Volume: 7, Issue: 1
Page: 45- 61
YEAR: 2025

ISSN 2664-7354 (Online) & ISSN 2708-2687 (Print)

International Journal of Academic Research in Business, Arts and Science (IJARBAS.COM)

An Analysis of the Impact of Loan Granting On Deposit Money Bank Performance in Nigeria, Specifically Focusing On the Mararaaba Branch of Uba Bank Plc

AUTHOR(S): AJAYI, Olusesan Oluyemi, Dr. AMIYA Bhaumik, ADENIYI, Sarafadeen Diran, ADEDEJI Adeshina Akeem,

IJARBAS
Accepted 5 January 2025
Published 15 January 2025
DOI: 10.5281/zenodo.14773981

Abstract

This study looks at how loan granting impacts the performance of Nigeria's Deposit Money Banks (DMBs), concentrating on the Mararaba Branch of UBA Bank PLC. The study intends to evaluate how loan defaults affect DMBs' ability to maintain their financial stability, investigate the criteria taken into account when granting loans, and pinpoint tactics used to reduce loan defaults. With a 93.3% response rate, the survey questionnaire used in the study yielded insights from 14 of 15 completed questionnaires. The vast majority of participants indicated that approving loan had a favorable influence on the profitability, growth, expansion, and liquidity position of DMBs in Nigeria. On the improvement of credit risk profiles by loan granting, there was disagreement. It was discovered that loan defaults had a major impact on the financial stability of UBA Bank PLC's Mararaba Branch and DMBs in Nigeria, emphasizing the necessity of efficient risk management strategies. After an assessment of the criteria taken into account before granting a loan at the Mararaba Branch, it was determined that collateral, loan size, purpose, repayment terms, and creditworthiness assessment were important considerations. On the significance of loan amount and collateral in the selection process, there was disagreement. UBA Bank PLC's Mararaba Branch used credit appraisal, collateral requirements, proactive loan monitoring, frequent borrower follow-up, and efficient risk assessment and management techniques as strategies to reduce loan defaults. The study finds that loan defaults significantly affect the financial stability of DMBs and highlights how crucial it is to handle loan defaults well. It suggests creating strong frameworks for risk management, defining criteria for evaluating loans, diversifying loan portfolios, cooperating with regulatory agencies and banks to share information, conducting ongoing monitoring and evaluation, implementing public awareness campaigns, and making policy and regulatory changes.

Keywords: Loan Granting, Loan Beneficiaries, Lending, Bad Debts, Capitalized Expenditure, Assets,

About Author

Author(s):

AJAYI, Olusesan Oluyemi
Lincoln University College, Malaysia

Dr. AMIYA Bhaumik
Lincoln University College, Centre of Postgraduate Studies, Selangor, Malaysia

ADENIYI, Sarafadeen Diran
Lincoln University College, Centre of Postgraduate Studies, Selangor, Malaysia
adeniyisarafadeen2010@gmail.com

ADEDEJI Adeshina Akeem
Lincoln University College, Malaysia

Introduction

Financial institutions are crucial to the expansion of a country's economy. The financial sector is involved in a significant part on the expansion/development of the economy. Generally speaking, banks are licensed to provide a sufficient amount of loans made to the community at competitive interest rates. Any financial data is a loan that a bank has about a person that results via an advance, either direct or indirect of funds or a devotion to do so, subject to the debtor's responsibility to reimburse the money by a specific date, majorly with percentage (Adriaan et al, 2012). The growing problem of loan defaults is posing a threat to banks' ability to remain solvent. The problem's root causes are multifaceted and inconsistent across various literary works. Not paying back of money borrowed usually become persistent causes of pain for surplus spender, according to Adekanye (2012), because an excessive amount of them on a micro-finance's balance sheet can negatively impact the organization's capacity to raise additional capital, maintain liquidity, be profitable, and service debt. Notwithstanding these financial institutions' best efforts to manage it, the frequency of loans granted in Nigerian deposit money banks and non-banking sectors, such as microfinances, has increased recently.

Following a review of Salas and Saurina (2002), Beck, Demirhuc-Kunt, and Levine (2013) found that non-performing loans and GDP were positively correlated, whereas Ali and Daly (2010) and Nkusu (2011) found that non-performing loans and GDP per capita were negatively correlated in their respective research. Regression, correlation, and descriptive statistical approaches were employed by Kargi (2011) to examine the impact of credit risk on the profitability of Nigerian banks using financial ratios extracted from the financial records of the selected banks. His research indicated that credit risk management has a major effect on bank profitability in Nigeria. According to the study's findings, the quantity of loans and advances, deposits, and non-performing loans (NPLs), which put the banks at risk of problems and illiquidity, were all negatively connected with bank profitability.

Using a sample of five commercial banks, Kolapo et al. (2012) look into how credit risk affects the performance of Nigerian commercial banks. The results show that there is no cross-sectional variation in the correlation between credit risk and bank performance. Ali and Iva (2013) looked into how bank-specific factors affected non-performing loans in the Albanian banking industry. They considered credit growth, inflation, real exchange rate, GDP growth rate, and the interest rate on the overall loan as determining factors. Panel data from 2002 to 2012 were analyzed using the OLS regression model. The findings indicate a positive association between loan growth and the real exchange rate and a negative correlation between the GDP growth rate and non-performance loans. Although, as far as I'm aware, none of the previously stated studies have looked at the effect of loan granting on the performance of deposit money banks in Nigeria: a case study of UBA Bank Plc, Maraba Branch, and the important factors affecting the bank's capacity to recover loans. This study is necessary because of issues with finding possible creditors, estimating and confirming the right values for collateral and credit records, creating client disbursement instructions, and keeping track of regular loan repayments.

The general purpose of this research is based examine the effect of Loan Granting on Deposit Money Banks Performance in Nigeria: The precise goals are;

1. To examine the effect of loan granting on deposit money banks performance in Nigeria.
2. To examine the risk of loan default on the performance of UBABank Plc, Maraba Branch.

Literature review

Loan Granting

The transfer of funds from one individual, group, or entity to another is the definition of a loan according to this study. Guttentag (2007) offered this explanation.

A debt given by an entity (person or organization) to another entity at interest is referred to as a loan, according to Guttentag (2007). A note verifying the principle amount borrowed, the interest rate the lender is charging, and the date of repayment, among other information, is provided. He continues by explaining that a loan entails the borrower and the lender reallocating the pertinent asset(s) for a predetermined period of time in terms of finance. It means that a loan is sometimes extended in exchange for a charge, called interest on the debt, which provides the lender with motivation to approve the loan. A legal loan's conditions and restrictions are all outlined in the contract, which also includes the authority to place extra restrictions on the borrower known as loan covenants.

A banking company's primary operations are accepting deposits and making loans. As the banker bears the responsibility of repaying the deposit upon demand, receiving a deposit carries no risk. On the other hand, because there is never a guarantee of repayment, lending money always carries a high risk. According to Mithani et al. (2008), a banker's primary source of income is exclusively from lending money. Since banks do not lend money out of their own capital, they are typically extremely cautious when doing so. The majority of the loans that are approved are financed by public deposits. Most of these deposits are refundable upon request (Mithani et al., 2008).

Credit Policy

According to Brown & Bridge (2009), a procedure is a universal plan of attempt created as a result reoccurring circumstances with the goal of accomplishing predetermined organizational objectives. He explained that having a written credit policy serves two purposes, both of which increase overall organizational productivity. The first is that he has a serious responsibility to manage the receivables. It entails reducing bad debts and increasing the amount of money the institution receives in. Given that accounts receivable represent a company's most valuable asset, credit management requires a rational and organized approach. By putting expectations in writing, it also ensures that departments such as marketing, finance, treasury, and loans will all work together to achieve the company's goals (Brown & Bridge, 2009). This means that because making decisions turns into a methodical procedure rest on current proxy, it offers a consistent approach among customers. Consequently, this streamlines the process of making decisions and produces a feeling of equity that will greatly enhance customer relations. However, BBP (20I7) describes credit as a company's offer of its goods and services to clients who are unable to pay right away. This is crucial to a business because it keeps rivals from undermining its sales and entices new clients to make favorable purchases. This is then anticipated to highlight a company's performance (Christen & Douglas, 2013).

Empirical Review

Ahmed (2010) listed the reasons that a loan could become non-performing (NPL) and the causes of poor recovery. There exist multiple reasons for the diminishing recovery and increasing magnitude of non-performing loans (NPLs) in deposit money institutions. Ahmed (2010) also draws the conclusion that a variety of factors contribute to the weak recovery and rising bank non-performing loan (NPL) volume. These include an inadequate system for evaluating creditworthiness, a lack of planning in approving credit limits, improper oversight, careless actions taken to meet budgetary goals, an untruthful organization attitude, lack of legal protections against repossession and insolvency, alterations to the macroeconomic landscape, an opaque inadequate accounting practices, poor auditing practices, and a deficiency of communication between banks and their customer. According to Ahmad (1997), there are a number of significant factors that contribute to loan defaults, such as deliberate carelessness, incorrect credit officer appraisals, and borrowers' unwillingness to repay loans combined with their diversion of funds. According to Gorter and Bloem (2002), Ineffective risk management actually underlying reason for non-performing loans. In this instance, bank credit officers are failing to appropriately assess whether giving credit to their clients is appropriate.

According to Agresti et al. (2008), loan performance can be ensured by giving the borrower the attention they deserve without emphasizing this point too much. There is a tendency for borrowers to pay closer paying heed to their loans when they think they enjoy better reception. A portion of loan defaults can be attributed to borrowers receiving less attention. It is recommended that banks make timely loan payments. It is evident that efficient credit monitoring entails investigating a range of business activities, such as loan operations, assessing if the business is correctly look after, so as to see that the business location is suitable for conducting business.

Regression analysis was performed by Hu et al. (2006) using a panel dataset spanning the years 1996–1999 to examine the connection between NPLs and the ownership arrangement of banks that accept deposits in Taiwan. According to the study, banks with a larger percentage of government ownership had fewer non-performing loans. The study's conclusion demonstrated that, although diversification might not be a factor, bank size has a inverse connection pertaining to non-performing loans. Relating Berger and DeYoung (1995), recovering past-due loans is a significant issue that Indian banks are dealing with. Depending on the specific type of loan, different financial institutions may have different explanations for this. Here, an effort is made to identify a few of the causes of loan default, which is the source of the overdue loan issues facing financial institutions. might potentially aid banks in recovering loans more effectively in years to come. The main causes of default on loans to the industrial sector were identified after a survey of different banks. These included: poor entrepreneur selection; insufficient project viability analysis; insufficient collateral security or equitable mortgage against loans; irrational terms and repayment schedules; lack of follow-up measures; and default due to natural disasters.

Methodology

The research work adopted a descriptive correlation survey. The research objective was based on measuring the effect of loan granting on deposit money banks' performance through a case study of UBA Bank Plc, Mararaba Branch, in order to further previous research. All elements, or individuals, that satisfied specific requirements to be included in a particular universe, made up the target population. Polit and Hungler (2015) corroborated this, stating that all study participants who met a predetermined set of requirements were included in the target population. The study's population comprised 22 bank officials, including branch managers and credit management officials from UBA Bank Plc's Mararaba Branch in Federal Capital Territory Abuja. For the purpose of choosing bank officials, a purposeful sampling was employed. Using the information, he had requested (the institution's credit policy regarding loan recovery), the researcher’s task was to identify the respondents. The respondents were chosen using simple random sampling since it was thought that they would all know similar facts about the topic of the study. A sample consisting of the manager, 7 credit officials, 3 internal auditors, 4 accountants, and a total of 15 respondents was chosen in order to determine the sample size while taking time and financial constraints into account. This represented approximately 55% of the population.

The study made use of both primary and secondary data sources. In order to investigate the main study variables (loan granting and loan recovery), self-designed questionnaires using respondents' responses were directly gathered as primary data using a 5-point Likert scale. Self-administered questionnaires, according to the scholar, reduced the number of reasons given for forgetting to complete the question because he was the one administering it. Additionally, he elucidated questions that some respondents might not have understood. Every questionnaire had open-ended questions on it. Respondents to the questionnaire were asked to check the option that most closely aligned with their experience in relation to the research question. An analysis of pertinent literature on the effects of loan granting and its recovery from respectable journals, publications, brochures, newsletters, reports, publications, and report papers produced locally and internationally was conducted.

The instrument's content validity was examined, and any items that appeared unclear were clarified. Additionally, face validity was checked prior to questionnaire administration. A pilot study was observed to vet the instrument's consistency. Two instances of the questionnaire were given to two respondents in a different setting—Guarantee Trust Bank Area 3, FCT Abuja. This ensured the query was understandable, explicit, and clear. The respondents' answers to the questions were easy or uncomplicated, and any necessary corrections ensured the accuracy of their answers.

At the UBA Bank Plc, Mararaba Branch, fifteen (15) bankers received questionnaires. The survey instruments were dispersed within the bank corridor. Until the target sample was obtained, this was carried out on different working days and at different times. The researcher gave the subject a call to remind them to return the completed questionnaires if needed.

Regression analysis was used to examine the data gathered from the study and ascertain the connection between loan granting and deposit money bank performance. The data were analyzed using multiple linear regression, where loan granting was the independent variable and deposit money bank performance was the dependent variable. To further assess the model's overall significance, an F-test was employed. If there existed a connection between at least one independent variable and the dependent variable, the regression model as a whole was considered statistically significant, as determined by the F-test. The regression coefficients were looked at to ascertain the specific effect of loan granting on deposit money bank performance if the F-test revealed the model was significant. The normality, linearity, and homoscedasticity of the data were examined to guarantee the validity of the analysis. The data were appropriately transformed if needed to meet these presumptions. A statistical software program like SPSS was used to perform the analysis, and frequency tables were used to present the findings. At $p < 0.05$, the threshold for statistical significance was applied.

Results

Table 1: Questionnaire Administration

Questionnaire	Respondents	Percentage (%)
Returned	14	93.3
Not Returned	1	6.7
Total	**15**	**100**

Source: Field survey, 2023

According to Table 1, 14 of the 15 questionnaires that were distributed for the survey at UBA Bank Plc's Mararaba Branch in the Federal Capital Territory of Abuja were returned as properly completed, yielding a completion rate of 93.3%. This suggests that most respondents were willing to take part in the survey and gave their answers some thought. Nevertheless, 6.7% of the total, or one questionnaire, was not returned. The absence of this response from the survey may have influenced the results because the analysis does not take into account the participant's thoughts and opinions.

4.2 Data Analysis

Table 2: Demographic characteristics of the respondents

Sex	Frequency	Percent (%)
Male	8	57.1
Female	6	42.9
Total	**14**	**100**
Age	**Frequency**	**Percent (%)**
18-22	0	0
23-28	9	64.29
29- 35	5	35.71
35- Above	0	0
Total	**14**	**100**
Religion	**Frequency**	**Percent (%)**
Islam	6	42.86
Christianity	8	57.14
Others	0	0
Total	**14**	**100**
Level of Education	**Frequency**	**Percent (%)**
Diploma/NEC	0	0
HND/B.Sc.	12	85.71
Post Graduate	2	14.29
Other,	0	0
Total	**14**	**100**
Department	**Frequency**	**Percent (%)**
Credit Department	7	50
Customer Department	3	21.43
Administrative Department	1	7.14
Others	3	21.43
Total	**14**	**100**

Source: Field survey, 2023

Table 2 which displays the respondents' demographic information above reveals that, of the 14 respondents, 8 were men, making up 57.1% of the sample, and the remaining 6 were women, making up 42.9%. Furthermore, none of the respondents were between the ages of 18 and 22 or 35 and older. 9 out of the 14 (64.29%) Five (35.71%) of the respondents were in the 29–35 age bracket, while the remaining respondents ranged in age from 23 to 28. Among the respondents, 6 (42.86%) identified as Muslims, 8 respondents (57.14%) identified themselves as Christians and none of the respondents identified with other religions. Also, none of the respondents had a diploma or NEC qualification, but majority of the respondents, 12 (85.71%), had either a Higher National Diploma (HND) or a Bachelor of Science (B.Sc.) degree and 2 respondents (14.29%) held a post-graduate qualification. With 7 responders (50%) the Credit Department had the largest representation. 3 respondents, or 21.43%, were from the department of customers. 1 respondent (7.14%) came from the administrative department, and three respondents (21.43%) came from other departments. The analysis of Table 4.2 reveals that the survey had a slightly higher representation of male respondents compared to females. Large portion of participants were in the age bracket of 23-28, while the 18-22 and 35 and above age groups were not represented. In terms of religion, there was a nearly equal distribution between Islam and Christianity among the respondents. Those with an HND/B.Sc. degree made up the majority of the educational background, followed by those with a post-graduate degree. The department with the most responses was the credit department, although other departments were also represented, including the customer department. Comprehending the demographic attributes of the participants facilitates the provision of context for the survey outcomes and permits a more intricate analysis of the conclusions.

Analyzing the descriptive statistics of the pertinent variables in the study involved using a simple percentage table. The code is Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Strongly Disagree (SD) = 2, and Disagree (D) = 1.

Table 3: Effect of Loan Granting affect Deposit Money Banks' Performance in Nigeria

Effect of Loan Granting	SA	A	N	SD	D	Total
Loan granting has a positive impact on the profitability of deposit money banks in Nigeria.	2(14.29)	9(64.29)	2(14.29)	1(7.14)	0(0.0)	14(100)
Loan granting contributes to the growth and expansion of deposit money banks in Nigeria.	11(78.57)	1(7.14)	1(7.14)	0(0.0)	1(7.14)	14(100)
Loan granting improves the liquidity position of deposit money banks in Nigeria.	10(71.43)	2(14.29)	2(14.29)	0(0.0)	0(0.0)	14(100)
Loan granting enhances the credit risk profile of deposit money banks in Nigeria.	2(14.29)	2(14.29)	0(0.0)	7(50.0)	3(21.43)	14(100)
Loan granting is a crucial factor in determining the overall performance of deposit money banks in Nigeria.	8(57.14)	2(14.29)	1(7.14)	2(14.29)	1(7.14)	14(100)

Source: Field survey, 2023

Table 3 above shows how loan granting affects deposit money banks' performance. Of the respondents, 2 (14.29%) strongly agree (SA) that loan granting boosts the profitability of deposit money banks in Nigeria, while the remaining 2 (14.29%) are neutral (N). 9 respondents (64.29%) agree (A) with this statement. 1 respondent (7.14%) strongly disagrees (SD) with the statement, while none of the respondents expressed disagreement (D) with it. 11 respondents (78.57%) strongly agree (SA) that loan granting contributes to the growth and expansion of deposit money banks in Nigeria while 1 respondent (7.14%) agrees

(A) with this statement and 1 respondent (7.14%) feels neutral (N) about it. No respondents strongly disagree (SD) with the statement and 1 respondent (7.14%) disagrees (D) with the statement. For the efficacy of Loan Granting relating Liquidity Position of Banks that accept deposits, 10 respondents (71.43%) strongly agree (SA) that loan granting improves the liquidity position of Banks that accept deposits within the nation while 2 respondents (14.29%) agree (A) with this statement and 2 respondents (14.29%) feel neutral (N) about it. No respondents strongly disagree (SD) or disagree (D) with the statement. For the question on the effect of Loan Granting on the Credit Risk Profile of Deposit Money Banks, 2 respondents (14.29%) strongly agree (SA) that loan granting enhances the credit risk profile of banks that accept deposit in the nation while 2 respondents (14.29%) agree (A) with this statement and none of the respondents feel neutral (N) about it. But, 7 respondents (50.0%) strongly disagree (SD) with the statement and 3 respondents (21.43%) disagree (D) with the statement. Finally, on the effect of Loan Granting on the Overall Performance of Deposit Money Banks, 8 respondents (57.14%) strongly agree (SA) that loan granting is important in figuring out the overall performance of banks that accept deposit in the country while 2 respondents (14.29%) agree (A) with this statement. 1 of the respondent (7.14%) feels neutral (N) while 2 respondents (14.29%) strongly disagree (SD) with the statement and the last respondent (7.14%) disagrees (D) with the statement. The analysis of Table 4.3 reveals the respondents' opinions on the effect of loan granting on various aspects of deposit money banks in Nigeria. The statements about the positive effects of loan granting on deposit money banks' profitability, growth and expansion, liquidity position, and credit risk profile are generally agreed upon or strongly agreed upon by the majority of respondents. Nonetheless, there are differing or unbiased views on how it affects performance as a whole. Based on the respondents' perspectives, these findings offer insights into the perceived relationship between loan granting and deposit money banks' performance.

Table 4: The risks of Loan Default on the Performance of UBA Bank Plc. Maraba Branch

Risks of Loan Default	SA	A	N	SD	D	Total
Loan defaults pose a significant threat to the profitability of UBA Bank PLC. Maraba Branch.	7(50.0)	4(28.57)	3(21.43)	0(0.0)	0(0.0)	14(100)
Loan defaults negatively impact the financial stability of UBA Bank PLC. Maraba Branch.	8(57.14)	3(21.43)	1(7.14)	1(7.14)	1(7.14)	14(100)
Loan defaults hamper the liquidity position of UBA Bank PLC. Maraba Branch.	13(92.86)	1(7.14)	0(0.0)	0(0.0)	0(0.0)	14(100)
Loan defaults have a high impact on the reputation and customer relationships of UBA Bank PLC. Maraba Branch.	5(35.71)	2(14.29)	6(42.86)	1(7.14)	0(0.0)	14(100)
Loan defaults increase the credit risk exposure of UBA Bank PLC. Maraba Branch.	12(85.71)	2(14.29)	0(0.0)	0(0.0)	0(0.0)	14(100)

Source: Field survey, 2023

Table 4 presents the risks associated with loan defaults on the performance of UBA Bank Plc, Maraba Branch. 7(50.0%) respondents strongly agree (SA) that loan defaults pose a significant threat to the profitability of the bank while 4(28.57%) respondents agree (A) with this statement and 3 (21.43%) of the respondents are neutral (N) about the impact. For the question on the risk of Loan Default on the Financial Stability of UBA Bank PLC, Maraba Branch, 8(57.14%) of the respondents strongly agree (SA) that loan defaults negatively impact the financial stability of the bank while 3(21.43%) of the respondents agree (A) with this statement. 1(7.14%) is neutral (N) and strongly disagrees (SD) about the impact respectively and 1(7.14%) of the respondents disagrees (D) with the statement. 13(92.86%) of the respondents strongly agree (SA) that loan defaults hamper the liquidity position of the bank while 1(7.14%) of the respondent agrees (A) with this statement. However, none of the respondents are neutral (N), strongly disagree (SD), or disagree (D) with the statement. For the risk of Loan Default on the Reputation and Customer Relationships of UBA Bank Plc Maraba Branch, 5(35.71%) of the respondents strongly agree (SA) that loan defaults have a high impact on the reputation and customer relationships of the bank while 2(14.29%) of the respondents agree (A) with this statement and 6(42.86%) of the respondents are neutral (N) about the impact. 1(7.14%) of the respondents strongly disagrees (SD) with the statement. On the risk of Loan Default on the Credit Risk Exposure of UBA Bank PLC, Maraba Branch, 12(85.71%) of the respondents strongly agree (SA) that loan defaults increase the credit risk exposure of the bank while 2(14.29%) of the respondents agree (A) with this statement. But none of the respondents are neutral (N), strongly disagree (SD), or disagree (D) with the statement. The analysis of Table 4 reveals the perceptions of the respondents regarding the risks associated with loan defaults on the performance of UBABank Plc Maraba Branch and the result shows that the majority of respondents express concerns about loan defaults impacting the profitability, financial stability, liquidity position, reputation, customer relationships, and credit risk exposure of the bank. These findings shed light on the potential risks that loan defaults pose and emphasize the importance of managing and mitigating such risks to ensure the overall performance and stability of the bank.

Table 5: Considerable factors for Loans at UBA Bank Plc. Maraba Branch

Considerable factors for Loans	SA	A	N	SD	D	Total
The creditworthiness of loan applicants is an important factor considered for loan evaluation at Deposit Money Banks.	11(78.57)	2(14.29)	1(7.14)	0(0.0)	0(0.0)	14(100)
The loan size is given due consideration in the decision-making process at Deposit Money Banks.	2(14.29)	2(14.29)	1(7.14)	5(35.71)	4(28.57)	14(100)
The purpose of the loan holds significant weightage in the loan assessment and approval process at Deposit Money Banks.	8(57.14)	4(28.57)	2(14.29)	0(0.0)	0(0.0)	14(100)
Collateral provided by loan applicants is a crucial factor in the loan evaluation process at	2(14.29)	2(14.29)	3(21.43)	6(42.86)	1(7.14)	14(100)

Deposit Money Banks.						
The repayment terms and conditions are thoroughly considered in the loan assessment and approval process at Deposit Money Banks.	6(42.86)	5(35.71)	3(21.43)	0(0.0)	0(0.0)	14(100)

Table 5 presents the factors considered when evaluating loans at Deposit Money Banks and 11(78.57%) of the respondents strongly agree (SA) that the creditworthiness of loan applicants is an important factor considered in loan evaluation while 2(14.29%) of the respondents agree (A) and 1(7.14%) of the respondents is neutral (N) about the importance. For loan size given due consideration in the Decision-Making Process, 2(14.29%) of the respondents strongly agree (SA) that loan size is given due consideration in the decision-making process while another 2(14.29%) agree (A) and 1(7.14%) of the respondent is neutral (N) about the consideration. However, 5 (35.71%) of the respondents strongly disagree (SD) and 4(28.57%) of the respondents disagree (D) with the statement. In another vein, 8(57.14%) of the respondents strongly agree (SA) that the purpose of the loan holds significant weightage in the assessment and approval process while 4(28.57%) of the respondents agree (A) and 2(14.29%) of the respondents are neutral (N) about the weightage. No respondents strongly disagree (SD) or disagree (D) with the statement. On the aspect of collateral provided by loan applicants as a crucial factor in loan evaluation, 2(14.29%) of the respondents strongly agree (SA) that collateral provided by loan applicants is a crucial factor in the evaluation process while 2(14.29%) other respondents agree (A), 3(21.43%) are neutral (N) about the factor. But 6(42.86%) of the respondents strongly disagree (SD) and 1(7.14%) of the respondent disagrees (D) with the statement respectively. For the statement on thorough consideration of repayment terms and conditions in the loan assessment and approval process, 6(42.86%) of the respondents strongly agree (SA) that repayment terms and conditions are thoroughly considered in the assessment and approval process while 5(35.71%) of the respondents agree (A) and 3(21.43%) of the respondents are neutral (N) about the consideration. But no respondents strongly disagree (SD) or disagree (D) with the statement. The analysis of Table 4.5 reveals the factors considered when evaluating loans at Deposit Money Banks. The majority of respondents emphasize the importance of the creditworthiness of loan applicants, the purpose of the loan, and the thorough consideration of repayment terms and conditions. However, there is disagreement regarding the weightage given to loan size and the significance of collateral provided by loan applicants. These findings provide insights into the factors that influence loan evaluation at the bank and highlight the varying perspectives of the respondents on their importance.

Test of Hypotheses

Regression analysis was used to test the hypotheses

Hypothesis One

$H0_1$: There is no significant relationship between loan default and its effects on Deposit Money Banks in Nigeria.

Table 6: Loan defaults and its effects on Deposit Money Banks in Nigeria

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Durbin-Watson
		B	Std. Error	Beta			
1	(Constant)	1.898	.428		4.430	.001	1.265
	Loan defaults and the effect on Deposit Money Banks in Nigeria.	.481	.101	.808	4.750	.000	

The standardized coefficient (Beta) for the independent variable "Loan defaults and the effect on Deposit Money Banks in Nigeria." is 0.808, which can be used to assess whether there is a significant relationship between loan defaults and their impact on Deposit Money Banks in Nigeria. Additionally, the autocorrelation in the regression model's residuals is measured using the Durbin-Watson statistic, whose value of 1.265 suggests that some positive autocorrelation may exist. This suggests that the impact of loan defaults on Deposit Money Bank's financial stability is positively correlated. This coefficient has a t-value of 4.750 and a p-value of 0.000, both of which are below the significance level of 0.05. This suggests that there is statistical significance in the coefficient. We can infer from this data that loan defaults and their impact on Deposit Money Banks in Nigeria are significantly correlated. The alternative hypothesis, according to which there is a substantial correlation between loan defaults and their impact on Deposit Money Banks' financial stability in Nigeria, is thus accepted, and the null hypothesis is rejected.

HO_2: There is a significant relationship between loan default and its effects on UBA Bank Plc, Maraba Branch.

Table 7: Loan defaults and its effects on UBA Bank PLC. Maraba Branch

Test Value = 0.5					
T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
				Lower	Upper
12.610	13	.000	3.286	2.72	3.85

The test value in the given one-sample test analysis is set at 0.5, and the t-value is determined to be 12.610. The test has 13 degrees of freedom (df), and the corresponding p-value is reported as 0.000, which is less than the traditional significance level of 0.05. The test value and the mean difference between the impact of loan granting on the profitability of deposit money banks in Nigeria is 3.286. 2.72 to 3.85 is the reported 95% confidence interval for the difference. We can infer from this data that there is a strong correlation between loan defaults and the impact they have on UBA Bank PLC's Maraba Branch. As a result, we reject the null hypothesis and accept the alternative, which states that there is a meaningful correlation between loan defaults and how they affect the financial stability of UBABank PLC at the Maraba Branch.

Conclusion

This study focused on the Maraba Branch of UBA Bank PLC and investigated how loan granting affected the performance of Deposit Money Banks (DMBs) in Nigeria. The following conclusions have been drawn by the researcher based on the examination of primary and secondary data. The majority of respondents to the study stated that lending had a favorable effect on DMBs' liquidity position, growth, profitability, and expansion in Nigeria. This demonstrates how crucial lending activities are to the way banks perform financially. Regarding the improvement of credit risk profiles through loan granting, respondents disagreed, indicating the need for additional research and risk management techniques. Furthermore, the study found that loan defaults significantly impact the financial stability of UBA Bank PLC's Maraba branch and DMBs in Nigeria. According to the research, loan defaults can have a detrimental effect on a company's profitability, stability, liquidity, reputation, relationships with customers, and exposure to credit risk. This emphasizes the necessity of taking strong action to reduce loan defaults and successfully manage related risks.

It was interesting to learn about the criteria thatUBA Bank PLC's Maraba Branch used to grant loans. Important considerations included the loan's goal, creditworthiness assessment, and terms and conditions for repayment. Regarding the significance of loan size and collateral in the decision-making process, respondents disagreed. This shows that in order to guarantee impartial and efficient loan evaluation procedures, precise guidelines and uniform evaluation standards are required. Lastly, the study looked at the tactics the Maraba Branch of UBABank PLC used to reduce loan defaults. Key strategies mentioned by the respondents included credit appraisal, collateral requirements, proactive loan monitoring, frequent borrower follow-up, and efficient risk assessment and management.

The aforementioned results highlight the significance of all-encompassing risk management structures and ongoing oversight in order to alleviate the possible adverse consequences of loan defaults. Overall, with an emphasis on the UBA Bank PLC Maraba Branch, this study offers insightful information about the connection between loan granting, loan defaults, and DMB performance in Nigeria. The results emphasize how crucial it is to have strong risk management procedures, efficient loan evaluation procedures, and proactive approaches to reduce loan defaults and protect banks' finances. The study's conclusions can help banks in Nigeria, especially the Maraba Branch of UBA Bank PLC, improve their risk management procedures and loan granting practices in order to maximize efficiency and support the stability of the banking industry as a whole.

Recommendations

The researcher would like to suggest the following changes based on the research findings, which will help them grant and recover loans more effectively and have a positive impact on Nigerian deposit money banks:

- **i.** In order to share customers from other banks or prospective customers and increase the amount of disbursement, the bank branch should draw in more borrowers by providing a higher quality loan service.

ii. Nigerian Deposit Money Banks should keep an eye on their outstanding loans to quickly identify any that a borrower has neglected to repay on time.

References

Adekanye, F. (1983) *A Practical guide to Bank Borrowing.* Graham Burn. United Kingdom.

Adekanye, F.(2010). *The Elements of Banking in Nigeria*. 4th ed. Offa, FazBurn Publishers.

Adriaan M. Bloem, Cornelis N. Gorter (2012). *The Treatment Of Non-Performing Loan in Microeconomic Statistics*. IMF working paper.

Agresti, A.M., P. Baudino& P. Poloni. 2008. *The ECB and IMF indicators for the Macro prudential analysis of the banking sector*: a comparison of the two approaches. ECB Occasional Page no. 99.

Ahmad, S.A. (1997). *Natural Hazards and Hazard Management in the Greater Caribbean and Latin America*, Publication No. 3.

Baku, E. and Smith, M. (1998), “Loan Delinquency in Community Lending Organisations: Case Studies of Neighbour Works Organisations” *Housing Policy Debate*, Vol. 9(1), pp. 151-175.

Balogun, E.D. and Alimi, A. (2018).Loan Delinquency Among Small Farmers in developing countries: A case study of small-farmers credit programme in Lagos State of Nigeria, CBN Economic and financial Review.

Berger, A. N. and DeYoung, R. (1995), *Problem of Loans and Cost Efficiency in Deposit money banks*, Centre for Financial Institutions Working Papers, Wharton School Centre for Financial Institutions, University of Pennsylvania.

Bessis, J. (2012). *Risk Management in Banking* (2nd edition). John Wiley & Sons, Chichester,New York.

Bonnevie Froincois-Xavier (2003), *Risk Management in Banking Financial Services, Advanced International Training Programme,* Sida.

Brealy Richard A and Myers Stewait C (1991), *Principles o,f Corporate* Finance ,McGraw Hill, 4th Edition.

Brown, B.M. & Bridge, R. (2009). *Financial Distress in Local Banks in Kenya, Uganda and Zambia: Causes and Implications for Regulatory Policy, Development Policy Review Journal,* 16(2). 173-189.

Burns, N. & Groove, S.K. (2001). The Practice of Nursing Research. Conduct, critique and Utilization. 4 thEdition: W.B. Saunders Company United States of America.

Christen, R.P. & Douglas, P. (2013). *Managing Risks and Designing Products for Agricultural Microfinance,* Rome: International Fund for Agricultural Development.

Clement J.H. (1989). *Balance Sheets and the Lending Banker* Europe.

Cochran J. *A (1983), Money, Banking and the EconomyJohn* Wiley & Sons, Chichester, New York.

Dermirgue-Kunt and Detragiache (1998), *The Determinants of Banking Crisis in Developing and Developed Countries,* IMF Working Papers Vol. 45, No 1

Ejiofor P. (2014). Developing banking system stability index for Nigeria. *CBN Journal of Applied Statistics, Vol.* 5 (1).

Eugene, T. (2016). Common risk factors in the returns on stocks andbonds. J*ournal of Financial Economics,* 33(3), 3–56.

Froot K.A. J C Stein (1998); *Risk Management, Capital Banking and Capital Structure Policy for Financial lnstitutions,an* Integrated Approach Journal and Financial Economics. Vol.2 Pg 71 - 78.

Geithner, T. *(2013).Risk Management Challenges in the US. Financial System,* Remarks at the Global Association of Risk Professional (GARP), 7th Annual Risk Management Convention & Exhibition in New York City.

Girma Mekasha, (2011). *Credit Risk Management and Its Impact on Performance on Ethiopian deposit money banks*, unpublished Master's Thesis, Addis Ababa University.

Gisemba, H.B. (2010)A *Survey of Credit Risk Management Practices by Deposit money banks in Kenya.* Unpublished MBA Thesis, University of Nairobi.

Gorter and Bloem, (2002). *Non-Performing loans are mainly caused by an inevitable number of wrong economic decisions by individuals.* IMF working paper 2003.No. 10(3).

Greuning & Iqbal, (2007).A *New Framework for Measuring the Credit Risk of a Portfolio,* Institute for Monetary and Economic Studies (IMES), Page 1-45.

Greuning, H. & Bratanovic, S.B. *(2012).Analyzing and Managing Banking Risk, A Framework for Assessing Corporate Governance and Financial Risk.* 2nd edition, The World Bank, Washington, DC

Hu,Yung-Ho, Yang Li, Chiu (2006). "*Ownership and Non-Performing Loans*: Evidence from Taiwan's Banks".

Hutchison and MC Dill (1999) Are *all Banking Crises alike?NBER* Working Paper No. 7253. Mc Naughton, (1996), *Banhng Institution in Developing lvfarkets: Building Strong Management and Responding to Change, Managing the Credit Risk,* Washington DC

Inekwe, M. (2010). Effect of inflation on non-performing loans in the banking industry in Nigeria. *Journal of Arid Zone Economy*, 12(1), 87 – 95.

Jaynal Ud-Din Ahmed, (2010). *An empirical estimation of loan recovery*. The NEHU Journal Vol 8, No 1, January 2010.

K. Daniel Kipyego and Wandera Moses, (2013): *Effects of Credit Information Sharing on Nonperforming Loans*. European Scientific Journal, Vol.9, No.13 ISSN: 1857 – 7881

Kiayai,T.K: (2003), "*Bad debts restructuring techniques and non-performing loans of deposit money banks in Kenya*" unpublished MBA Project , University of Nairobi.

Kumar, R. (2011): Research Methodology, a Step by Step Guide for Beginners. 3rd Edition London, Sage Publications Ltd.

Kumari Gita, (2008). *Recovery Ethics in rural lending*. IBA Bulletin vol.10

Mithani T.J. (2008) The Determinants of Firms Hedging Policies. *Journal of Financial and Quantitative Analysis*, 20(4), 391-405.

Mugisha Evarist (1995), The Credit Transactions process journal of the Uganda Institute of banking and Financial institutions vol.3

Nzotta (2004), Bessis, *J.(2002).,Risk management in banking.* John Wiley & Sons

Okorie, A. (1986). Major Determinants of Agricultural Loan Repayments, Savings and Development, X(1)

Petersen and Rajan (1997). Non-performing Loans - The Markets of Italy and Sweden, Published Thesis (MSc)

Pischke, J.D (2010), *Debt Capacity and the role of Credit in the Private economy* .Washington D.C. 1991.

Polit and Hungler (2015), *The Research Methodology of Social Sciences and its applications:* Boston Mathematic, (254, *p*4)

Sonali Abeyrante, (2001). *Banking and Debt Recovery in emergency Markets*, The law reform Text, England, Dartmouth Publishing Company Limited.

Sonali, A. (2016). *Banking and Debt Recovery in emergency Markets*, The law reform Text, England, Dartmouth Publishing Company Limited. (2001).

Cite this article:

Author(s), AJAYI, Olusesan Oluyemi, Dr. AMIYA Bhaumik, ADENIYI, Sarafadeen Diran, ADEDEJI Adeshina Akeem , (2025). " An Analysis of the Impact of Loan Granting On Deposit Money Bank Performance in Nigeria, Specifically Focusing On the Mararaaba Branch of Uba Bank Plc". **Name of the Journal:** International Journal of Academic Research in Business, Arts and Science, (IJARBAS.COM), P, 45- 61 , DOI: www.doi.org/10.5281/zenodo.14773981 , Issue: 1, Vol.: 7, Article: 4, Month: January, Year: 2025. Retrieved from https://www.ijarbas.com/all-issues/

Published by

AND

ThoughtWares Consulting & Multi Services International (TWCMSI)