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Analysing the role of finance and credit management in the banking sector of Nigeria: a comparative study of first bank of Nigeria and three other banks

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DEPARTMENT OF ECONOMICS, ADMINISTRATION AND COMPUTER SCIENCE

ANALYZING THE ROLE OF FINANCE AND CREDIT MANAGEMENT IN THE BANKING SECTOR OF NIGERIA: A COMPARATIVE STUDY OF FIRST BANK OF NIGERIA AND THREE OTHER BANKS

Of

MICHELLE RUTH ONUMA

MASTERS IN BANKING, INVESTMENT AND FINANCE

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MICHELLE RUTH ONUMA

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ANALYZING THE ROLE OF FINANCE AND CREDIT MANAGEMENT IN THE BANKING SECTOR OF NIGERIA: A COMPARATIVE STUDY OF FIRST BANK OF NIGERIA AND THREE OTHER BANKS

Dissertation

Supervisor

Dr. Maria Psillaki

Director of Masters in Banking, investment and Finance

STUDENT DECLARATION

I hereby declare that this dissertation is all my own work and all other works discussed or referred to, have been cited.

Signature……………………. Date: 18th January, 2021

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ABSTRACT

Credit and finance management practices hold great significance in the life of any financial institute, especially in banks. These practices refer to the strategies adopted and activities conducted by the bank in order to mitigate the losses incurred to the institute by understanding the working capital of the bank along with the reserve amount for loan loss at any given point of time. The banking sector of Nigeria is still in developmental stages, so, it is analysing and experimenting with numerous rules and policies that can fit appropriately and suit the most in the economic conditions of the country. A number of practices, in this respect, are being adopted that can improve the working and operations of the banks functioning in the country. First Bank of Nigeria PLC. is a financial institute that is ranked among one of the top banks of Nigeria. The study under discussion has been designed specifically to analyse the role of credit and financial management practices in First Bank of Nigeria PLC. One of the attractive and most significant features of this research study that it not only provides an insight into the credit and financial management practices of only the First Bank of Nigeria PLC. But also compares it with the practices being carried on in the other three prominent banks operating in the country; Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc. The aim of the study was to analyse the credit and financial management practices being carried on in Nigeria focussing on one of the most prominent financial institutes of Nigeria, First Bank PLC. Using a research philosophy of interpretivism, the researcher used a deductive approach. Survey method was used in the case of this research study and data was collected using an interview consisting of 6 questions related to credit and finance management and corporate governance practices of the four banks selected for the study. The participants of the study were the managers working in these banks. A qualitative analysis technique was adopted by the researcher to fulfil the aim of the study and thematic analysis was done on the data collected through a data collection instrument of interview. The data was divide into four broad themes and "Credit Appraisal techniques in Banks of Nigeria", "Strategies Credit Risk management in Banks of Nigeria", "Collection Policy in banking sector of Nigeria" and "Corporate Governance of Nigerian Banks". The results obtained after the data analysis demonstrated mixed outcomes. A trend of positive as well as a little alarming situation was observed in these results. On the positive side, these outcomes demonstrated that the credit management practices adopted by First Bank of Nigeria are fairly strong, and the managers of the bank trust these practices. One the other hand, the credit appraisal practices, however, the

collection practices need to be revisited and improved. This is a little alarming situation, however, an up-gradation in the collection strategies will automatically bring an improvement in the ratio of the debt recovery and ultimately the corporate governance of the bank.

Dedication

I dedicate this work to my lovely parents, Mr and Mrs Onuma for being the reason and motivation to completing my studies and also my lovely twin brother Michael Onuma for all the love and support and most importantly to God Almighty for making it possible for me to see this day.

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CHAPTER 1: INTRODUCTION

Introduction

The core of any industry is based on the management of its resources and assets; therefore, every industry is concerned about the significance of effective financial management strategies (McKinney, 2015). This chapter is comprised of background information that has been presented in relevance to discuss the role of finance and credit management in the Nigerian banking industry by exploring the first-hand information from First Bank Nigeria Plc. and other three banks of Nigeria. The chapter is comprised of different sections, including the background of research, problem statement, and the aim of study, objectives, questions, scope, and significance of the project.

Background

Nigerian Banking Industry

According to the National Bureau of Statistics, in the first quarter of 2020, it has been estimated that the growth rate of GDP of the Nigerian financial sector is 24% which has been increased in comparison to the previous year (Chukwudi and Henry, 2020). The sub-sectors of financial institutes in Nigeria are merchant banks, microfinance banks, commercial banks, non-banking financial institutions, and FinTechs. It has been determined that the financial sector of Nigeria is one of the growing industries; meanwhile, it is struggling the most at the same time. From the last four years, the banking industry of Nigeria has written off impaired loans worth 1.9 trillion Nigerian Naira following the recession of 2015-2016 (Egberi and Osio, 2019). This reduction of recognized value is because of the weak Nigerian macroeconomic environment and also because of the implementation of the IFRS 9 accounting standard in the year 2019. Further damage to the industry happened because of the current pandemic crisis and the assets of the sector are threatened (Akonye, 2020).

Consequently, the current banking industry of Nigeria is significantly exposed to vulnerable sectors (Afolabi, Obamuyi, and Egbetunde, 2020). The other banks in Nigeria have been granted restructured loans to further support the main sectors contributing to the economy. However, it is expected from the banking sector to recover the loans and anticipate the level of asset and recovering loans.

The banking sector of Nigeria is highly diversified; one of the largest banks in Nigeria has adopted the model of universal banking by targeting specific niche markets (Musa, 2020). The latest sectors within the Nigerian banking sector are merchant banking. Because of its various sectors and adoption of the Universal model, banking in Nigeria is considered the second-largest sector in Africa. The total number of banking assets counted in 2019 was worth 39.6 Trillion Nigerian Naira (Okere et al., 2019). The significant challenges faced by the Nigerian banking industry are the 2016 recession, increased oil prices, struggling banks, and SMEs in rebuilding the capital (Akonye, 2020). Based on these major challenges, many business owners are facing difficulties to repay loans. It has been said that the banking sector has been the victim of lending loans to SMEs and high inflation in the country (Egberi and Osio, 2019). The current inflation rate in Nigeria as of July 2020 is rose with a percentage of 12.82%, which was 12.56 in June 2020. The highest rate of inflation was recorded in 2018, which was 13.34% (Oyekanmi, 2020).

Credit and Finance Management in Nigerian Banks

It has been determined that credit and loans are the vital assets of the Nigerian banking sector; however, it also has some associated risks and costs. According to the study of Armstrong (2019) for banking business, it is beneficial to grant credit to other businesses and individuals; nevertheless, banks should have robust loan recovery strategies and policies. Many studies have highlighted the fact that the process of credit granting to customers is not a simple task; instead, it requires appropriate risk analysis and risk assessment techniques (Morden, 2016). The rule of credit grant is to gain more benefits against the cost and risk of giving loans. In addition to this, another study identified that credit management also has to deal with bad debt losses and non-payment issues (Jones et al., 2018). Hence, the loan needs to be recovered within the defined period or otherwise; it is considered a late payment. The primary function of commercial banks in Nigeria is to lend loans to customers; this makes up the gross income and ultimately leads to the contribution of profit. In Nigeria, mainly the customers who attain loans are farmers and small-scale industrialists who face problems when returning loans (Shapiro and Hanouna, 2019). It is because Nigeria is a developing country and businesses do not generate profit margins very frequently. Hence, Nigerian banks face relatively more problems and issues while recovering loans. This requires the efficiency of credit management in Nigerian banks; however, if not appropriately managed, the lent loans have a high risk of turning into a loss (Shapiro and Hanouna, 2019).

According to the study of Zietlow et al. (2018), the contribution to banks' profit is directly associated with the degree of risk of credit management. It is to be noted here that the bank does not have its own money and the cash that is granted as the loan is the funds owned by third party depositors. Hence, it is essential to recover the loans efficiently and as soon as possible to gain the trust of its customers (depositors) (Karadag, 2015). In Nigeria, it has been declared the most challenging task to recover the loans because of the ineffective credit management system. Consequently, the inefficiency and failure of Nigerian banks to poorly manage the loans led to increased bad debts and ultimately to loss. This affects the performance of banks adversely. The misery to Nigerian banks is ineffective administration and management of credit; that is the reason the Regulatory authorities have raised significant concerns (Chukwudi and Henry, 2020). According to Jones et al. (2018), the bad debts in the bank are responsible for destroying earned assets and generate the problem of solvency and liquidity. The banks are required to earn an adequate amount as profitability to manage the return on investment and operating costs (Armstrong, 2019). Hence, the current study focuses on presenting a comparative analysis of First Bank Nigeria Plc. with three other banks of Nigeria handling credit management.

The study of Okere et al. (2019) defined credit management as an entire process to handle, control, and collect loan payments from customers. Credit management is mainly a part of the banking sector and is also applied by other financial institutes for improving revenue and reducing financial risks. Agwu (2018) determined the functioning of credit management in the banking sector. According to the study, it aims to protect the investment of the bank and to maintain the lowest level of balancing risks and receivables. In other industries, it is being done to achieve sales objectives. The financial and economic view of credit management is to ensure that there should be minimized risk in relevance to marginal accounts. Effective credit management demands necessary actions to be taken to safeguard the money of potential customers of the bank (Nwanna and Oguezue, 2017). However, it depends upon the practices and policies of the bank on how to manage the credit. Consequently, if loans are not managed appropriately, they will result in a tremendous financial loss for the bank. For collecting loans, there are agreed on payment terms between creditor and debtor according to which loans are required monthly or yearly.

Problem Statement

The best strategy to avoid the debts in the banking sector is to stop lending money to people, organizations and other entities, however, in this way the profitability factor of the bank will also be annulled. In the banking sector of Nigeria, similar to other businesses, the aim is to maximize profit in business. This is availed if credit management strategies are strong (Uwuigbe, Uwuigbe, and Oyewo, 2015). In Nigeria, there is an increased rate of fraudulent activities, and many debtors that do not pay back the loan. This requires adequate management of credit management and prudent lending to remain in the business. According to Bullivant (2016), in the last four years, the commercial banks of Nigeria has written off unpaid loan obligations worth 4 billion US dollars and thus has experienced a large number of bad debts. This is because Nigeria is relatively a developing country and those who borrow a loan from the bank become unable to repay the loans (Musa, 2020).

Moreover, the majority of the farmers take loans, but in the majority of the cases, repayment is delayed. Hence, the credit management system is weak in Nigeria and thus requires a significant focus of government and banking experts to introduce new effective strategies. The banking sector requires to investigate and compare the credit management state in different banks of Nigeria for fixing the stagnant state-economy.

Aim of the Study

This study aims to investigate the role of financial management in credit management in the banking sector of Nigeria, which mainly focuses on the operations of First Bank Nigeria Plc. The primary research will be conducted and the data will be gathered from the finance and credit managers by interviewing them.

Research Objectives

Following are the research objectives based on the selected title in the banking sector:

1. To evaluate the role of financial management in the performance of First Bank Nigeria Plc. in comparison to the other three banks (Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.) in Nigeria.

2. To determine the role of credit management in the performance of First Bank Nigeria Plc. in terms of profitability as compared to other three banks (Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.) of Nigeria.

3. To identify the strategies of effective credit management used in the First Bank Nigeria Plc. and in other selected banks of Nigeria (Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.).

4. To recommend strategic ways of improving the credit and finance management in the First Bank Nigeria Plc. and three other selected banks in Nigeria (Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.).

Research Questions

Based on the above study aim and the research objectives, the following research questions will be answered throughout the study:

1. What are the effective strategies of credit management for the performance of First Bank Nigeria Plc. in comparison to the other three banks (Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.) in Nigeria?

2. What is the current financial and credit performance of First Bank Nigeria Plc. in comparison to the other three banks (Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.) in Nigeria?

3. What are the ways to improve the current credit management performance of First Bank Nigeria Plc. in comparison to other banks?

Research Significance

Banks are the financial institutes that serve as custodians of money of depositors; thus, they put an interest rate to manage the profitability. This research is focused on identifying the productive and profitable credit management strategies that can help Nigerian banks in recovering loans. Hence, this research will be significant from a banking and financial point of view. In the absence of its effectiveness, there is a high risk that good loans can be turned into bad debts (Akonye, 2020). This is also important from a government point of view as the study will highlight the lacking of sound and efficient credit policies of the Nigerian government. The current study will assist the credit and risk managers in the banking sector to improve the control and lending mechanism following strict monetary policies. This will ultimately help the state to develop the economy by adhering to regulatory standards in Nigeria (Afolabi, Obamuyi and Egbetunde, 2020). The comparative study of three banks with First Bank Nigeria Plc. will point out the lacking, as well as, strong points in all the selected banks in Nigeria. Through comparison, it will be easier for the banks to manage loans and recovery of credit. In addition to this, the study will help in adding more knowledge to related banking and finance literature.

Outline of the Dissertation

The research is comprised of five different chapters starting from the Introduction chapter and ending at the final chapter of discussion and conclusion. In the introduction chapter, the researcher identifies the project scope by stating the study objectives and research questions. Background knowledge is presented related to the effectiveness of credit management in relevance to the Nigerian banking sector. The second chapter is comprised of a detailed analysis of the literature review in which theories, frameworks, and related empirical findings are discussed. In the second chapter, the researcher also identifies the literature gap, which needs to be filled with the current study. A conceptual framework is presented to well-illustrate the selected study variables. The third chapter comprises of detailed research methodology. In this study, interpretivism and inductive approach are adopted to explore the study on credit management. In the fourth section of the dissertation, the detailed result findings and interpretation are discussed based on thematic analysis. After exploration of interview responses, the final chapter comprises of comparative discussion and conclusions.

CHAPTER 2: LITERATURE REVIEW

Introduction

Financial institutions, including insurance companies, commercial banks, and microfinance banks play a comprehensive role to address the economic needs of society. In developing and underdeveloped regions, commercial banks play a central role in the financial stability of businesses. However, there are many aspects which are discussed under literature in relevance to credit and finance management. This section of the research study comprises a detailed review of academic literature comprising of theories, models, and frameworks about finance management, credit management, and other related banking theories of loan management. Empirical findings from previous literature are also discussed to be compared with the results of the current study. In this section, the literature gap is also identified and in the last, the summary is presented to conclude the entire literature findings.

Theoretical Review

Credit Management and Finance Management

The performance of banking can be evaluated based on two essential dimensions which are finance management and credit management. According to the study of Agbo and Nwankwo (2018), well-integrated finance management in any industry is a sign of good corporate governance. Notably, in the banking sector, good corporate governance is required to keep the financial operations aligned with strategic goals. Credit management is one of the crucial parts of the bank administration as it deals in granting credit to individuals and groups based on agreements, terms, and policies set by the bank (Alobari et al., 2018). The most challenging part of granting loans and credit to customers is its recovery in due time. According to the study of Agbo and Nwankwo (2018), credit management is defined as "implementation and maintenance of the set of procedures for minimizing the amount of capital which is tied up in debtors and for minimizing the exposure of the business to bad debts". This study has been conducted in Nigeria and secondary information was covered between the periods of 1981 to 2013. Another study referred to credit management as "management of finances, particularly the debts to gain profit through interest rates" (Bullivant, 2016). Credit management is also defined in literature as the responsibility of both creditor and debtor, which must be taken seriously. However, credit management practices must be efficient to keep the excellence of the bank's business and to make it financially stable. In Nigeria, banks, there are issues of poor governance and risk management that directly impact the profitability of banks.

It has been well explained by Bullivant (2016) that credit management is a detailed process that starts with an accurate assessment of the credit-worthiness of an individual customer and the viability of his business. The findings of the Bullivant were mainly focused on UK banking and other businesses. In the bank, a specific criterion is set for the customer to meet before attaining any amount as credit or loan. During bank audits, the evaluation of bank performance is being done based on efficient credit management (Agbo and Nwakwo, 2018). Many factors influence credit management that includes the ownership structure of banks, bank reserves, deposit composition, asset quality, operating expenses, and efficiency of management (Garr, 2013). Specific criteria are also a set of customers to attain a commercial loan from the bank. These factors are assessing the current customer financial situation, mode of income, previous credit record, employment history, liquid assets, and duration of return.

Competent credit management helps the banks to protect them from losses and taking more loans which cannot be settled timely. In addition to this, debt obligations can also be avoided. However, the banks of Nigeria are not competent enough to keep the bank safe from debt obligations for the longer-term. Similarly, the sound financial performance of any organization depends on its credit management. According to Bullivant (2016), an efficient cash flow is directly associated with good credit management in banks. In papers and strategic action plan of banks, the financial performance is shown profitable, nevertheless, by the end of the year increased credit risks results in poor financial performance (Denghua and Huaqing, 2016). Therefore, for good economic performance, banks must focus on limiting the likelihood of bad debts. With healthy financial performance, the bank becomes more capable of producing new assets out of its routine operations and ultimately gain profit over a period of time. In Nigeria, most of the banks provide loans to farmers and agricultural business owners because they are the only source of providing capital. However, it is their responsibility to sustain both organizational profit and the economy of the nation.

Commercial Banking Theory

The most productive theory that has been identified in the banking and accounting sector is commercial loan theory which elaborates the understanding of credit management. The primary function of commercial banks is to accept deposits and lend money to customers. According to the idea of commercial loans, the bank must focus on lending short-term loans which can be more profitable, productive, and self-liquidating in comparison to long-term loans (Gulamhussen, Hennart, and Pinheiro, 2016). The risk involved in long-term loans is restricting cash flow, vulnerability, collateral risks and stifles growth. According to Jayasekara, Perera, and Ajward (2018), if a bank carries a long-term debt, it will ultimately bring financial challenges. The theory of commercial loan recommends short-term loans because it reduces the credit-risk for banks and increases the probability of profitability (Alobari et al., 2018). The main principle of this theory is to ensure productive liquidity while increasing the money supply for the entire economy.

Commercial banking has been in focus for a long time because it contributes to developing the economy of most nations. As discussed by Westerhuis (2016), commercial banking is an institute for conducting two practices at the same time. These activities include depositing the payable on demand and managing the loans. However, most of the commercial banks are offering the same services by using different tools. As per Section 5 of the Banking Regulations Act, 1949 in India, a bank is an organization that manages the sole business of banking (Tian, 2017). As per this definition, a banking company is an organization that carries out the transaction of the bank. The primary purpose and intent of the banking is acceptance of cash or money, for further lending or investing it in other businesses. This money is usually deposited voluntarily by the public, and it can be withdrawn at any time, via cheque, draft, or from any ATM (Westerhuis, 2016). This proves to be a wholesome and satisfactory definition of banking as it contains all the aspects of banking. In light of this definition, the significant functions of banking can be divided into two major components: 1. Primary functions and 2. Secondary functions (Tian, 2017).

Deposits are categorized as time, current, or savings deposits. In addition to this, a commercial bank also works for providing funds or liquid cash to its customers in the form of advance, loans, overdrafts, discounts on bills and cash credit, etc. The study of Nwanna and Oguezue (2017) determines that one of the primary sources for a bank is its capital. Commercial banking act as a provider of the loan; however, it is vital that the bank should meet all the compliance of principles of credit management. On the other hand, the secondary functions of the commercial bank also include a collection of cheques, bills, drafts, etc. It also works on behalf of customers to pay the insurance premium, loan, rent, and installments. A commercial bank is a representative of the customer to purchase or redeem the securities. It plays the role of administrator, trustee, and executor for its customers (Gulamhussen, Hennart, and Pinheiro, 2016).

The foremost principle of credit management is focused on liquidity which is defined as the ease of converting a customer's security or asset into ready cash without the effect of the market price. Money in the form of cash is globally known most liquid asset in comparison to all tangible assets that are less liquid Agwu (2018). According to the study Bullivant (2016), liquidity plays a vital role for banks in lending loans. The bank provides cash as a loan or debt, which is to be paid within a certain period. However, the bank lends money for a comparatively shorter duration of 5 to 10 years which is to be returned by the debtor within defined limits and policies of banks. It is because liquid cash is the property owned by public customers and hence it must be returned timely to avoid chaos and to retain potential customers (Garr, 2013).

Credit Risk Management

The prospect of credit risk is an unavoidable factor in the life of any financial institute, especially those that provide loans to the general public. The type of loan does not matter in this respect as both the kinds of loans, long and short term, are prone to the aspect of credit risk. As per the research of Tarigan and Fitriany (2017), it has been stated that banks are at a greater risk of credit risk; hence they have to be more prepared to tackle this kind of risk. Credit risk is the type of risk or probability of loss to the financial institute, especially a bank, in the case of the borrower's capability to pay back the debt or loan. One of the effective techniques that are adopted by financial institutes to handle and mitigate credit risk is credit risk management (Ibtissem and Bouri, 2013). Credit risk management refers to the practices and methods adopted by a bank. A financial institute mitigates the losses that are likely to be incurred in the case of bad debts, based on the adequacy of the capital available by the bank and the reserves kept on the losses. Credit risk management tends to hold great importance in the area of mitigating the loss for the accountability of the bank's capital and the reserves if in the case if the loan is lost (Saunders and Allen, 2010). The financial institute keeps itself ready for such a loss at any given point of time as any such loss can occur at any time. Although it is a tough and challenging task for the financial institutes, they have to go through this process for any kind of unpredictable situation.

The significant challenges that are faced by the financial institutes while the process of credit risk management is numerous, however, the most noticeable ones are poor data management, constant rework, and cumbersome reporting (Weber, Scholz and Michalik, 2010). The inability of the bank or the financial institute to have access to the required data at the time of risk causes great problems in the whole process. In addition to this, a well-developed group-wide risk framework is necessary as, without it, banks are not able to develop a complex, yet meaningful measure for risk management. Along with this, with the help of this group-wide risk management framework, the bank can get a more prominent and accurate picture of the whole situation (Weber, 2012). A bank is a caretaker of assets and conveys enormous obligations.

The board of directors or trustees in any financial institute, especially in a bank, make sure that that the Code of Corporate governance or any policies, rules, and regulations are being followed strictly. All the operations are taking place uniformly under the umbrella of this code of conduct so that chaos and issues can be avoided (Weber, Scholz, and Michalik, 2010). This strengthens the various aspects of credit risk management and improves the credibility of banks operating in the country. According to finance experts, in credit risk management, the banks would not perform without customers. Producers or service suppliers need cash to do perform their work, and for that, they rely upon either banks, financial organizations, or investors. Banking credit either is utilized for working capital (present moment) needs or for setting up gainful capital resources (Abiola and Olausi, 2014). Business is executed between organizations on credit and from various perspectives, it is financed by banks. However, more critically, the borrowers need to repay as expected. Credit Risk Management guarantees that the borrower has good credit standing can reimburse an obligation and overseen by great faculty (Dasilas and

Papasyriopoulos, 2015). If a borrower account gets deficient, it has a general effect on banks; as separated from expanding the expense of dealing with a specific record, it hampers the benefit of banks. At the point when countless borrower accounts become non-performing, it winds up focusing on the bank.

Empirical Review

Credit Management and Profitability

Fahrul and Rusliati (2016) stated that another vital principle with relevance to credit management is profitability which is an essential part of credit management. A banking sector works on the principle of earning sufficient profits if it invests in the form of securities, interest rates, tax benefits, and dividend rates. The study of Jean-Loup (2017) also determined that the banking sector makes money and profit by lending loans and liquid cash to borrowers and in return, they charge them a set amount of interest rate. The study was focused on the banks of France and was focused on the 2008 and 2011 financial crises. If managed appropriately and on time, the performance of banking can be considered productive.

On the other hand, if credit risk increases and banks fail to recover the loans on time, then the annual year performance is marked as poor (Aydemir and Guloglu, 2017). Hence, the principles of credit management revolve around the factors of profitability, liquidity, and risk management. A bank's performance can be evaluated on these three factors, which are assessed through the cash flows of the bank by the end of the financial year. It has been identified by Fahrul and Rusliati (2016) that the efficiency of a bank's credit management system results in reducing the amount of capital that is tied up with the bad debts and debtors of the bank. The study revealed that there is a positive association between profitability and credit management. It is because good credit management in any business regulate cash flow and assure the efficiency of operations.

Corporate governance works in a way in which the rules and regulations are formulated to govern the operations and practices. Governments of every single nation work inside the limits of the constitution of that nation, the Companies have a comparative record called Memorandum of Association, Articles of Association and approaches and methods which the Management ought to follow (Grassa, 2016). Corporate governance thus has the responsibility to regulate the operations under the stated laws of trade and business practices (Fahrul and Rusliati, 2016). However, every business is associated with different types of risks, in which the most common is credit risk. Risk management, in any organization, is linked directly with looking and watching over the business at one end, and taking and managing risks on the other end (Bessis, 2011). Management, in any organization, refers to not only a single activity but a complete cycle or a process that is recurring over a period of time. Risk management also comes under this umbrella, and it applies to every activity in an organization, from production to selling and delivery. Risk management in the banking sector tends to garner more importance as it deals with the finance and capital of the public (Hull, 2012). The risk management practices in the banking sector consist of the logical development of a framework or plan to deal with the potential losses in case of bad debt.

Impact of Corporate Governance on Credit Management

A critical study has been highlighted in the literature, which analyzed the impact of corporate governance on the performance of the bank. According to Al-Baidhani (2015), every bank is operating different governance and ownership of the board of directors and thus has different organizational structure, policies, rules, and regulations. However, there is a direct impact of the internal mechanism of corporate governance on the financial performance of the bank. This finding is also affirmed through various literature. According to Fanta, Kemal, and Waka (2013), the age of bank and board meetings are significantly and positively associated with Return on equity. Another research on Mamatzakis and Bermpei (2015) identified that the board committee also affects the profit margin of the banking industry. The credit management practices of any financial institute, especially a bank, can be influenced heavily by the practices and methods of corporate governance.

Blockholder is a party or a person that holds a major portion of the shares in a company. It plays a major role in this respect and controls the process of corporate governance (Dallas, 2011). The number of stockholders in any business leaves a major and significant impact on the process of corporate governance, ultimately affecting the credit management practices and the credit rating of the financial institute. The higher the number of stockholders in the company, the lower will be the credit management of the financial institutions (Dallas, 2011). The stockholders will pressurize the board of governors and the management of the bank to amend the rules and regulations according to their will and interests. This will affect the overall performance of the bank, including credit risk management practices.

Another party or the group that seems to influence the corporate governance and ultimately, the credit rating or the credit management of the financial institution is the auditors' group of the financial institute. The auditors' group or the auditor's committee tends to put a positive impact on the overall credit management function of the financial institute (MurciaI et al., 2014). It assists with building the way of life of the organization. On the off chance that the organization has poor corporate governance practices, it will poorly treat others. One of the models that have been taken in many explorations examines is the digital forms of money (Ibtissem and Bouri, 2013). Hence, it can be understood that all the concepts of good corporate governance in the financial institutes, especially in the banks, boils down to the selection of an honest and reliable board. In addition to this, employing experienced and qualified heads of the board and executing the appropriate strategies also hold great importance in this respect. These strategies must be taken care of following the laws and legislations, which eventually benefit both the shareholders and the organization, especially the bank. (Solomon, 2020).

Corporate Governance in any organization comprises of the cycle through which the goals of the organization are determined by the administrative, social, and market climate. These goals consist of several activities, like making arrangements, looking after the activities, choosing the influenced partners and their operators. Corporate governance practices can be referred to as the activities that are undertaken under the interest of the partners so that irreconcilable circumstances do not emerge (Dasilas and Papasyriopoulos, 2015). The connection between Risk Management and Corporate Governance is very deeply rooted. Risk-taking drives companies to push ahead and make steep increases. At the point when risks pay off, productivity fulfills investors, and partners (Bessis, 2011). The Integrated Reporting Framework is a general system that guides associations on conveying the data required by speculators and different partners to survey the association's drawn-out possibilities in a reasonable, succinct, associated, and similar configuration (Rejda, 2011).

It is a well-known fact that a bank is a financial institute and the primary responsibility that it has to fulfill is safeguarding the public's money, in addition to lending it out and safely investing it in further business projects (Hopkin, 2018). Because of this plan of action, banks need to ceaselessly make decisions on who to loan cash more securely, for example, oversee credit risk. In administrative issues, the controller requires you for a wide range of motivations to "deal with" the banks' credit risk (Grassa, 2016). The other is because the bank needs to bring in cash, and hence it needs to deal with its risk presentation, the market just as credit risk.

Corporate Governance in Nigerian Banks

Just like the banking sector of any other country, the corporate governance in Nigerian banks is also kept at great priority while performing the daily day to day operations of the banks. This factor is greatly important that the central bank of Nigeria (CBN) issued a separate Code of Governance for all the banks operating in the country of Nigeria after the consolidation had taken place (Garuba and Otomewo, 2015). This code was specifically designed and operationalized to deal with various problems that had been observed in the banking sector of Nigeria like equity ownership, transparency, accounting, and auditing and also set a criterion for the hiring, selection, and appointment of the directors in the banks and other financial institutes. Corporate governance is also beneficial in resolving the issues arising in the areas of financial reporting and risk management (Adegbite, 2012).

And this is not only the case that has been observed in the banks of Nigeria; the quest for designing and implementation of perfect corporate governance rules has become a great task for the financial institutes all over the world (Olayiwola, 2010). The only objective behind this quest is to implement and achieve the perfect corporate governance strategies in the banking sector of the country, which will ultimately benefit the economy and economic condition of Nigeria and will help it to rise on various fronts, especially economic fronts in the world.

Literature Gap

The prospects of credit risk, credit risk management, and its impact over the various dimensions of the banking sector and not only the banking sector but in the area of all the financial institutes have been analyzed variously in the past by multiple researchers and varying results have been provided by them (Abiola and Olausi, 2014). In this respect, multiple banks and financial institutes from various developed countries like the United States and the United Kingdom have been taken into account to test the hypothesis developed. However, under-developed and developing countries have not received much of the attention of the researcher in this respect (MurciaI et al., 2014; Utzig, 2010). Nigeria is a country that is making rapid progress in the African continent. The financial institutes are making great progress in the country and international firms are also taking a great interest in the development of the region (Dasilas and Papasyriopoulos, 2015). Hence, there is a great need to analyze the practices of credit and finance management in the financial institutes, especially the banks of Nigeria. Moreover, the First Bank of Nigeria PLC and three other banks have been kept in consideration for this study. It has been identified that the majority of the studies have focused on the overall banking industry or one banking organization. In the current study, three different banks are compared with the main focus on the First Bank of Nigeria PLC.

Chapter Summary

In this chapter literature review is discussed in detail with various prospects of credit management, credit risk management, and corporate governance. The section includes theoretical aspects as well as findings from the empirical studies available in the literature. Furthermore, the chapter discussed important principles, rules, and regulations of the important terms such as credit management and other aspects of financial management in banks. The first topic comprises of the theoretical framework that is further composed of sub-topics like credit management and financial management. Furthermore, the sub-topics of commercial banking theory and credit risk management are discussed in detail. In addition to this, the literature review also includes an empirical examination of the studies that have been discussed by authors previously. The section on Credit Management and Profitability is also included in this chapter. In the end, the impact of Corporate Governance on Credit Management is analyzed by experts and researchers who have conducted their studies in the past. At the end of the section, the researcher has provided a gap between the previous literatures that has been analysed for this study.

CHAPTER 3 RESEARCH METHODOLOGY

Introduction to Chapter

This section discusses the detailed analysis of the research methods used in the dissertation. The study is based on the research onion approach in which primary data collection is focused on. According to the Saunders research onion framework, many layers are formed with the research, including the philosophy of study, research approach, research strategy, research choice, time horizon, and data collection methods. The following sections provide details of primary data collection and therefore, the methodology is defined within the framework of the research onion model presented by Saunders and his co-authors.

Research Philosophy

Research philosophy is determined as principles that are set by research experts for explaining the belief for carrying out a study in a specific direction. There are mainly four types of philosophies that form a belief of a researcher, including pragmatism, realism, positivism, and interpretivism. In the current study, interpretivism is used to attain qualitative data and to analyze the role of credit and finance management in the banking sector of Nigeria (Bauer, 20114). Positivism is a belief to base the study on facts and logical proofs. The interpretivism philosophy determines that there is a human interaction involved in proving the phenomenon. In relevance to the framework of the study, the research philosophy that is best suited for this research is interpretivism philosophy which aims to integrate human involvement and human interest into the research. This philosophy believes in accessing reality only with the help of social constructs such as views, language, consciousness, and shared meanings (Weber, 2017). This idea opposes the positivism philosophy the contrary and therefore, it focuses on qualitative analysis rather than using quantitative analysis. Another justification for selecting the interpretivism approach is the researcher aims to interview the managers of Nigerian banks, including First Bank Nigeria Plc., Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc. In this way, non-numerical information can be attained to perform a more in-depth analysis of the credit management practices in selected Nigerian banks.

Research Approach

The second layer of the onion research framework is a research approach that a path or direction that determines reaching ether to a specific conclusion or development of a new theory. According to Saunders, Lewis, and Thornhill (2007), there are mainly two types of research approach that is inductive and deductive. In the inductive method, a specific direction is adopted, which includes observation, development of explanations, and patterns of developing a new theory based on observed findings (Quinlan, 2019). Contrastingly, the deductive approach develops objectives based on existing theory and then tests the theory to deduce specific conclusions. The commonly used approach in studies is the deductive approach through which theories are proved. The research approach that is followed in this research is deductive as the study will reach a specific conclusion derived from the general theories (Mackey and Gass, 2015). It is considered because, in the introduction, chapter-specific objectives are formulated based on general theory.

Research Strategy

Research strategy can be an experimental, case study, action research, grounded theory, survey, and ethnography. The research strategy that is utilized in this study is survey-based. A survey strategy is defined as obtaining a sufficient amount of data from the selected representatives of the study population (Mohajan, 2018). This allows the researcher to collect information from more than one individual selected from the domain of interest. Survey-based studies are performed for drawing accurate conclusions from the number of responses. The data is justified when the majority of the sample population agrees to common points (Novikov and Novikov, 2013). However, all the sample population included in the sample size must have similar characteristics. In the current study, the interview is conducted in the banking sector of Nigeria by considering the credit management functions of First Bank Nigeria Plc., Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc. All the managers have similar characteristics that are working in the credit management and finance department of the bank as managers. This strategy is feasible because of its convenience in data gathering and less consumption of time. The survey, however, is carried out with the help of interview surveys to gather responses about the practices of credit management in banks of Nigeria.

Research Choice

There are various research choices as determined in the onion research model including, mono-method, mixed-method, and multi-method type of research. The choice of the study is mono-method and survey-based in which only the qualitative type of data is collected through an interview survey (Mackey and Gass, 2015). The mono-method is selected because of the selected interpretivism philosophy, deductive approach, and survey strategy. The justification and selection of methodology are based on the research objectives and type of study, which is cross-sectional research. In cross-sectional research, the data is collected from the population and analyzed within a specific point in time (Mohajan, 2018). The advantage of this type of study is that it provides a view of the current situation. Thus it helped the researcher to analyze the current financial performance of the First Bank Nigeria Plc. and other three banks, including Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.

Time Horizon

The study is conducted within the selected time horizon, which is an essential layer of the onion framework selecting the time frame to conduct the research. There are two types of studies cross-sectional or longitudinal based on the time horizon (Wiek and Lang, 2016). The longitudinal study is repeatedly conducted over a long period, with certain intervals to compare data. The second type of study that is used in this research is a cross-sectional type of study, which is a study conducted over a short duration. The data is collected within a short period in the banks of Nigeria to gain information within the current time frame (Choy, 2014).

Data Collection and Data Analysis

The data is collected through a non-probability sampling technique that means the population for sample size is approached through a convenience sampling technique. The banks in Nigeria are selected based on the feasibility and convenience of the researcher (Tuohy et al., 2012). Moreover, only credit and finance managers are approached by the banks because of their experience and knowledge in the domain of credit management. Inconvenience sampling technique is a method in which the population is selected as a group of people that are easy to reach or contact for attaining the responses to set questions. The qualitative analysis includes evaluating the non-numerical data or unstructured data through interviews or by using grounded theory (Ledford and Gast, 2014). In this way, the data will be collected by using six interview questions concerning credit management which will be asked from four credit managers and four finance managers in the First Bank Nigeria Plc. In addition to this, the study will also consider five credit managers and five finance managers from three different banks of Nigeria, including Access Bank Plc., Fidelity Bank Plc., and Zenith Bank Plc. These three banks are focused on comparing the findings from different banks and on discussing their performance. The instrument used for conducting the interview was open-ended semi-structured interviews. In this type of interview, the researcher does not follow a formalized way of asking a question; preferably, more questions can be added and asked when required. This allowed the researcher to do detailed discussion with the interviewee instead of only asking questions in a straight forward manner. There are different approaches to qualitative data analysis such as content analysis, narrative analysis, and thematic analysis (MacDonald, 2012). In the current study, the researcher used thematic analysis to discuss the interpretation of interview transcripts in detail.

Thematic Analysis

Four main themes are identified from literature including the role of financial management in the performance, the role of credit management in the performance, strategies of effective credit management, and recommended credit risk management strategies in the banking sector of Nigeria. According to the study of Alobari et al. (2018), there is a direct association of credit risk management with the financial performance of the bank. In contrast, the study of Kagoyire and Shukla (2016) opined that the policy of loan collection decides the performance of the bank. In another study, the importance of credit appraisal management is highlighted in relevance to bank performance (Uwuigbe, Uwuigbe, and Oyewo, 2015). Therefore, combining the themes from different studies, the current study focused on four major thematic areas including; collection policy, credit risk management, credit appraisal, and corporate governance for the findings from First Bank Nigeria Plc. and other three banks' performance in Nigeria.

Validity and Reliability of Data

The validity and reliability of qualitative data are termed as trustworthiness and credibility of respondents to provide accuracy of the results. There is also triangulation of methods that can be used for testing the validity and reliability of qualitative data. This means using more than one method for analysing the information (Flick, 2015). However, triangulation is not used in this study; rather, the researcher relied on the credibility of information and trustworthiness of the participants. The researcher has selected experienced managers from the Nigerian banks and thus their credibility of information and accuracy of data was based on the level of trustworthiness and authenticity (Kumar, 2018). With the help of these factors, the researcher attained more defensible and credible results. Moreover, when the information was compared, the majority of the managers provided similar responses. The credibility of the researcher is also important for capabilities and skills. In this study, the researcher is well aware of the qualitative type of research.

Ethical Consideration

Ethical aspects are a vital part of primary researches because it requires to meet the ethical requirement which mainly includes taking informed consent from the respondents, providing them with a participant information sheet, keeping their anonymity, and respecting their autonomy. The researcher met the aspects of ethical consideration and informed consent was taken from the participants before conducting the interviews (Choy, 2014). The anonymity is maintained by not revealing any further information and giving codes to participants as Manager A, Manager B, Manager C, and so on. The researcher ensured the autonomy of participants by giving them the authority to skip any question; they do not feel appropriate to answer. Moreover, the participant can withdraw from the study at any point of time of the study (Kumar, 2018). Written informed consent was taken from the managers that show their willingness to participate in the study. It has also been informed to the participants that no financial or personal benefit will be provided to the respondents for participating in the study. The researcher ensures academic integrity by providing original information and by meeting all the aspects of carrying out ethical research (Mackey and Gass, 2015).

Chapter Summary

The chapter comprises detailed information on research methods in which the researcher defines how data is collected and analyzed from the selected banks of Nigeria including First Bank Nigeria plc., Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc. The researcher has followed a research onion approach and provided details of each layer, including research philosophy by selecting interpretivism paradigm and research approach as deductive. It has been determined that the research follows a survey strategy in which interview question is used for attaining information from the managers of Nigerian banks. The data is analyzed through thematic analysis and named briefly in the chapter. Furthermore, the description of qualitative analysis is also discussed with respect to different.

CHAPTER 4: RESULTS AND ANALYSIS

Introduction

In the current section of results and analysis, six interview questions were asked from different credit and finance managers of First Bank Nigeria Plc. and other banks, including Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc. The chapter is based on discussing the responses received from managers and has been compared with the main focus on First Bank Nigeria Plc.

Information Regarding the Banks

The following section will discuss the general information regarding all the banks that have been chosen for this study. This information will include details like when did the bank initiate its operations, how may braches it currently has, and some balance sheet information, like the total number of assets that are presently being owned by the bank, in addition to the number of loans, Non-Performing Loans (NPL), total liabilities, Return on Assets (ROA), Return on Equity (ROE), Equity, etc.

First Bank Nigeria Plc.

First Bank of Nigeria, or commonly known as First bank, is a multinational financial institution that provides banking and financial services to Nigeria's people (Lawal, Thompson and Thompson, 2016). With its headquarters located in Lagos, Nigeria, the bank initiated its operations in 1894 and currently has branches located at more than 700 locations all across the globe (Nwagbara et al., 2013). Now, the bank has total assets of N5, 900,000,000,000, and it mostly depends upon short term deposits. Currently, the NPL ratio is 8.8%, which was previously 15%. The current ROA of First Bank is 0.00%; however, the ROE is 10.11% (GuruFocus, 2021).

Access Bank Plc.

Access Bank Plc., also known only as Access Bank, is a multinational commercial bank located in Nigeria (Cudjoe, Anim, and Nyanyofio, 2015). The bank commenced its operations in 1989, after being licensed by the Central Bank of Nigeria. The bank currently has total assets of US$18 billion (NGN:7 trillion) and has more than 600 branches (Ajike et al., 2015). The bank witnessed a decline in the NPL ratio from 2.2% to 1.7% in recent years. The ROA of Access bank is 2.07%, and the ROE stands to be 17.7% (GuruFocus, 2021).

Fidelity Bank Plc.

Fidelity Bank Plc is a commercial financial located in Nigeria, which was founded in 1988 (Daramola, Okolie, and Ogunlowore, 2014). The bank has total assets of US$4.2 billion (NGN: 1.4 + trillion). The current ratio of NPL for the Fidelity bank is 26.50%, which is the highest in the industry (Ako-Nai, 2011). As per the current month, the bank's ROA is 1.46%, and ROE is 8.83% (GuruFocus, 2021). Fidelity Bank currently has 240 branches and business offices all over the world with more than 774 ATMs.

Zenith Bank Plc.

Founded in May 1990, Zenith Bank Plc. is one of Nigeria's largest financial institutes, working as a commercial bank in the country (UDEH, 2015). The bank has more than 500 branches all over the country and has a total asset of more than $16.1bn (Zenith Bank, 2021). The bank's current ROA is 2.90%, and the ROE is 21.95% (GuruFocus, 2021).

Credit Appraisal Techniques Being Used By Different Banks to Screen between Different Borrowers

Different banks or financial institutes use different methods in order to screen different types of borrowers. The First Bank of Nigeria and the Access Bank use a technique of Instalment to

Income Ratio, while the other banks use other different ways (Olabamiji and Michael, 2018; Bhattacharya, 2011). The Zenith Bank Plc uses a method of Fixed obligation to Income Ratio, while Fidelity Bank plc utilizes a method of Loan to Cost Ratio (Manjula, 2016; Asiedu, 2016).

Thematic Analysis

The data and responses have been received with the help of interview recording and have been interpreted through coding and categorisation of themes. The initial coding was based on the answers, and a similar kind of information is discussed under similar themes. The following themes show the detailed analysis with respect to the comparison of First Bank Nigeria Plc. and other three banks, including Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc.

Theme 1. Credit Appraisal techniques in Banks of Nigeria

First Bank Nigeria Plc.

The first theme discussed within Nigeria's banking sector is credit appraisal procedures, policies, and techniques. With respect to credit appraisal, the banks' managers were asked about the criteria of allowing the loan to the customers. The responses received provided a clear view of how credit appraisal techniques are being utilized in the product. A credit appraisal is generally an application used to provide loans to businesses, individual customers, or service providers. On asking about the techniques used in First Bank Nigeria Plc., the managers revealed that credit appraisal aims to assess the repayment capacity of the borrower of money. A manager stated, "Through credit appraisal, we set certain terms and conditions based on which the borrower's capability is assessed. We then reject or accept the loan borrowers capability results". The results further revealed that the primary aim of credit appraisal in First Bank Nigeria Plc. is assuring the safety of customers' money in the bank. The bank manager stated that a credit appraisal process has certain aspects, first is an appraisal of the market, appraisal of management, financial and technical appraisal. As indicated by the manager, "We do an initial assessment of borrower from the long-list, after detailed consultation and analysis, we short-list potential candidates. Previously, the policies were lenient; however, after a few challenges faced in the recovery of the money, the regulations became strict". The managers also highlighted a few challenges in the initial stage of allowing loans, such as getting an accurate record of the borrower, verification of information, inaccuracy in knowing the financial background, and identifying fake documents by the loan applicant.

Other Banks in Nigeria

In comparison to First Bank Nigeria Plc., the credit appraisal and loan policy have been identified in the other three banks, including Access Bank Plc., Fidelity Bank Plc. and Zenith Bank Plc. It has been revealed from findings that the criteria for loan approval are relatively less strict because these banks work on the strategy of retaining customers. As stated by a manager, "I believe that maintaining good customer relationship is the key to retaining corporate clients for the bank's success. However, we cannot lose a multimillionaire over one loan application". The banks' strategy is to recover loans in a shorter period of time. The central aspect of credit appraisal is similar to First Bank Nigeria Plc., but it is relatively slow. The study found out that First Bank Nigeria Plc processes the loan application within a time duration of 10-20 days. In other banks, the process takes time and requires 30 days to verify documents, check referrals, and approve the application. As per one response, "Since we are not so developed country, we aim to short-list the customers for credit appraisal who are capable of returning the loan back within given time."

Theme 2. Strategies Credit Risk management in Banks of Nigeria

First Bank Nigeria Plc.

In the First Bank Nigeria Plc. Credit risk management is focused more as compared to other banks. In most of the cases, the bank has already assessed the risks with relevance to credit or loan recovery. As stated by a credit risk manager in a bank, “my job is to evaluate and assess the creditworthiness; they can be either be enterprises or individuals. I also look after the amount of credit that can be given to short-listed client”. The managers of First Bank Nigeria Plc also revealed the credit risk analysis techniques, including reviewing financial statements, assessing external economic conditions, and examining credit history. These strategies used by the bank can predict the potential of the borrower and its capability to meet payment obligations and pay back the loan ultimately. The risk assessment and credit risk management strategies determine whether it is safe for the bank to accept loan applications further or not. It is necessary because it determines the financial performance of the banking sector. The managers believe that they have an efficient system of evaluating the Debt/Equity Ratio. As stated by a credit risk analyst, "D/E ratio is to measure the total equity of bank in relevance to its total debt; we use Credit Default Swap (CDS) frequently for mitigation of risks. Other than this, there are debt secu*rity* instruments as financial derivatives, for example, bonds".

Other Banks in Nigeria

In the other three banks, the majority of the credit risk managers believe in offering a smaller amount of loan to the Nigerian business and individual customers. It is because the managers believe Nigeria is not a developed state and thus cannot provide a large number of loans. As per the manager of Zenith Bank Plc. "The economy of our country is well below the definition of "developed" state. Thus, providing large loans is always risky. Moreover, we are not receiving much foreign investment that too is a significant concern of allowing loans". In discussing the bank's collection policy, the manager identified a Collection Effectiveness Index (CEI), based on which the bank calculates its ability to retrieve the account receivables from its customers as the manager stated that "In our bank, CEI is the index to measure all the amount collected in a specific period of the financial year. Also, there are credit ratings in our bank that assess debtors' solvency with credit review procedures". The outcomes of credit rating also help measure banks' financial performance in Nigeria for over one year. If the credit rating is good, there will be greater market liquidity. Credit risk managers continuously monitor this rating, which is undoubtedly an excellent practice to manage credit risks efficiently. In the view of the majority of the managers, the risk management strategies are good theoretically; however, their practical implementation is weak.

Theme 3. Collection Policy in banking sector of Nigeria

First Bank Nigeria Plc.

The First Bank Nigeria Plc. Offers different types of loans and mortgages such as home loans, joint mortgages, auto loans, household equipment loans, and business loans. However, for a long, the bank is facing difficulty in the collection of loans because either the borrowers disappear or never return a loan. Though the bank has made a strict policy for collecting debts, the collection rate is declining. One of the managers revealed that "we have developed more focused debt collection strategy intending to save time, reduce cost and maximize our resources; we have aggressive collection policies particularly for big loans." The data is collected on priority from the accounts that have the highest payment potential. There are client segmentation tools and a scoring system that manages the individual portfolio for debt recovery. There is also a collection management system integrated with technology. This system has a data feed into the credit management system that can be recovered whenever required. A supervisor of loan collection informed that "we have aggressive collection policy and a collection management system that collects the data using the real-time application; this helps identify the customer history."

Other Banks in Nigeria

In comparison to First Bank Nigeria Plc., the other three banks of Nigeria have less aggressive credit collection policies and procedures. However, the use of advanced bank software is commonly seen in other banks that assist them in inefficient credit collection. The banks manage financial risks and account receivable through their collection policy. The credit management department's main aim is to get the money back to the bank, which was given a loan. In the view of one manager, "Our credit collection policies and guidelines are clear ensuring the efficient work of administration; as per the policy the borrowers are required to return back the money with specific % of interest within the set time period, or else the legal action will be taken." The majority of the managers of different banks affirmed that according to the collection policy, a certain limit is set for giving credit as maximum amount and also to return within the period of 5-7 years maximum. In addition to this, as per policy, the customer's credit record can be damaged, and Credit Reference Agencies (CRAs). As per the manager, "The country court deals with the borrowers who failed to adhere to the collection policies after detailed evaluation. Since Nigeria is a poor region, therefore, debtors are often forgiven because of their financial conditions".

Theme 4. Corporate Governance of Nigerian Banks

First Bank Nigeria Plc.

The adherence of banking operations, policies, and regulations to corporate governance principles is necessary. This is because it attracts more investors towards the country to invest more in various projects and ultimately increase the country's economic growth. However, it has been highlight by the managers of First Bank Nigeria Plc. that corporate governance is weak, and there is less transparency in disclosing accurate information. As per the manager's view, "Major approvals for credit management are vitally based on the board of directors' decisions or corporate governance of First Bank Nigeria Plc., yet the government is weak in keeping the transparency of information. This may pose a number of considerable risks to the bank". In the view of most managers working in the bank, the significance of corporate governance is in improving financial performance as more investors are attracted. This ultimately increases the number of investors, return on investment, and profitability. Furthermore, the managers also agreed that weak corporate governance results in high doubts about the organization's integrity and reliability.

Other Banks in Nigeria

The responses of managers from the other three selected bank of Nigeria shows a significant impact of corporate governance on the performance. It has been stated that banking financial health is getting affected because of continuous loss and failure in the collection of loans. As per the manager, "Though there are strong corporate governance regulations formulated in for the banking sector in Nigeria, yet the effectiveness is nowhere to be seen." It is mainly because the board of directors lacks in checking and managing the governance and control of credit, loans, and mortgages. The managers agree to the view that corporate governance plays a major role in the financial management of banks. However, they also believe that in Nigeria, the policies are weak within the overall banking sector, or there is a lack of transparency. Many of the participants also highlighted the factor of corruption in the banking sector, which is also a major concern. As per the manager's statement, "both bad governance and corruption are also a vital factor affecting banks' financial management."

Chapter Summary

The chapter provided a detailed thematic analysis discussing the basic four themes related to the study's objectives. The first theme discussed credit appraisal techniques of First bank Nigeria Plc. and compared them with the other three banks. The comparison has been done and identified that some of the credit appraisal, collection policy, and credit risk management techniques are better in First Bank Plc. as compared to the other three banks of Nigeria. Moreover, corporate governance is found to be weak in all the banks and thus concluded that there is a major issue of good corporate governance in Nigeria's banking sector.

CHAPTER 5:SWOT ANALYSIS

SWOT Analysis of First Bank of Nigeria PLC

First Bank of Nigeria Strengths

Strength is the feature that augments the value of a certain thing and makes it more distinctive, decent, and beneficial in comparison. The element of strength in SWOT, the capabilities, and the major attributes of the FBN are comprised that provides benefits to the FBN over other organizations by enhancing the competitiveness of the FBN. The attributes and circumstances of the FBN are outlined in the strengths, which improve its effectiveness and efficiency in comparison to the competitors (Oke, Aghimien, and Adedoyin, 2018).

The areas of command or the regions where the organization performs brilliantly and provides the FBN a significant capability are included in the strengths. The skills, resources, status, market leadership, buyer's or supplier's relationship, or any other benefit in relation to its competitors fulfilling the marketplace's requirement via providing a comparative advantage to the FBN. Some of the strengths of the FBN comprises of reliable suppliers of which is has a strong base of reliable supplier of raw materials thus enabling the company to overcome any supply chain bottleneck, successful track record of integrating complimentary firms through mergers & acquisition and it has also successfully integrated number of technology companies in the past few years to streamline its operations and to build a reliable supply chain, good returns on capital expenditure of which First bank is relatively successful at execution of new project and generated good returns on capital expenditure by building new revenue streams, strong dealer community of which it has built a culture among distributors and dealers where the dealers not only promote company’s products but also invest in training the sales team to explain to the customer how he/she can extract the maximum benefits out of the products, automation of activities brought consistency of quality to First bank products and has enabled the company to scale up and scale down based on the demand conditions of the market, a robust brand image, skilled IT workforce, and loyal clients (Uchenna, Agu, and Nwaeze, 2018).

First Bank of Nigeria Weaknesses

The weaknesses imply the circumstances wherein the present abilities and the resources of the FBN are not satisfactory or adequate in comparison to the other firms in the marketplace. Alternatively, it refers to the aspects of the FBN, which are less effective and require improvement for aligning with the market trends. These aspects destructively impact the entire performance of the FBN and make it weaker in comparison to its competitors (Akpakip, 2017). The aspects which FBN lack and performs inefficiently when compared to the other firms present in the similar market at the same status. The constrained resources, abilities, skills that mainly impact the FBN performance account in the weaknesses. This are few of the weaknesses affecting the growth of First bank: Not so good at product demand forecasting leading to higher rate of missed opportunities compare to its competitors, Days inventory is high compare to is competitors making the company raise more capital to invest in the channel this can impact long term growth of the company, there are gaps in the product range sold by the company this lack of choice can give a new competitor a foothold in the market, lack of management capabilities, monetary resources, and weak marketing skills are the weaknesses of the FBN (Oke, Aghimien, and Adedoyin, 2018).

First Bank of Nigeria Opportunities

The opportunity is a benefit and the inclining force for the FBN. It is a suitable situation or time in the setting and assists the FBN in accomplishing the goals. The opportunities positively contribute to the development of the FBN. Simultaneously, its presence in the external setting enables the FBN to take advantage of the firm's strengths and assist in overcoming the weaknesses and eliminating the threats existing in the environment. The robust information technology department acts as an opportunity to make development in the bank and make it more competitive. (Matousek and Solomon, 2018). Some of the opportunities faced by First bank is : Government green drive also opens an opportunity for procurement of First Bank products by the state as well as federal government contractors, new customers from online channel – over the past few years the company has invested vast sum of money into the online platform this investment has opened new sales channel for First Bank of which in the next few years the company can leverage this opportunity by knowing its customer better and serving their needs using big data analytics.

First Bank of Nigeria Threats

The threats are the factors preventing the FBN from the fulfilment of the activities. These are the inauspicious circumstances present in the environment and act as hurdles to accomplish pre-determined goals. Such situations are caused when changes occur in the close or farther environment. They prevent the FBN from retaining its superiority in the developing competitive environment and are detrimental for the FBN (Ugwu, Kekeocha, and Chukwu, 2018). The factors that could potentially affect the effectiveness and efficiency of the FBN are involved in the threats. Intense competition of which stable profitability has increased the number of players in the industry over the last two years which has put downward pressure on not only profitability but also on overall sales, shortage of skilled workforce in certain global market represents a threat to steady growth of profits for First bank in those markets, as the company is operating in numerous countries its exposed to currency fluctuations especially given the volatile political climate number of markets across the world.

CHAPTER 6: CONCLUSION AND RECOMMENDATION

Introduction to the Chapter

The fifth and final chapter of this dissertation, conclusions, and recommendations will comprise of the final conclusion and results of the research study. The chapter will act as the essence of the whole research study, especially the previous chapter. In addition to this, the researcher will also provide some recommendations that how the practices of credit and financial management can be improved in various banks operating in the in Nigeria, especially in the First Bank of Nigeria PLC., in comparison to the other three banks of the country.

Conclusion

It is not a hidden fact that credit and risk management practices pose great importance in the area of banking (Witzany, 2017). A similar statement stands to be right in the case of the rules and regulations being designed and followed in the case of the practices of credit and finance management (Konovalova, Kristovska and Kudinska, 2016). Nigeria, being a developing country, is paying special attention to its banking sector as most of the country's economy stands on the shoulders of the banking sector to grow and progress (Oloruntoba, Adeyemi and Fasesin, 2018). A thorough thematic analysis of the practices related to credit and finance management of four central banks of the country provides a clear insight inside these practices.

Firstly, the credit risk analysis techniques in the First Bank of Nigeria PLC were observed in comparison to the other three banks of the country. It was observed that the practices of credit appraisal that were being carried out in First Bank of Nigeria PLC were highly organized and carried on in a systematic manner. The managers interviewed for the process of data collection in the bank were immensely confident about their credit appraisal techniques and showed complete trust in the process. These observations were clearly in tandem with the studies previously done by Nwude and Okeke (2018) and Okere, Isaka, and Ogunlowore (2018). Smith et al. (2019) explains that the verification of the borrower's information while sanctioning a loan is a process that carries great importance and ensures that whether the borrower will return the loan or not also in a timely manner.

On the second basis, the aspect of credit risk management was observed. According to Konovalova, Kristovska, and Kudinska (2016), the prospect of credit risk management holds great importance in the circles of banking, as it allows the banks to ascertain their capacity and capabilities to ascertain various levels of financial risks that can be faced by the bank. The strategies and practices of credit risk management being adopted by multiple banks in Nigeria are different and vary according to the banks' operational and lending capacity. The analysis results proved that First Bank of Nigeria PLC practices credit risk management strategies are much more particular and comprehensive as the bank keeps the aspect of credit risk management at a top priority compared to the other banks. These practices increase the confidence level of the stakeholders in the bank while issuing the loan and build up a good reputation of the financial institutions in the general public (Nasieku and Ngugi, 2016). These strategies are much more stressed and strongly practiced in First Bank as compared to the other banks of Nigeria.

The banks' credit collection policies also pose great importance in the life of a bank as they govern the accounts receivable function of the financial institute (Niepmann and Schmidt-Eisenlohr, 2017). The credit collection strategies and techniques of First Bank of Nigeria PLC. Are a bit complicated as the bank is currently facing some difficulties with respect to its collection strategies. Although the bank has strict collection policies regarding the collection, the ratio of the collection back of the declining in recent years still remains. The bank uses aggressive strategies for recoveries or collection of the loans back from the borrowers. Similarly, the other three banks also follow the same pattern, just as the First Bank of Nigeria PLC, and have similar kinds of practices and procedures for collecting loans. However, these strategies need to be improved on a great level so that the recovery process can be fastened up and more amount can be collected back or recovered from the borrowers of the loans.

The aspect of corporate governance is important for the banks in Nigeria and all the banks operating around the globe (De Haan and Vlahu, 2016). Good practices of corporate governance attract more and more investors towards the region, which ultimately brings an improvement in the country's economic conditions, but taking GDP and GNP in an upward direction (John, De Masi, and Paci, 2016; Anginer et al., 2018). It might be considered a bad sign, but the First Bank of Nigeria's corporate governance practices have been found to be fairly weak. The analysis results in this study prove that the First Bank of Nigeria PLC strategies is not much strong. Moreover, there is no or very little transparency. The aspect of corporate governance is being heavily affected by the non-collection and the non-recovery of the loans by the banks.

Recommendations

A thorough analysis of credit and finance management practices in the banking sector of Nigeria, especially the analysis of First Bank of Nigeria PLC, with some other banks, not only provides a deeper understanding of these practices. This analysis also enabled the researcher to ponder over these practices' shortcomings and how they can be overcome. The thematic analysis and its results revealed that although the practices of credit and finance management are being carried on very appropriately in the banks of Nigeria, especially in the First Bank of Nigeria PLC. Still there are certain aspects that can be improved in order to make these practices perfect.

On the first place, although the credit appraisal techniques being adopted by the First Bank of Nigeria PLC are not far from perfection; however, there are specific points that need to be polished. The bank faces some troubles in the initial stages of issuing the loan regarding the authentication of the borrowers' data. According to Mishra and Pawaskar (2017), this can be improved by making the system more systematic and elaborated. Another research in this respect by Gandhi (2016) proves that this situation can be improved by asking the most relevant details at the beginning of the process to resolve the complications in the process. The most accurate data can be obtained in the very beginning.

The banks' credit collection policies and strategies in Nigeria need to be improved holistically so that the recovery process may be more quick and efficient. This is not true only for the First Bank of Nigeria PLC but almost all the banks operating in the country. There are a number of practices recommended by various experts and researchers in the field of banking and finance to improve the bank's credit collection practices. According to Zimmermann (2019), the first and foremost method to enhance the recovery or collection level of loans of the bank is to make the process as simple as possible so that the borrowers can easily understand the whole process and timelines and make payments on time. In addition to this, another recommended methods are to send regular invoices to the clients regarding the payment details that how much amount they have paid back, and how much is remaining, so that they can stay aware of all the details or breakdown of their payment cycle (Mwangi and Muturi, 2016).

Lastly, the levels of corporate governance in the banks can only be improved by improving the practices and strategies of the banks' collection and recovery, especially in the banks of Nigeria. According to Neifar and Jarboui (2018), the higher the level or amount of loans collected back by the bank from the borrowers, the higher the levels of corporate governance.

Summary of the Chapter

Hence, at the end of chapter five of the dissertation, it can be concluded that the chapter, as the name suggests, the conclusions of the full research study. The chapter provided a summary or an essence of the whole thematic analysis of the data that was conducted in the 4^{th} chapter of the study. The chapter threw light on various themes developed by the researcher, like credit appraisal policies, credit risk management strategies, collection policies in the banking sector of Nigeria, and corporate governance practices in the banks of Nigeria. The researcher also provided recommendations on how these strategies, practices, and policies being practiced in various Nigerian banks can be improved.

Appendix

Interview Questions

1. "Credit appraisal refers to assessing a particular loan application in banks" What are the techniques of credit appraisal in your bank?

2. What is the criteria for loaning money to other business in your bank? Are the policies strict or lenient for the customers of a bank?

3. How does a bank manage to collect the money given as a loan to the customers? What is the collection policy of your bank?

4. How do you see your bank efficiency for managing credit risks? Please mention how does your bank manage the credit risks?

5. Corporate governance has a major role in the financial management of banks. How do you see the significance of corporate governance towards the bank?

6. Is corporate governance policies strong or weak with respect to managing finances and credit loans in your bank?

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