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Effective Credit Processing and Administration as a Panacea for Non-performing Assets in the Nigerian Banking System

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ABSTRACT Lending remains one of the major functions of banks in all economies. In fact, interest charged on loans and advances today constitute a sizeable part of banks' earnings. However, the possibility of failure of loans creates nightmares for not only the borrower and lender, but also poses a serious setback to the economy. This paper identifies non-performing credit as a major threat to the profitability of banks in Nigeria. It reviews some of the past studies on the concepts of credit, evaluations of credit requests of customers and presents certain probing questions to which any prudent banker must find satisfactory answers before extending the credit facility. It emphasizes that bankers should embrace the new concept of credit rating/scoring recently enunciated by the Central Bank of Nigeria. The paper concludes that the amount of loan loss provisions is unacceptable as it jeopardizes the profitability of banks in the country. It therefore suggests that if the recommendations given are adopted, the myriads of non-performing assets would be reduced and this would pave way for increased profitability of the Nigerian deposit money banks.