and assist weaker lending officers to ensure adequate communication between various sections of the bank.

The second method is to establish a loan audit department with a reporting authority directly to the senior manager of the bank via the controller or Accountant. The audit may include full analysis of some borrowers but more often reviews the quality of the analysis done before loans were made.

The third method is inspection. This is similar to the loan audit but involves a longer history. A team usually of line bankers inspects all branches and head office divisions on a periodic basis. Each inspection is usually carried out as a surprise examination with no set interval or warning. More often they examine the documentation of loans, controlling the follow up of payments or collateral as well as many areas not related to lending at all. They appear more interested in compliance with the conditions on which the loans were made than whether the conditions were right initially or whether subsequent changes have been made up to date.

2.8(i) **MILITATING FACTORS AGAINST LOAN MANAGEMENT**

Several factors are capable of hindering the effective management of loans; some of which are.

* Weak policies and procedures.

Policies and procedures that are out – dated or weak do not provide prudent and acceptable standards for what constitutes high quality.

risk assets. Without such guidance therefore, loan officers go their different ways.

* Lack of a credible credit culture.

A credit environment that does not promote and reward high standards is a disincentive for effective loan management. Even where strong policies and procedures are in place, the actions and inaction’s of management send strong signals as to the type of support it is giving to them. A credible credit culture will autonomously generate lender commitment to loan management.

* Accounts over load.

Determine the optimum number of accounts for a loan officer, given his experience and training, is one area where many managers have failed,  especially due to organisational constraints. If loan officers are unable to track exposure risks on most accounts, either directly or indirectly, it can be said that accounts allocation is in efficient.

* Poor Training/in experience.

A poorly trained or inexperienced loan officer may not be able to handle more than a few simple transactions. Knowing what to do, how to do it and hang the required skills are necessary for effective loan management. Few banks are known to thoroughly train their loan officers before releasing them into the market. Credit heroes and worthy mentors are scarce commodities in the market because of this spread of expertise over a large number of banks. The combination of inadequate training and lack of well-experienced monitors can spell portfolio disaster, especially where the credit culture is not very strong.

**CHAPTER FOUR**

**DATA ANALYSIS AND INTERPRETATION**

* 1. **INTRODUCTION**

This chapter deals with the presentation and analysis of the result obtained from questionnaires. The data gathered were presented according to the order in which they were arranged in the research questions, sample percentage and pie charts were used to analyze the demographic information of the respondents while the chi square test was adopted to test the research hypothesis.

* 1. **DATA ANALYSIS**

**Bio- data of respondents**

| **Table 1 gender of respondents** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | male | 65 | 65.0 | 65.0 | 65.0 |
| female | 35 | 35.0 | 35.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table1 above shows the gender distribution of the respondents used for this study.

Out of the total number of 100 respondents, 65respondents which represent 65.0percent of the population are male.

35 which represent 35.0 percent of the population are female.

| **Table 2 Age range of respondents** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 20-30years | 15 | 15.0 | 15.0 | 15.0 |
| 31-40years | 10 | 10.0 | 10.0 | 25.0 |
| 41-50years | 25 | 25.0 | 25.0 | 50.0 |
| 51-60years | 20 | 20.0 | 20.0 | 70.0 |
| above 60years | 30 | 30.0 | 30.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 2 above shows the age grade of the respondents used for this study.

Out of the total number of 100 respondents, 15 respondents which represent 15.0percent of the population are between 20-30years.

10respondents which represent 10.0percent of the population are between 31-40years.

25respondents which represent 25.0percent of the population are between 41-50years

20respondents which represent 20.0percent of the population are between 51-60years.

30respondents which represent 30.0percent of the population are above 60years.

| **Table 3 educational background of respondents** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | FSLC | 20 | 20.0 | 20.0 | 20.0 |
| WASSCE/GCE/NECO | 25 | 25.0 | 25.0 | 45.0 |
| OND/HND/BSC | 35 | 35.0 | 35.0 | 80.0 |
| MSC/PGD/PHD | 15 | 15.0 | 15.0 | 95.0 |
| OTHERS | 5 | 5.0 | 5.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 3 above shows the educational background of the respondents used for this study.

Out of the total number of 100 respondents, 20 respondents which represent 20.0percent of the population are FSLC holders.

25 which represent 25.0percent of the population are SSCE/GCE/WASSCE holders.

35 which represent 35.0percent of the population are OND/HND/BSC holders.

15 which represent 15.0percent of the population are MSC/PGD/PHD holders.

5 which represent 5.0percent of the population had other type of educational qualifications.

| **Table 4 years of experience** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | 0-2years | 30 | 30.0 | 30.0 | 30.0 |
| 3-5years | 15 | 15.0 | 15.0 | 45.0 |
| 6-8years | 20 | 20.0 | 20.0 | 65.0 |
| 9-11years | 15 | 15.0 | 15.0 | 80.0 |
| 12-13years | 10 | 10.0 | 10.0 | 90.0 |
| above 13years | 10 | 10.0 | 10.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 4 above shows the years of experience in the Banking sector of respondents used for this study.

30 which represent 30.0percent of the population have 0-2years experience in the Banking sector.

15 which represent 15.0percent of the population have 3-5years experiencein the Banking sector.

20 which represent 20.0percent of the population have 6-8years experience in the Banking sector.

15 which represent 15.0percent of the population have 9-11years of experience in the Banking sector.

10 which represent 10.0percent of the population have 12-13years of experience in the Banking sector.

10 which represent 10.0percent of the population have more than 13years of experience in the Banking sector.

**Tables based on research questions**

| **Table 5 Name of Bank** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Diamond | 25 | 25.0 | 25.0 | 25.0 |
| GTBank | 45 | 45.0 | 45.0 | 70.0 |
| First Bank | 30 | 30.0 | 30.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 5 shows the role of respondents in the Banking sector.

25 respondents representing 25.0perrcent of the population under study were employees of Diamond Bank.

45 respondents representing 45.0perrcent of the population under study were employees of GTBank.

30 respondents representing 30.0perrcent of the population under study were employees of First Bank.

| **Table 6 There is no general bank lending policy in Nigeria** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly agree | 30 | 30.0 | 30.0 | 30.0 |
| Agree | 42 | 42.0 | 42.0 | 72.0 |
| Undecided | 10 | 10.0 | 10.0 | 82.0 |
| Disagree | 10 | 10.0 | 10.0 | 92.0 |
| strongly disagree | 8 | 8.0 | 8.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 6 shows the responses of respondents if there is no general bank lending policy in Nigeria.

30 respondents representing 30.0percent strongly agreed that there is no general bank lending policy in Nigeria.

42 respondents representing 42.0percent agreed that there is no general bank lending policy in Nigeria.

10 respondents representing 10.0 percent were undecided.

10 respondents representing 10.0percent disagreed that there is no general bank lending policy in Nigeria.

8 respondents representing 8.0percent strongly disagreed that there is no general bank lending policy in Nigeria.

| **Table 7 Bank lending procedure in Nigeria is very slow** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly agree | 10 | 10.0 | 10.0 | 10.0 |
| Agree | 15 | 15.0 | 15.0 | 25.0 |
| Undecided | 5 | 5.0 | 5.0 | 30.0 |
| Disagree | 40 | 40.0 | 40.0 | 70.0 |
| strongly disagree | 30 | 30.0 | 30.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 7 show the responses of respondents if bank lending procedure in Nigeria is very slow.

10 of the respondents representing 10.0percent strongly agree that bank lending procedure in Nigeria is very slow.

15 of the respondents representing 15.0percent agree that bank lending procedure in Nigeria is very slow.

5 of them representing 5.0percent were undecided.

40 of the respondents representing 40.0percent disagree that bank lending procedure in Nigeria is very slow.

30 of the respondents representing 30.0percent strongly disagree that bank lending procedure in Nigeria is very slow.

| **Table 8 Banks do not have recovery policy aside collateral** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly agree | 60 | 60.0 | 60.0 | 60.0 |
| agree | 25 | 25.0 | 25.0 | 85.0 |
| undecided | 10 | 10.0 | 10.0 | 95.0 |
| disagree | 5 | 5.0 | 5.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

**Table 8** show the responses of respondents to banks do not have recovery policy aside collateral.

60 of the respondents representing 60.0percent strongly agree that banks do not have recovery policy aside collateral.

25 of the respondents representing 25.0percent agree that banks do not have recovery policy aside collateral.

10 of them representing 10.0percent were undecided.

5 of the respondents representing 5.0percent disagree that banks do not have recovery policy aside collateral.

| **Table 9 Banks are skeptical about lending to the public due to inadequate recovery policy and procedure** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly agree | 25 | 25.0 | 25.0 | 25.0 |
| agree | 32 | 32.0 | 32.0 | 57.0 |
| undecided | 13 | 13.0 | 13.0 | 70.0 |
| disagree | 15 | 15.0 | 15.0 | 85.0 |
| strongly disagree | 15 | 15.0 | 15.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

**Table 9** shows the responses of respondents to banks are skeptical about lending to the public due to inadequate recovery policy and procedure.

25 of the respondents representing 25.0percent strongly agree that banks are skeptical about lending to the public due to inadequate recovery policy and procedure.

32 of the respondents representing 32.0percent agree that banks are skeptical about lending to the public due to inadequate recovery policy and procedure.

13 of the respondents representing 13.0percent were undecided.

15 of the respondents representing 15.0percent disagree that banks are skeptical about lending to the public due to inadequate recovery policy and procedure.

15 of the respondents representing 15.0percent strongly disagree that banks are skeptical about lending to the public due to inadequate recovery policy and procedure.

| **Table 10 Banks are vulnerable to bad debt** | | | | | |
| --- | --- | --- | --- | --- | --- |
|  |  | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | strongly agree | 65 | 65.0 | 65.0 | 65.0 |
| agree | 30 | 30.0 | 30.0 | 95.0 |
| disagree | 3 | 3.0 | 3.0 | 98.0 |
| strongly disagree | 2 | 2.0 | 2.0 | 100.0 |
| Total | 100 | 100.0 | 100.0 |  |

Source: field survey, August, 2016.

Table 10 show the responses of respondents to banks are vulnerable to bad debt.

65 of the respondents representing 65.0percent strongly agree that banks are vulnerable to bad debt.

30 of the respondents representing 30.0percent agree that banks are vulnerable to bad debt.

3 respondents representing 3.0percent were undecided.

3 of the respondents representing 3.0percent disagree that banks are vulnerable to bad debt.

2 of the respondents representing 2.0percent strongly disagree that banks are vulnerable to bad debt.

**4.3 Testing Hypothesis**

**H0:** Bank lending policies and guidelines do not help commercial banks in stimulating economy growth and development.

**H1:**Bank lending policies and guidelines help commercial banks in stimulating economy growth and development.

**Level of significance**: 0.05

| **Decision rule**: reject the null hypothesis H0 if the p value is less than the level of significance. Accept the null hypothesis if otherwise.  **Table 11 Test Statistics** | |
| --- | --- |
|  | Bank lending policies and guidelines do not help commercial banks in stimulating economy growth and development |
| Chi-Square | 105.520a |
| Df | 3 |
| **Asymp. Sig.** | **.000** |
| a. 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 25.0. | |

Conclusions based on decision rule:

Since the p-value= 0.000 is less than the level of significance (0.05), we reject the null hypothesis and conclude that bank lending policies and guidelines do not help commercial banks in stimulating economy growth and development.

**CHAPTER FIVE**

**CONCLSUION AND RECOMMENDATIONS**

**5.1 CONCLUSION**

It could be rightly said that the general result of the study on the bank lending policies, and recovery procedure has been concluded in this passage.

* One can say that poor lending policies affect the banking sector in Nigeria
* That bank lending policies and recovery procedure if it is strictly implemented will lead to the development of banking sector in Nigeria, while if not rigidly and strictly followed will cause distress to these banks.
* That the commercial bank and other banks cannot effectively carry on their duties without the procedure as has been directed by the central bank of Nigeria.

**5.2 RECOMMENDATION**

From the finding so obtained in the bank lending policies and recover procedure the following are the recommendations:

* Bank should not grant credit to customers based on shallow knowledge of customers operation and personality, because they do not know will be able to pay or not.
* Adequate legal backing should be sought to assist in the fast disposal of the borrower’s security at the expiration of the repayment period and after sufficient notice of warning have been issued to the borrowers.
* Some banks should mind how they employ staff because some lending staff are not academically and professionally knowledgeable enough to appraise project adequately,
* Finally, some lending officers in the bank provide loans to relations without considering the basic principles of lending. They should stop to do so because it lead to bad and irrecoverable debts.

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