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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND OF THE STUDY

The purpose of this project is to highlight theinstability, uncertainty, inaccurate planning and budgeting process and loss ofeffective control management function in the financial institutions, occasionedby the dynamic macro economic variable in Nigeria within the last decade.

The economic variables were introduced apparentlyto achieve or obtain a level of economics sanity in the country, underdifferent names like structural adjustment programme, exchange controlderegulation and price control.

Consequently, the management of policy issues infinancial institution has become not only volatile but unpredictably difficult.It has become toughly risky for those institutions to carry on their normalfunctions.

The banking industries are susceptible to allforms of risk. It has an ageing long history in the overall operation of allbanks.

Risk is a commonly used word. The Oxford learningdictionary, defines risk as the possibility of meeting danger or suffering harmor loss. All human and corporate under taking have certain element of risk toavert risk, forward looking in management must show sufficient interest in themanagement and control of these Operations in the bank and monitor the possibleimpact these may have on the banking performance. This study attempts toemphasize this point in bank management.

1.2 STATEMENT OF RESEARCH PROBLEMS

Research work is carried out to investigate intosome areas that need more attention, which has not been focused or where therehas been work or ideals put forward in the areas. To this end, this workattempts to find out a certain problems that affect the bank and try to suggestsolution in areas of pitfalls some of these problems included the followings:

1.Does the bankactually carry out critical assignment before advancing credit?

2.Does the banklack competent handling the sensitive areas of risk control of the bank?

3.Does customerseffectively utilize the fund borrowed to endure return which consequently leadto payment?

4.Are themeasures of loans recovering by the bank effective?

5.Does theintimacy of some loans seekers with the authorities of the bank inhabit properrisk evaluation?

6. Theseand many more are worth assessing in order to being a position to endurance amore realistic measure, which when followed will bring about positive change inthe banking industry.

1.3 OBJECTIVES OF THE STUDY

Based on the background information, this study,therefore aims at examining and actually finding out how the banking industryin Nigeria has been faring in management, managing risk in the bank.

The purpose of this research is to seekrecondition with their risk elements through the polices, as no bank can be inoperation without risk, there is a need to take such, risk as would becompatible with profitability, liquidity and prudence. Realizing theprofitability are inversely related, it is the good management of risk thatwill achieved a locus of feasible point exchange or the banks.

1.4 SCOPE OF STUDY

This work is restricted to the bank under the study,Union Bank of Nigeria Plc and no attempt was made to compare finding with whatis obtainable in other banks within the same sections, although reference couldbe made in this regard when needed.

1.5 SIGNIFICANT OF STUDY

The significant of this research work includesamong others, the gains that accrue to the research, the bank and invariable toother interested parties. Effectives management of risk in banks had beengained.

The work will enable the banks to know whetherthere is risk when giving out credit to customers and whether the risk onexisting credit management system is in the line with the recommended creditpolicy laid down by the central bank of Nigeria and not the necessary in thefeature.

The result from this study shows that the researchfrequently hope would provide the policy makers, head of organization mostespecially the board of director of Union bank of Nigeria plc, a background ofthis information for proper risk management system in the bank.

1.6 STATEMENT OF RESEARCH HYPOTHESIS

Hypothesis could be defined as a statement ofassociation which are yet to undergo verification order to prove their validityor otherwise such as preposition of this work included:

1 Ho: Some customers have the problems ofinadequate collateral securities of the loan

requested for.

2. Ho: There is a risk in bank leading,because the rules of lending are not often granted when granting creditabilities of customers

Hi: Some customers do not have the problem ofinadequate collateral securities or the loan requested for.

3 Ho: Counter –order from superior officersdoes not influence the lending decision of lending officers.

1.7 LIMITATION OF STUDY

The factors that limit the scope of this work can becategorized into two variables, which is a controlled and uncontrolledvariable. The formal is based on the time with researcher disposals to carryout the study and financial constraint, while the latter is attributed of theestablished under study some staffs treat questionnaires administered withcompetent and resentment which at the number of questionnaire that retired,while some initial information that would have been added to the substance ofthe work was not given as it was claimed to be management decision and theyview such facilities.

1.8CORPORATE PROFILE OF UNION BANK

The evaluation of the union bank in Nigeria cannotdistinguish from growth in international trade. Before the advert of European,Nigeria and other west Asia countries had trade link with the worth and Eastvia the Sahara trade routes.

In 1917, the colonial Bank which started operationin African in the year 1836, opened branch in Lagos, Zaire and Accra, howeverin 1925 the colonial bank limited merged with Anglo-Egyptians banks and thenational bank of south Africa to form the Barclays bank D.C.O. Dominioncolonial and overseas.

This was an era when individual could float banksthat will subject only to the provisions of the section 2 (1) of the companiesordinances, availability of adequate bank capital, windows banking was commonfeature since banks poferated at such supervision rate that era could also bedescribed as a rudimentary banking in Nigeria.

Prior to 1973, the foreigners were the majorityshareholders in Barclay's banks of Nigeria. Thanks to Nigeria indegenisationdecree of 1973, which no longer allow the establishment of foreign banks with amajority of foreign interest. In compliance with this decrees the shareholder,Nigeria owing 28.3% in the year 1997, the Barclays Banking of Nigeria limited,change its name to Union bank of Nigeria with Barclays bank giving up 22%equity.

Union bank in may 1989, the bank became 100% Nigeriaowned and managed making it the first of the kind among the three biggest bankingsystems in Nigeria, section 29 (2) of the companies and allied matter, decreeCAMB 1990, mandated all the public companies in Nigeria limited by shares toend their name with the worlds public limited company in compliance with thissection and its subsection of this decrees the bank charged from limited to Plcafter it name now bears the union bank of Nigeria plc.

In 1994, at the annual general meeting memberapproved by a special resolution to increase the share capital of the bank to ₦250 million as new capitals. Union bankof Nigeria plc annual report and account core capital consist 1 paid up capitalstatutory and other researcher is now very lose to the ₦1 billion banking history and it confirms the bank story positionas the highest enterprises wholly owned and managed by Nigerian among thecompanies quoted on the Nigeria stock exchange with over 75years of bankingservices to the nation. The bank assets based has risen to ₦

The bank is the first bank of Nigeria to achieve the₦ 4.5billion deposit account. The bankhas 400 branches nationwide and will filed overseas branches in London. Thebank also has over 12,000 staff strength.

1.9DEFINITIONS OF TERMS

MANAGEMENT:- This canbe defined as the variability that is likely to occur in the feature returns ofthe project.

Management, This is defined as the process of directing,co-ordination and influencing the operations of an organization so as to obtaindesired result and enhance a total performance.

RISK:- A businessorganization that requite and hold deposit of funds from others, make loans orextends credit and transfer fund by written order or depositor. The termsoccasionally but accurately applied to commercial banks only because of thepeculiar types of services that commercial performs, they maintain and createdemand deposited (checking account which are part of the nation money supply) aplace of business or keeping or lending exchanging and issuing money.

COMMERCIAL BANKS-These are financial institutions, which accept deposit and other loans to thecustomers.

FACULTY:- A bankfaculty is any credit services rendered by a bank. It is distinct from bankservices. Bank services included all such function performed by the banks orexample opening a saving account, cashing cheque, opening a letter creditforeign remittance e.t.c. Bank facilities is a concession given to trustedcustomer at times on the pledging of available credit, credit facilities arenot mutually exclusives.

CREDIT:- Atransaction between two parties in which one (creditor or lender) suppliermoney, goods, securities in returns for a promised future, payment by the otherof debtor borrower. To sell or lend in the basis of future payment.

MONEY:- This can bedefined as anything which passes freely from hand to hand and is generallyacceptable in settlement of debt.

COLLATERAL:- Aproperty pledge as a guarantee of payment or an obligation or loan.

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