Title: Credit Management and Bad Debt In Nigeria Commercial Banks –Implication For development

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Abstract: This paper examines the causes of bad and doubtful debt in Nigeria commercial banks. It presents a framework to x-ray the risk and to validate the checks and balances to prevent or rather reduce the risk. The study uses both primary and secondary tools for data collection to determine causes of bad debts. Analysis of Variance (ANOVA) and autoregressive model were applied to validate the result spanning the period 1993 to 2011. Lending is one of the major functions of banks though the most risky. Yet any bank that wants to remain in business must lend. Due to the fact that bank’s primary function is to act as intermediary between savers and borrowers, the barometer for measuring their earnings is interest from lending. Lending is a risk. Granting of credit is risk that can be viewed as the most important risk which Nigerian banks face bearing in mind the staggering size of their non-performing assets. Credit risk therefore is the risk which could occasion a loss for a bank due to a default by a customer in meeting its obligation. It is observed that incessant increase in interest rate is a strong and statistically important factor that causes bad debt in Nigeria commercial banks. Banks Management should establish sound lending policies, adequate credit administration procedure and an effective and efficient machinery to monitor lending function with established guidelines, reduce interest rates on lending. They should study the character and financial statement of the borrower before granting them loans.

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