

Credit Management and Financial Performance of Deposit Money Banks in Nigeria

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**Being a MSc Thesis Submitted to the Department of Management & Accounting, Faculty
of Management & Social Sciences, Lead City University, Ibadan, Oyo State, Nigeria**

**In Partial Fulfillment of the Requirements for the Award of Master of Science Degree
(MSc) in Accounting**

2023

Certification

This is to certify that **Olanrewaju Ayodeji Mustapha** with the matriculation number **LCU/PG/002238** carried out this research work titled: **Credit Management and Firm's Financial Performance of Deposit Money Bank in Nigeria** in the Department of Management and Accounting Lead City University, Ibadan, Nigeria for the award of Master of science Degree (M.Sc.) in Accounting and this has not been previously submitted.

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Dedication

This work is dedicated to God Almighty and my supportive family.

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Acknowledgment

The researcher is grateful to the institution - Lead City University, Ibadan, Oyo State librarian that gave me the access to information I used in this research work.

Bunch of appreciation to my supervisor Dr. J.A Adejuwon, for his passion, readiness and willingness to support in all circumstances, in fact, you are a rare mentor. I recognized the effort of Prof. K. A. Adeyemo (Vice Chancellor Of Lead City University), Professor A. O. Oredein (Provost of Postgraduate College) for their painstaking efforts in moving the entire college to the next level of academic research. I also appreciate the effort of Prof. G. E. Oyedokun for his support to see that this research work is a success. My profound thanks also goes to the head of department Dr. T. M Akinbo, she is indeed appreciated for her immeasurable contribution to academics excellence in the department. I would like to thank all my departmental and Faculty lecturers – Dr. J. O. Olaleye, Dr. T. Onamusi, Dr. C. T. Jegede, Dr. O. O. Adepoju, Dr. L. A. Balogun, , Dr. S. A. Babarinde, Dr. F. Igbadumhe, Dr. B. S. Adeleke, Dr. J A. Oladejo, Dr. O. T. Oreagba, Dr. A. Taiwo and others for their active roles in contributing immensely to this research work.

I would like to thank my parents Mr and Mrs S. O Mustapha, my lovely fiancé and my wonderful siblings for their support. Finally, I give all glory and praise to my creator, the most gracious father who has given me the strength, wisdom, knowledge and understanding for making it possible to accomplish this remarkable self-actualization and life dream.

“Even though the above-mentioned institutions and persons have assisted in the correction of this research work, I alone stand responsible for the errors, if any, found in the work”.

Abstract

This study investigated Credit Management and Firm's Financial Performance of Deposit Money Bank in Nigeria. The study was guided by Information Asymmetry Theory, Transaction Cost Theory. There were three research questions and hypotheses developed. An ex-post facto research design was used in the study. The population of the study is all commercial banks in Nigeria with the total of twenty-four (24) banks as at year 2023. The sample size for this study was obtained from secondary data of selected seven (7) banks using the purposive sampling technique. The researcher chose banks that their performances are below industrial average specifically, lower return on asset and return on equity. for the data analysis of this study, the panel Ordinary Least Square estimation approach and correlation matrix was applied. Credit management facility had a significant effect on performance as measured by return on asset (Adj R2 = 0.040612, F= 1.973611, p= 0.016466); return on equity (Adj R2 = 0.101017, F= 0.976643, p= 0.009176); and net profit margin (Adj R2 = 0.305936, F= 11.13815, p= 0.000005). It was concluded that credit management facilities have a significant effect on financial performance and positively strengthen the effect of interaction between credit management facilities that is, non-performing loan, loan and capital advancement, and capital adequacy and Firm's Financial Performance of Deposit Money Bank in Nigeria. It was recommended that Deposit Money Bank in Nigeria should mitigate their Non-Performing Loan Ratios (NPLR), Strategic in Loan and Advance Ratio, Management should Enhance Capital Adequacy and Refine Credit Risk Management Practices.

Keywords: Financial Performance, Return on Asset, Return on Equity, Credit Management Facilities.

Word Count: 251

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List of Acronyms

Abbreviation	Meaning
ASE	Amman Stock Exchange
BOPO	Operation Cost To Revenue
BSE	Bombay Stock Exchange
CAR	Capital Adequacy Ratio
CBK	Commercial Banks
CBN	Central Bank Of Nigeria
CFOD	Cash Flow from Operations to Debt
CMP	Credit Management Policy
COGS	Cost of Goods Sold
CPP	Creditor's Payment Period
CR	Current Ratio
CTR	Capital Turnover Ratio
DCP	Debtor's Collection Period
DMBs	Deposit Money Banks
EBIT	Earnings Before Interest And Taxes

FBN	First Bank of Nigeria
FP	Financial Performance
FV	Fair Value
IDX	Indonesia Stock Exchange
INTINC	Interest Income
KYC	Know Your Customer Approach
LAR	Loan and Advance Ratio
LDR	Loan-To-Deposit Ratio
LLP	Loan Loss Provision
LNPR	Loan Loss Provision Ratio
LPNR	Non Performing Loan Ratio
NIM	Net Interest Margin
NPL	Non Performing Loan
NPM	Net Profit Margin
NSE	Nigerian Stock Exchange
PLC	Public Limited Company
PPC	Pay Per Click

PPI	Producer Price Index
PPP	Public-Private Partnership
ROA	Return On Asset
ROE	Return On Equity
SACCO	Saving And Credit Cooperative Organisation
SD	Standard Deviation
SLR	Secured Loan Ratio
TA	Total Asset
TPF	Third Parties Fund
WCM	Working Capital Management

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