

BANK LENDING PRINCIPLES IN NIGERIA – AN OVERVIEW

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ABSTRACT

In its real sense, lending will always be the primary function of banks throughout the world economies. Lending naturally attracts some charges otherwise known as interest rates, which make up the greater portion of the banks' earnings. In a developing economy such as Nigeria, the probability that some loans will fail poses problems for both the borrower and the lender, but more importantly, the Nigerian economy. This paper reveals that non-performing loans account for the non-profitability of some banks in Nigeria. Efforts are also made in this paper to review a few past works on the concept of credit and the evaluations of the requests by customers for loans. Distress in the financial systems, which is more prevalent in the banking sector, has not done the economy any good. Depositors have lost huge sums of their deposits due to the unprofessional acts of some corrupt and rather selfish bank staff. This paper did not only treat the basic lending guidelines, but also recommended strict adherence to the implementation of the basic lending principles, which when correctly applied will lead to the increased profitability for the banks and the healthy growth of the Nigerian economy.

INTRODUCTION

A bank is generally accepted to be a financial institution that accepts deposits from its customers and thereafter looks after such deposits on their behalf. The bank also gives cheque books to its customers to facilitate payments to others. The bank also provides some other financial services, which include primarily "Lending". Simply put, a bank's major business is the acceptance of deposits and granting of credits/loans to its classes of customers, but later became intermediaries of funds and from thence started assuming credit risks. Credit therefore became the function of banking and the primary basis upon which the quality and the performance of a bank are assessed.

TYPES OF BANKS

