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Research article

RELEVANCE OF THE ASSET MANAGEMENT CORPORATION OF NIGERIA (AMCON) TO THE NON- PERFORMING LOANS OF DEPOSIT MONEY BANKS

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ABSTRACT

The main objective of the study was to examine the relevance of the Asset Management Corporation of Nigeria to the non-performing loans of deposit money banks. The concept of banking essentially revolves around management of money, credit, and investment. Therefore key functions of banks are anchored on exchange, account, business, savings, checking, loans, credit, finance, deposit, withdrawal, etc. Nevertheless, in exercising its financial intermediation role, the banks engage in lending its depositors' money to investors. These loans, if not well checked and monitored, often time leads to non-performing loans. Non-performing loans are largely responsible for the crisis in the banking sector. It has been discovered that the non-performing loans of banks account for distress of many banks in the country. To underscore the importance attached to cleaning the banks' books from bad debts and making them able to extend credit to the private sector, the Central Bank of Nigeria and other relevant agencies facilitated the setting up of the Asset Management Corporation of Nigeria to take care of the bad debts in the banking sector. It is also working assiduously toward returning the bailed out banks from negative shareholders funds to zero, to make them attractive for merger and acquisition. For the purpose of this study, the researcher employed relevant data obtained from the branches of commercial banks and Central Bank of Nigeria in Uyo with the use of a well-structured questionnaire. Research questions were raised for the purpose of the study. One hundred and thirty questionnaires were administered to both the management and staff Central Bank of Nigeria and the commercial banks operating in Calabar and Uyo. One hundred and twenty nine of the questionnaire issued were collected and used for the purpose of the study. The responses obtained from the questionnaire were critically analyzed using the simple percentage statistical method. Findings from the study revealed that the non-performing loans of banks affect its liquidity and subsequently, bank failure. The study also revealed that the Asset Management of Corporation is relevant to the non-performing loans of deposit money banks as it has so far recorded considerable success in resolving the non-performing loans of banks.

Keywords: Capital adequacy; liquidity; loan portfolio; non-performing loans

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INTRODUCTION

The business of banking focuses mainly on the acceptance of deposits from members of the public (that is, bank customers) and matching the deposits available to borrowers in the form of loans for investments and consumptions purposes. The loans may take the forms of overdraft, loan and advances and local purchasing order financing, among others. Thus, lending is the key functions of Commercial Banks.

Loans represent investments and usually constitute the longest assets of banks. Both individuals and institutions demand for loans. The households seek loanable funds from banks when their excess of income order expenditure is negative (Mbat, 1995:88). On the other hand, business firms demand loans from deposit money banks for working capital purposes and at times investments. The need for loanable funds is as a result of the non-synchronization between receipts and payments during the normal course of business. In granting loans to households, individuals or business firms, banks take into consideration factors such as liquidity risk, repayment method, source of repayment and the purpose of such loans (Mbat, 1995:89).

Bank loans and advances are mostly of short-term in nature. In most deposit money banks in Nigeria, the quality of loan portfolio depends on credit analysis undertaken by the loan officer. The credit analyst's function is to ensure that loans granted have a good qualitative composition. The qualitative elements of bank loans include high liquidity quotient, minimum risk and appropriate maturity structure. These qualitative elements are necessary to guarantee repayment on demand or maturity.

However, in some cases there may be default (that is, the customer may fail to pay the interest and principal as they mature or as they fall due). When there is default and the borrower finds it difficult to repay as schedule or recovery is highly unlikely or it is expected to be protected, the loan becomes a non performing loan which eventually leads to bad debts.

Bad debt emanates from either approved facilities or unauthorized facilities granted to customers. It is difficult to eliminate bad debt completely in the business of banking, but it can be managed to a comfortable level. The risk assets (total loans and advances) constitute the largest portion of the assets of a bank. The moment they start going bad, the health of the bank becomes negatively affected and that may mark the beginning of the end of the banks business.

One of the major causes of bank failure among other things in the Nigerian banking industry is the continuous deterioration of the quality of risk assets held by them. The 2004 end of the year reports of Nigeria Deposit Insurance Corporation (NDIC) indicates that out of every #1.00 loan granted by the Nigerian banks, only 57kobo was capable of being recovered. The losses occasioned by bad debts have impaired the capital position of most of the banks. That is, their capital base has been eroded by colossal amount of non – performing loans. It is not gainsaying to confirm that high level of bad debts can cripple bank operations and existence. In view of this, early detection and management of bad loans cannot be over-emphasized.

THEORITICAL FRAMEWORK AND LITERATURE REVIEW

The origin of bank lending can be traced to ancient Europe. In those days, money was not used much in everyday business transactions. Most of those transactions were simple direct exchanges, i.e barter (Olashore, 1985). However, the kings, the Lords, the Wealthy, and the big merchants owned gold, and used it to finance their armies' expenses or to purchase foreign product.

But the wars between lords or nations, and armed robberies, were causing gold and the diamonds of the wealthy to fall into the hands of pillagers. So the owners of gold, who had become very nervous, made it a habit to entrust treasures for safekeeping with the goldsmiths who because of the previous metals they worked with, had very well protected vaults (Olashore, 1985; Johnson 1986; Eshiet, 2004). The goldsmith received the gold, gave a receipt to the depositor, and took care of the gold, charging a fee for this service. Of course, the owner of the gold claimed his gold, all or in part, whenever he felt like claiming them.

Eshiet (2004) opined that the merchant leaving for Paris or Marseille, or traveling from Troyes, France to Amsterdam, could provide themselves with gold to make purchases. But here again, there was a danger of being attacked along the road; they then convinced his seller in Marseille or Amsterdam to accept, rather than metal, a

signed receipt attesting his clams to part of the treasure on deposit at the goldsmith's in Paris or Troyes. The goldsmith's receipt bore witness to the reality of the funds (Olashore, 1985; Eshiet, 2004).
It also happened that the supplier, in Amsterdam or elsewhere, managed to get his own goldsmith in London or Geneva (Okoh, 2004), to accept, in return for transportation services, the signed receipt that he had received from his French buyer. Gradually, the Merchants began to exchange among themselves these receipts rather than the gold itself, so as not to move the gold unnecessarily and risk the attacks from robbers, rather than getting a gold plate from the goldsmith to pay off his creditor, gave to the latter the goldsmith's receipt, giving him a claim to the gold in the vault.

THE GOLDSMITH AS THE FIRST LENDER

The goldsmith, through experience, that nearly all the gold that was left for safekeeping remained untouched in his vault, made a discovery to lend gold for business men or merchant (Olashore, 1985),since hardly more than one-in-ten of the owners of this gold, using the receipts in their business transactions, ever came to withdraw any precious metal. The thirst for gain, the longing to become rich more quickly than by handling Jeweler's tools sharpened the mind of the goldsmith (Eshiet, 2004). He kept the secret of his discovery to himself. One morning, a friend of the goldsmith came to see him and asked for favour – he needed gold to settle a transaction. If he could borrow some, he would pay it back with an added sum plus; if he did not, the goldsmith would seize his property, which far exceeded the value of the loan.

The goldsmith got him to fill a form, and then explained to him with a disinterested attitude (Olashore, 1985; Okoh, 2004; Ahmed, 2006). Instead of the goldsmith giving the borrower the gold, he gave him a receipt which he thereafter uses to settle his transaction. The creditor generally never showed up. He rather exchanged the receipt with someone else for something that he required. In the meantime, the reputation of the gold lender began to spread. People came to him; soon there were many times more receipts in circulation than the real gold in the vault.
The goldsmith himself had really created a monetary circulation, at a great profit to himself. Eshiet, 2004; Ahmed, 2006 posited that the goldsmith quickly lost the original nervousness he had when he had worried about a simultaneous demand for gold from a great number of people holding receipts. According to them, the goldsmith could, to a certain extent, continue with his game in all security. The goldsmith risked nothing, as long as he had to back up his loans, a reserve that experience told him was enough. If, on the other hand, a borrower did not meet his obligations and did not pay back the loan when due, the goldsmith acquired to property given as collateral. Lending developed from this period and spread through the medieval era. Olashore (1985) opined that since the Christian forbade the lending of money for interest, the Jewish immigrants to England, who were barred from ordinary trade, living frugally and not bound by the laws of the church, filled the need for money lenders. Moreover, as the reformation spread through Europe, King Henry VIII, at the end of his reign in 1545, repealed the usury laws. Before this, the church disallowed the lending of money with interest; now money could be lent "upon interest according to the king Majesty's statute at 10 percent" (Eshiet, 2004; Olashore 1986). This act, according to Ahmed (2006) was carried further by his daughter, Queen Elizabeth I, and so the foundation of the modern bank lending system was laid.

However, with the development of commerce and the opportunities for monetary transaction banks, emerged in the late Middle Ages and secular practices went in the direction of lending with interest (Bamgboye, 2007; Olashore, 1986; Johnson, 1986; Eshiet, 2004). Hence, bank lending began to be regarded as legitimate. Accordingly, lending has now grown to become one of the cardinal functions of commercial banks in recent times. This is attributed to the loan portfolios that banks now possess given the fact that most of its revenues (profit) come from this source.

ADMINISTRATION OF BANK LENDING FUNCTION

Lending is concerned with granting of credit facilities to customers. One of the principal functions of bank is lending and the bulk of banks' income come from this source. The survival of a bank depends mostly on the efficient management of its lending portfolio (Kanu, 2008).
Lending involves taking risks and assessing the risk of defaults and movement of interest rates. It is a key demand in the creation and maintenance of depositor's relationship particularly with business firms. Every bank lending aims at three principal objectives viz: growth, profitability and liquidity (Olashore, 1986). A sound measurement of risk is

required in lending since it involves risk taking. For this to take place, Ahmed (2006) opined that a well – conceived lending policies coupled with careful lending practices are essential to facilitate credit creating function and minimize risk in lending.

Therefore, in order for a bank to safeguard the depositors' funds in its possession, a sound credit administration should be put in place so as to eliminate or reduce the frequency and quantum of default by borrowers (Okoh, 2006). The administration of bank lending function depends on numerous factors including the character and quality of the lending officers, the size of the bank, the size of the loan portfolio, the type of loan made and the board of directors' attitude toward the amount of authority delegated. The legal responsibility of bank lending rests with the board of directors (Akamiakor, 1989; Atude, 2004). The roles of the board of directors in some banks differ considerably from that of other banks. In most cases, the lending officer is in charge of credit analysis.

The lending officers usually make personal contact with the prospective borrowers. He receives application for loan, interview the loan applicant and decide whether the applications are worthy of consideration. He also obtains all the necessary information about the applicants and conduct careful credits assessment of the borrower before making approval for loan consideration (Okoh, 2004). However, in some cases, the credit department may also perform the role of the credit officer by reviewing the applications submitted by the borrowers and after a thorough assessment, make approval or reject some application, if need be.

Akamiakor (1989) stated that both the credit officer and the credit department do make decision regarding the granting of loan request, and in rare cases, this may rest with the board of directors. However, it is the responsibility of the credit department to monitor and supervise the loan granted – that is, keep in close contact with the borrowers during the life of the loan. This, according to Eshiet (2004) includes planned visits, occasional visit with the borrower in the bank, and request for financial and other credit information from the borrowers and from other services.

In the event of difficulty with the loans, the lending officers will exert influence in order to collect the amount outstanding. If renewal or withdrawal funds are requested, the lending officer will handle such a request. This is done in other to safeguard against default on the part of the borrowers.

According to Eshiet (2004), the lending administration in banks varies considerably. In most banks, branch managers and loan officers have limited loan approval authority. Loan request above certain limit is referred to the head office for approval, or it could be handled by the regional supervisor of that particular branch. The regional supervisors also have lending limit. Loans exceeding this limit are referred to a loan or discount committee created by the bank for large loans.

When applying for a bank loan, the applicant is requested to state the amount needed, the duration of the loan and the repayment schedule for the loan. Also required is the project report which will assist the bank to determine the technical feasibility, economic and financial viability of the project (Akamiakor, 2008; Eshiet, 2004; Olashore, 1985).

GENERAL PRINCIPLES AND CANONS OF LENDING

There are three basic principles of bank lending. These are:

SAFETY OF THE LOAN

A loan is said to be safe if the borrower meets both interest and principal payment of the loan as at when due. This is determined by assessing the character, integrity and reliability of the borrower. The customer is considered credit worthy and qualified for the loan if the source(s) of repayment is/are drawn and undoubtful. This according to Eshiet (2004) is the most important principle of lending. It demands that loans should be granted to a reliable borrower who can repay from reasonable sources within a relatively short period. Also, the liquidity of the advance in the ordinary course of business should be unquestionable and the safety requirement should always be supported by deposit of approved security as insurance against unforeseen development

SUITABILITY OF THE LOAN

A loan is considered suitable if the purpose of the loan is lawful and does not contravene the credit guidelines of the Central Bank (Olashore, 1985). Similarly, loan must satisfy all safety and risk considerations. Bank must satisfy itself that the advance sought by the customer is not meant for illegal purpose or for a purpose which is in conflict with the economic or monetary policies of the government as stated in the guidelines of the Central Bank. For example, a bank will turn down a loan request whose purpose is to gamble or bet because the loan is meant for a speculative purpose.

PROFITABILITY

This refers to profits accruing to the bank or additional business generated as a result of the loan granted to a customer. Since commercial banks are established to maximize profit, most of its activities are geared toward profit maximization. In doing this, banks accept deposit from customers and pay interest on deposits and lend larger part of deposit mobilized to customers at a profit.
The rate of interest change on its loan is higher than the rate of interest paid to the depositors and the difference constitutes profits to the bank. More importantly, banks are always eager to lend if such borrowing will create a good connection between her and the customers, thereby creating other businesses for the bank (Eshiet, 2004).

CANONS OF GOOD LENDING

The following are the canon (or standard) of good lending which must be followed by every lending officer before granting credit facilities to bank customers. If the following principles or canons of good lending are strictly followed, a potential borrower can be adjudged at the onset to determine his repayment ability. These are:

THE CHARACTER AND ABILITY OF THE BORROWER

The character and business ability of the prospective borrower must be studied and known. The bank knows the character of his personal customers through his track record**-** that is, the past operations on the account of the customer since the account is opened. (Olashore, 1985). What to look for includes: whether past advance granted had been repaid as scheduled in accordance with arrangements, if and whether the account has been operated satisfactorily or unsatisfactory. Also, the integrity and character of such customer must not be doubted. Okoh (2006) opined that for business customers, apart from analyzing and evaluating the past financials of the company, the bank must satisfy herself that the customer is capable of running the business well enough to enhance profitability and that a substantial part of the profits made are ploughed back into the business for future growth. Therefore, management of such business must be efficient. The ability of the business to have repaid past advances given coupled with its present performance will indicate whether or not the customer has ability to repay the loan applied for.

AMOUNT REQUIRED BY THE CUSTOMER

Akamiakor, 2008; Eshiet, 2004; Okoh, 2006, opined that customers must state how much he wants to borrow and that this must be confirmed by the bank manager. They argue that the essence of confirmation is to ensure that amount needed by the customer to carry out project into completion is advanced to him. In order to determine this from a customer, the bank will demand for, and analyzed the cash budget and financial statements (using relevant ratios) of the customer for above five years for an old customers or three years for a new customer (Ahmed, 2006).
More so, the customer’s own contribution is then compared with the amount sought to see whether the bank is being ask to lend too much. Ideally, bank will be expecting the customer to provide at least one third of the total sum needed for the project (Eshiet, 2004). Any proposal brought to the bank to finance the whole project will be turned down because if customer has no stake in such project, it is believed that the customer will not be serious with the project. For the project to be carried out successfully, bank must ensure that the amount granted to the customer is enough to carry out the project (Ahmed, 2006).

PURPOSE OF THE LOAN

The purpose for which the loan is sought must be revealed to the bank to determine whether or not the loan will be granted by the bank. The purpose of the loan must be in line with the internal lending policies of the bank. Bank should not lend for illegal purpose or for any purpose that is not in line with the central bank guidelines (Eshiet, 2004). For example, no bank will lend for a speculative purpose or lend for gambling.

Before a loan is granted to a corporate customer, bank must ensure that the company has power to borrow and that the loan is meant for legal purpose. This can be known by pursuing the memorandum and article of Association of the company. Any loan granted by the bank to a corporate customer who is later found to be for illegal purpose cannot be recovered by the bank under the law (Ahmed, 2006; Eshiet, 2004).

DURATION OF THE LOAN

Bank is expected to be liquid at all times so that it can meet its customer's cash withdrawal on demand at all times. This, according to Ahmed (2006) is the reason why commercial banks cannot afford to lend on long term. Instead commercial bank prefers to lend on short term, medium term or grant self-liquidation loan. Such loans are mostly capital meant to buy raw materials which will soon be sold for cash that will be used to repay the loan granted.

REPAYMENT OF THE LOAN BY THE CUSTOMER

Banks considered the repayment ability of the customers the most crucial factor. Not only should repayment come from reliable but must also be feasible (Olashore 19875). Customers should demonstrate how and when repayment is to be made and banks should not be critical of borrows plans but must ensure that the source of repayment is credible.

To determine the repayment ability of customer, banks should analyze the cash budget, projected profit and loss accounts and balance sheet for the coming years. In most cases, three to five year's financial statements of such company are obtained for trend analysis (Ahmed, 2006).

The cash budget usually gives the month by month estimates of future cash receipts and payment and shows the estimated closing bank balances at each month and for the budgeted period. This provides a guide as to the maximum overdraft that is likely to be required. Banks also considers customer's qualification, experience, material and human resources available to him to determine the ability of the customer to manage his business efficiently. It is believed that when the business is efficiently managed, profits will be earned and such earning will be used to repay the loan (Eshiet, 2004).

SECURITY OFFERED BY THE CUSTOMER

Something of value which the borrower is prepared to leave with the bank as evidence of his intention and ability to repay the loan contracted is called security. Such property deposited may belongs to the customer personally or belong to a third party (Olashore, 1986). It is called direct security if it belongs to the customer personally and indirect security or collateral security if the property belongs to a third party.

A good security, according to Ahmed (2006) must be easy to be valued, marketable or realizable. In order words, it should be easy for the bank to acquire legal title.

ROBLEMS OF BANK LENDING

The practical problems in bank lending can be said to be a product of a number of factors, on the other hand, the nature and importance of bank lending and the parties interested in bank lending, their interdependent as well as often conflicting interest.

The ability of the credit officer to be able to minimize the risk involved and arrives at an optimum decision culminating in a coincidence of the interest of all the affected parties, which is a task that needs very great strength since most of the factors on which such a decision has to be based do not lend themselves to accurate prediction. The credit officer is inextricably tied with the responsibility of making this crucial decision in the fact of many constraints.

In this, attention should be given to four varieties of constraints. These are;

Personal Limitation of the credit officer

In every case, the major consideration of the lender is the recovery of both the principal and interest. A good credit officer must be able to interpret the financial data of borrowing customers in determining the solvency and ability of such customer to service any facility granted. He must be responsible for up to date information about the political and economic development that is likely to affect the business of the customers. He must also develop a working degree of interest in the business affairs of the borrowing customers.

When the credit officer lacks the competence for analytical appraisal or allows himself to be misled or carried away by consideration outside the normal canons of good lending, he is likely to make wrong judgment in selecting his risks. His judgment must be based on well-examined premises which are established from facts about the borrower's business, personality, current and projected economic and political environment.

A credit officer must be professionally upright, fearless and dynamics not allowing personal/social relationship to affect his judgment.

Problems imposed by the institution

Banks that are efficient in credit management prescribe priority sectors for their lending and establish careful and sensible lending limits for their officers, that are necessary for the achievement of banks overall objectives. The financial capacity of the bank could also be a limiting factor to the lending ability. Therefore, a lending officer is obliged to keep strictly within his discretionary limit, as well as observing other mechanisms that controls the establishment of the institution. He should not be tempted to ignore the banks laid down lending procedure and control systems by mere existence of unlimited profitable and viable borrowing proposals.

Problems Created by Borrowers

The problem of borrowing created by borrowers is by far most complex ones facing a credit officer. In some cases, lending proposals are not supported with financial data and in a situation where these financial data are available; they have been deliberately falsified to satisfy the credit officer. In some cases, proposals with inherent defects are made by highly reputable individuals within the society, which are approved by the credit officer because of other non-banking considerations. With the apparent defects in such credits, the risks are high and the chances of recovery are remote (Ahmed, 2006).

A good proposal may be presented badly, a credit officer exercises patience and understanding in identifying the quality of the proposal. In other cases, a bad proposal may be presented in such a form entirely false impression of the inability of the business and its ability to service the facility. At times also, there are some proposals that in mere looking that satisfy all the canons of good lending but later turn out to be bad or risky due to sudden changes in taste and fashions or political situation. A good credit officer must show a high level of competence in appraising proposals and the records of the business during the selection or risks.

Problems Imposed by Law

In banks credit portfolio, banks rely essentially on other people's funds. Banks are also known to create money through their lending operations. To safeguard the interest of the third party, who keeps money with the bank and regulate economy, the government prescribes specific laws and regulations which are intended to control the lending policies of banks.

RESEARCH METHODOLOGY

RESEARCH DESIGN

Taking the overall objective of the study into consideration, the descriptive research method, consisting of judicious mix of personal interviews and questionnaire, was considered most appropriate for this study. The questionnaire was designed in such a way that it contained a blend of fixed alternative questions which were meant to limit the respondents' reactions to questions, and open-ended questions which offered the respondents opportunity of expressing their opinions. The personal interviews were used mainly where information could not be obtained through the questionnaire or where the questions sent out were so technical in nature. It was hoped that the chosen research method will enable the researcher to decipher the relevance of the Asset Management Corporation of Nigeria to the non-performing loans of deposit money banks in Nigeria.

AREA OF STUDY

The study was conducted to examine the relevance of the Asset Management Corporation of Nigeria to the non-performing loans of deposit money banks. In order to achieve this objective, the general policies and strategies adopted in loan administration and management of non-performing loans of the commercial banks in Nigeria was critically examined.

In view of the scope of the study, the commercial banks in Nigeria formed the area of study. There are twenty one commercial banks in Nigeria with about two thousand branches spread across the country. The head offices of these commercial banks are located in Lagos, the nation's commercial city.

For the purpose of the study, the researcher employed relevant data obtained from the head offices of all the commercial banks in Nigeria. However, questionnaires were issued to the management and staff of the branches of these commercial banks in Nigeria.

METHOD DATA COLLECTION

The data used for this research work were obtained both from primary and secondary sources. The primary data were source through the following means;

(i) Designed Questionnaire: These were designed in a simple way in order to enable the respondents to easily understand the questions asked. The respondents were required to tick appropriate options such as; `` yes" or ``no" etc.The questionnaire was designed bearing in mind the objectives of the study.

(ii) Personal interviews: This was also employed in the course of this research work in order to give the researcher additional information and clarification of some responses stated in the questionnaire.

Secondary data, as stated earlier, also constituted part of this research work. The secondary sources of data were from textbooks, journals, monographs, seminar papers, etc. Such data include the concept of bank lending, administration of bank lending function, general principles and canons of lending, among others.

Management and staff of the Central Bank of Nigeria (CBN), management and staff of selected commercial banks in Nigeria, chartered bankers, bank customers, etc. constituted the respondents used for the study.

One hundred and thirty five (135) questionnaires were administered to the respondents and they were given three (3) working days to read and fill them. At the end of the period, the researcher went personally to collect the completed copies of the questionnaires and was able to collect only one hundred and twenty nine (129).

METHOD OF DATA ANALYSIS

To clarify and convey meaningful information for the readers of this study, statistical approach was used in analyzing the data. Relevant figures, charts and tables were employed in analyzing and interpreting the data collected from the sample, while the simple percentage method was considered most appropriate for testing the validity of the research questions deduced for this study. This is because of its benefit in terms of confidence and reliability.

RESENTATION OF DATA

Table 1 below presents the number and percentage of questionnaire administered to management and staff of commercial banks in Uyo, management and staff of Central Bank of Nigeria, Uyo branch, bank customers, and other meaningful Nigerians. It reflects the number and percentage of questionnaires administered, returned and used for this study.

TABLE 1: DISTRIBUTION AND RETURN OF QUESTIONNAIRE

	Questionnaires Administered	**Questionnaire Returned**	**Questionnaire not returned**

Units	No.	%	No.	%	No	%
Commercial Bank staff	27	20%	26	19.26%	1	0.74%
Central Bank staff	27	20%	27	20.00%	0	0.00%
University Lecturers	27	20%	27	20.00%	0	0.00%
Bank Customers	27	20%	25	18.52%	2	1.48%
Other Nigerians	27	20%	24	17.78%	3	2.22%
Total	135	100%	129	95.56%	6	4.44%

A total of one hundred and thirty five (135) copies of questionnaires were administered in the course of the study. This figure represents one hundred percent (100%). Out of this number, one hundred and twenty nine (129) were returned and used. Accordingly, this number represents 95.56%. Six (6) questionnaires representing 4.44% were not returned. The number returned and used shows a significant increase of 20.56% over the assumed minimum 75% of questionnaires to be returned. Analysis shows that twenty six (26) of twenty seven (27) copies of questionnaire were returned by employees of commercial banks and this figure represent 19.26%. Both the staff of CBN,Uyo and Calabar branch and University of Uyo lecturers returned the entire 27 questionnaires that were each given to them, representing 20% each while commercial bank's customers and other meaningful Nigerians returned 25 and 24 questionnaires respectively out of 27 copies of questionnaire given to them representing 18.52% and 17.78% respectively.

DATA ANALYSIS AND RESULT

This section presents an elaborate analysis of a few questions in the questionnaire that are related to the research questions of the study. The responses for such relevant questions are presented below:

Table 2: So far, to what extent has AMCON helped in mopping the non-performing loans of deposit money banks? (Appendix B Question 15).

Options	**Number**	**Percentage (%)**
To a considerable extent	80	62.02%
To a moderate extent	35	27.13%
Not at all	14	10.85%
Total	129	100

Table 2 above shows that 80 respondent or 62.02% agreed that the Asset Management Corporation of Nigeria has so far achieved, to a considerable extent, the mopping of non-performing loan assets of banks. But 27.13% or 35 respondents said that AMCON has only achieved its objective to a moderate extent while 10.85% or 14 respondents argued that AMCON has not achieved its objective of mopping the non-performing loans of banks at all.
From the table, the setting up of AMCON has so far recorded considerable success in achieving its objective of mopping out non-performing loans of banks.

Table 3: To what extent is the legal instrument establishing AMCON viable enough to bring compliance toward the achievement of its objectives?
(Appendix B Question 13)

Options	Number	Percentage (%)
To a considerable extent	65	50.39%
To a moderate extent	44	34.11%
Not at all	20	15.50%
Total	129	100.00%

In assessing the viability of the legal instrument establishing AMCON, table 3 shows that 65 of the respondents stated that the legal instrument establishing AMCON is viable to a considerable extent to bring compliance toward the achievement of its objectives. Also, 44 of the respondents or 34.11% chose a moderate extent while 20 of the respondents representing 15.50% posited that the legal instrument establishing AMCON does not contribute at all to the compliance of banks toward the achievement of AMCON's objective.

Based on the responses above, it is evident that the legal instrument establishing AMCON is viable enough to ensure compliance by banks since a greater percentage (50.39 %) of respondents attested to this fact.

Table 4: To what extent do the non-performing loans of Deposit Money Banks affect its liquidity and subsequent bank failure? (Appendix B, Question 16).

Options	Number	Percentage (%)
To a considerable extent	72	55.81%
To a moderate extent	38	29.46%
Not at all	19	14.73%
Total	129	100.00%

Table 4 above shows that 55.81% of the respondents strongly agreed to the fact that the non-performing loans of banks affect its liquidity, 29.46% of the respondents argued that the non-performing loans of banks only affect banks liquidity to a moderate extent, while 14.73% disagreed. From these records, the non-performing loans of deposit Money Banks affect its liquidity and subsequently bank failure.

Table 5: How effective are the strategies adopted by your bank in managing its non-performing loans? (Appendix B, question 20).

Options	Number	Percentage (%)
Very effective	29	22.48%
Moderately effective	62	48.06%
Not effective	38	29.46%

Total	129	100.00%

From table 5 above, 29 respondents were of the view that the strategies adopted by banks in managing its non-performing loans are very effective. But, 62 of the respondents disagreed with the view, while 38 said that the strategies are not effective.
Therefore, since a greater proportion of the respondents (62 respondents or 48.06%) agreed that the strategies adopted by banks in managing its non-performing loans are less effective, this has justified the need for the establishment of AMCON to manage the non- performing loans of commercial banks.

Table 6: Does the intervention of the Asset Management Corporation of Nigeria bring confidence and stability to the banking industry? (Appendix B, question 21).

Options	**Number**	**Percentage (%)**
Yes	78	60.47%
No	16	12.40%
Not certain	35	27.13%
Total	129	100%

Table 6 above shows that 60.47% agreed that the intervention of AMCON has brought confidence and stability in the banking industry.12.40% disagreed, 27.13% were not certain as to whether the intervention of AMCON has brought confidence and stability to the banking industry or not. Therefore, since a greater percentage (60.47%) agreed with the view, it shows that the intervention of AMCON has brought phenomenal success to the stability of the banking industry.

DISCUSSION OF FINDINGS

From the result of the data analyzed above, the following findings were realized.
In table 2, when asked "so far, to what extent has the Asset Management Corporation of Nigeria help in mopping out the non-performing loans of deposit Money banks?" 80 respondents out of 129 agreed that AMCON has helped to a considerable extent, the mopping of the non-performing loans of banks. 35 respondents said that AMCON only help to a moderate extent while 14 respondents argued that AMCON has not help at all in mopping the non-performing loans of banks. This shows that there is need for AMCON to manage the non-performing loans of banks. In table 3, the question "to what extent is the legal instrument establishing AMCON viable enough to bring compliance toward the achievement of its objective?" the respondent also differed in their responses as shown in the result. From the responses, 50.39% attested to the viability of the legal instrument establishing AMCON. But, 34.11% argued against its viability, while 15.50% were not certain. This shows the efficacy of the instrument establishing AMCON and its ability to ensure compliance by banks. In table 4, the question "To what extent do the non-performing loans of Deposit Money Banks affect its liquidity and subsequently banks failure?"A total of 72 respondents out of 129 strongly agreed that the non-performing loans of banks affect its liquidity as well as banks failure. 38 respondents argued that the non-performing loans of banks only affect banks liquidity and failure to a moderate extend while 19 respondents disagreed to the view. This shows that the level of non-performing loans that a bank has affects its liquidity which could subsequently lead to bank failure. In table 5, when asked "How effective are the strategies adopted by your bank in managing its non-performing loans?" 22.48% of the respondents agreed that the strategies adopted by banks in managing their non-performing loans are very effective. But, 48.06% disagreed with the view and stated that the strategies adopted by banks in managing their non-performing loans are only moderately effective, while 29.46% stated that the strategies adopted by bank in managing their non-performing loan is not effective. Therefore, since a larger number of respondent stated that the strategies are moderately effective, therefore, the need for the establishment of AMCON to manage the non-performing loans of bank has been justified given the ineffectiveness of the strategies adopted by banks in managing its non-performing loans. In table 6, the respondent reacted differently when asked "Does the intervention of the Asset Management Corporation of Nigeria (AMCON) bring confidence and stability to the banking industry?", 78 respondents agreed that the intervention of AMCON has brought confidence and ensure stability in the banking industry. 16 respondents

disagreed, while 35 respondents were not certain as to whether the intervention of AMCON has brought confidence and ensure stability in the banking industry or not.

From the result in table 6 above, we can conclude that since a greater proportion of the respondent (78 respondents or 60.47%) agreed that the intervention of AMCON has brought confidence and stability in the banking industry, we can deduce that AMCON has been able to increase banks liquidity through the purchase of their non-performing loans and injecting money into the banking industry. This has also built the depositors confidence in the banking industry since less non-performing loans held by banks means more liquidity to banks. This would guarantee the safety of depositor's funds and increased liquidity for banks to meet its obligations

CONCLUSION

In this study, the researcher attempts to draw the necessary inferences from the research analysis as to accept or reject the pre-conceived notion held about the subject matter. In order to achieve this, the following objectives were used for the study;

(i) To examine the legal instrument establishing the Asset Management Corporation of Nigeria
(ii) To assess the objectives in setting up the Asset Management Corporation of Nigeria
(iii) To examine the features of non-performing loans
(iv) To evaluate the strategies adopted by banks in managing non-performing loans in the light of the mandate given to AMCON.
(v) To recommend measures for effective management of bad debt.

One hundred and thirty five (135) questionnaires were distributed to management and staff of commercial banks, management of staff of central bank of Nigeria, University lecturers, bank customers and other meaningful Nigerians, out of which one hundred and twenty nine (129) were returned. The same numbers were critically analyzed and result obtained.

The result shows that the establishment of AMCON has help in reducing the non-performing loans assets of banks. The study also shows that the legal instruments establishing AMCON is sound enough to ensure compliance by banks. It shows also that non-performing loans of banks is one of the factors that causes banks illiquidity and failure.

The research study also underscores the postulations that the strategies adopted by banks in managing their non-performing loans are moderately effective and finally, the study also revealed that the intervention of the Asset Management Corporation of Nigeria has brought confidence and stability to the banking industry.

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