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Assessment of Risk Management and Credit Administration in Access Bank, Ikot Ekpene Local Government Area

IBANGA, ATAUYO EDEM Ph.D
Department of Business Administration & Management, Akwa Ibom State Polytechnic, Ikot Osurua, Ikot Ekpene, Nigeria
Email: realvoicenignet@gmail.com

DR. IME ROBSON NSEOBOT
Department of Business Administration & Management, Akwa Ibom State Osurua, Ikot Ekpene, Nigeria
Email: nseobot857@yahoo.com

EMMANUEL ASUQUO AKPAN
Department of Accountancy, Akwa Ibom State College of Science & Technology, Nung Ukim, Ikono, Akwa Ibom State, Nigeria
emmanuelakpan142@yahoo.com

Abstract: The research looked at the impact of risk management and credit administration assessments at Access Bank in the Ikot Ekpene local government region. A specific research aim was developed and employed for the study in order to carry out this investigation. This study's research design is a survey design. The study's population consisted of all the employees of Access Bank, Ikot Ekpene, with a total of 83 employees. A simple random sampling procedure was employed to choose 50 people from the population. The tool for gathering data was a questionnaire. Data from completed surveys were analysed using an independent t-test. Risk management is viewed as a rule for each and every bank, and it encompasses all transactions that may disrupt their risk profile, according to the findings. It entails identifying, evaluating, monitoring, and managing these risks in a timely manner. To lower the occurrence of loan defaults, the research advised that banks develop a system of auxiliary credit support services. When loan defaults occur, there must be effective legal systems (institutions and procedures) in place to reclaim such obligations.

Keywords: risk; management; credit; administration; bank etc.

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INTRODUCTION

Risk has been defined as anything that might go wrong in a system and make it harder to reach predetermined goals. Depending on the many forms of risk present in a given circumstance, the cause might lie either inside or outside the organization. In reality, risk is recognised as an inevitable part of doing business and living in society. Knowing how to keep tabs on and deal with such risks might be more important than meeting any given expectations. The best course of action in such a situation may be to take preventative measures to head off a potential disaster. The obvious takeaway is that it's best to deal with potential threats before they materialise. A huge variety of dangers are faced by financial institutions, especially banks, in today's rapidly expanding commercial enterprises. A few examples include the risks associated with liquidity, credit, the market, interest rate exchange, operations, etc. Exposure to these many risks calls for efficient and effective risk management strategies to reduce losses, increase profits, and shore up any vulnerabilities in an otherwise cutthroat industry. After a threat has been identified, certain fundamental methods may be employed to mitigate it. The best way to deal with risk, according to Shafiq and Nasr (2010), is to plan for it in advance.

However, risk management refers to the steps taken to track down and eliminate any potential dangers to a company's finances. Financial uncertainty, legal obligations, technological challenges, strategic management failures, accidents, and natural catastrophes are only some of the many potential causes of these risks. The risk trade is something that every bank, including Access Bank, engages in. By using this system to disburse funds, they are exposed to a variety of financial dangers. Therefore, financial institutions must appropriately examine the genuine risks and alternatives of such business points in managing credit if they are to obtain returns.

Problem Statement

Every financial institution is required by law to implement a system of risk management that encompasses all activities that can alter the bank's risk profile. It entails promptly identifying, assessing, monitoring, and managing such threats. It seems that the speed with which risk is managed will determine the future of the financial services industry. There is little doubt that only banks that have implemented a comprehensive risk management system will survive and thrive in the long run.The overarching goal of implementing risk management measures is to lessen the likelihood of a catastrophic failure in the future. However, in real life, there is a penalty associated with taking risks.

Risk is indeed a costly investment in terms of both money and lost productivity at the office. However, putting off or ignoring risk in credit management may have serious consequences, including bankruptcy and system collapse. Therefore, the purpose of this study is to evaluate Access Bank's risk management and credit administration.

Concept of Risk Administration

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The goal of risk management is to lessen the occurrence of unfavourable events and their consequences while making the most of available resources (Hubbard, 2009). It entails identifying, assessing, and dealing with the many potential threats to a company's success. Proactive measures are preferred over reactive ones in risk management. In this way, risk management may lessen the impact of potential dangers (CFI, 2016). Money is all about managing risks. To reduce risk from fluctuations in currency values, a fund manager may use currency derivatives, and an investor may choose Treasury bonds over corporate bonds. Money managers use diversification, asset allocation, and position size to maximise returns and minimise losses, while brokers use options and futures to hedge risk (Kenton, 2020). The management of risks helps businesses recognise threats and take appropriate action. Threats are simple to deal with if they have been identified. Business decisions might be helped by risk management as well. In order to avoid anything that might slow or prevent its expansion, a company must constantly evaluate and manage its risks. Success in business is boosted by assessing and eliminating potential threats. Managing risks ahead of time may quickly lessen the impact of the most serious ones. Additionally, managers will have access to the information necessary to make educated choices and maintain the company's profitability (Douglas, 2015).

Overview of Credit Administration

The National Association of Credit Management and Collection Professionals (2017) defines credit management as "the process of extending credit, establishing conditions for extending credit, recovering credit when it is due, and ensuring compliance with business credit policy." By easing sales and decreasing financial risks, banks and businesses may increase their income and profit. A bank or other financial organisation will have a separate division to oversee the full credit application and approval procedure. Since one of a bank's primary duties is lending money, the interest rate it charges borrowers must be greater than the interest rate it pays depositors (CFI, 2020).

Banks continue to play an important role in the economy by providing access to credit, but in today's economic climate, many financial institutions are in danger of "falling under" owing to the pervasiveness of loan defaults and the strains they put on banks' liquidity (Olisa, 2021). Banks have a credit department whose job it is to choose and evaluate borrowers, asking questions such as whether or not the money will be put to good use and whether or not the borrower will be able to repay the loan with interest and principle.

As a result, a credit administrator is accountable for overseeing the whole credit process, from the granting of credit to borrowers to the evaluation of the creditworthiness of prospective clients to the ongoing monitoring of current debtors. A credit policy for the banks must be formulated to aid in the control of credit risk. An essential part of every company's financial plan, a credit policy details how much credit will be extended to consumers, how debts will be collected, and what percentage of bad debt is tolerable (CFI, 2020).

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Risk Avoidance and Credit Administration

The goal of risk avoidance is to reduce or eliminate exposure to hazards that might have negative consequences. The goal of a risk-avoidance approach is to minimise exposure to hazards (Osmond, 2012). In other words, it's the elimination of all potential causes of loss for an asset. The term "assets" is used to refer to everything of value to a company, such as machinery, customers, staff, or even just goodwill. To safeguard project budgets, timelines, and workflows against any difficulties teams may need to solve, organisations establish risk avoidance techniques to avert as many potential threats as feasible.

Credit managers need to take stock of the threats their company faces and figure out how to mitigate or eliminate them. When a credit administrator chooses not to provide credit to a particular borrower owing to the degree of risk involved, this is an example of risk avoidance in credit administration. In this context, the risk avoidance approach is used by the credit administrator to head off any security holes and better oversee the credits (Pratt, 2017).

While it's almost impossible to eliminate all risk, you can minimise its impact by taking measures to head off potential dangers before they become serious problems. The ability to anticipate and prevent potential threats is a crucial part of risk management because it helps firms locate and capitalise on reliable revenue streams. Policies and procedures, training and education, and technological implementations may all help reduce risk.

Risk Reduction and Credit Administration

Every business has to know how much they are liable for if they are going to take any kind of risk management seriously. One of the most crucial and challenging parts of risk management is the analysis of potential financial losses. A company's assets will fare better if its leaders are aware of and prepared for any potential threats. One of the most crucial and challenging aspects of a bank's risk management strategy is the assessment of financial risks.

After weighing the potential outcomes, a credit administrator can decide to modify a borrower's loan plan by raising the number of securities on the loan or decreasing the interest rate. In doing so, he reduces the severity of the danger that might otherwise result from defaults. Reducing risk has the dual benefit of protecting banks from losses and opening them up to potentially lucrative opportunities in the form of client credit (Chris, 2016).

Risk Transference and Credit Administration

Risk transfer is defined by Long (2016) as "the contractual moving of a pure risk from one party to another as a risk management and control approach." In risk management, "risk transfer" refers to the practise of placing the loss exposure of a person or organisation on another party. In most cases, the party bearing the risk will receive monthly payments from the person or organisation that took on

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the risk. Insurance is the prime illustration of risk transfer. When a person or business buys insurance, they are protecting themselves from potential financial losses. When a person buys auto insurance, for instance, they are hedging their financial bets against the potential for physical damage or bodily injury as a consequence of vehicular mishaps (CFI, 2020).

As a result, the corporation is transferring to the insurance company the risk of suffering severe financial losses as a result of a traffic accident. Insurance companies often ask for regular payments from businesses in return for taking on such risks. Banks seek sureties and guarantor indemnity agreements in order to transfer all credit risk.If the debtor fails to make payments, the guarantor is responsible for covering the difference (Pratt, 2017).

Risk Management Process

Step 1: Determine the Risk

The first step is to catalogue all of the potential threats that might affect the company. Risks come in various forms, including those related to the law, the environment, the economy, and government regulations. Finding as many of these potential causes as possible is crucial. These threats need manual notation in a manual setting.

All of this data may be entered into a risk management solution already in use by the company. The upside of this method is that all stakeholders in the company who have access to the system can see these threats. Rather than being hidden in a report that must be requested via email, this critical data is now readily available in the risk management system for inspection by anyone.

Step 2: Assess the Risk

Once a potential threat has been recognised, it must be examined in detail. identifying how large the danger really is. Knowing how various internal elements are connected to the danger is also crucial. It is important to examine how many different parts of the company are vulnerable in order to gauge the risk's seriousness and impact. Some dangers, if realised, may cause the company to cease operations entirely, while others would cause only minor disruptions. An analysis of this kind cannot be automated in a system where risk management is handled manually.

Mapping risks to various documents, rules, procedures, and business processes is an essential first step when implementing a risk management system. In other words, the system will have a pre-defined risk framework that can assess potential threats and provide insight into the potential consequences of such threats.

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Step 3: Sort the Risks

It's important to prioritise and assess potential dangers. Most approaches to risk management classify hazards into several buckets, each of which corresponds to a distinct level of potential damage. Risks that are less likely to result in significant loss are given lower ratings, while those that are more likely to cause complete devastation get the highest ratings. The ability to see the company as a whole in terms of its exposure to risk is facilitated by ranking hazards. There might be a number of low-level dangers the company faces, but they might not need involvement from higher management. As opposed to this, even if just one of the highest-rated dangers materialises, action must be taken immediately.

Step 4: Handle the Risk

The best way to deal with a danger is to eradicate it entirely. To achieve this, we network with professionals in the area to which the risk most closely relates. In a manual situation, this means getting in touch with all of the relevant parties and scheduling meetings so that they may meet face-to-face and address the problems at hand. The issue is that the conversation has been fragmented among several phone conversations, papers, and spreadsheets.

Notifications to all involved parties may be delivered automatically by a risk management system. Within the system, people may talk about the danger and what could be done to fix it. Additionally, upper management may monitor the system to see what problems are being addressed and how things are progressing. Each user may acquire the latest information without having to contact anybody else; it will all be available inside the risk management system itself.

Step 5: Review and Monitor the Risk

Some hazards can never be avoided since they are inherent to the situation. Constant vigilance is required for a variety of hazards, including those posed by the market and the environment. Monitoring manual systems relies on alert workers. In order to do their jobs properly, these experts need to constantly monitor potential dangers. The risk management system in a digital setting keeps an eye on the whole enterprise's risk profile. Everyone can see each time a factor or risk changes. Additionally, computers are much better than humans when it comes to keeping a constant eye on potential dangers. Organizational continuity may also be maintained via risk monitoring.

Theoretical Framework

Stakeholder Theory

Freeman's (1984) stakeholder theory began as a tool for managers but has now matured into a powerful theory of the enterprise. When it comes to determining business policy, stakeholder theory places an emphasis on ensuring a fair distribution of benefits among all relevant parties. Taking implicit contract theory beyond employment agreements and into other types of contracts like sales and finance

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has the biggest potential to improve risk management. Consumer confidence in a company's future viability to provide a product or service is a key factor in the success of many businesses, especially in the high-tech and service sectors. It is the predicted expenses of financial trouble and bankruptcy that greatly affect the value of these implicit claims. When these anticipated expenditures are reduced thanks to corporate risk management methods, the value of the firm increases. As a result, stakeholder theory offers novel insight into potential risk management reasoning. However, actual testing has not been done yet. Indirect evidence is all that can be gleaned from studies of the financial hardship hypothesis.

Empirical Studies

Risk management and credit administration at Fidelity Banks Plc, Nigeria, were the focus of research by Nwonye and Marrie (2019). Specifically, we want to learn more about how Fidelity Banks, PLC, conducts risk assessments for their loan advances product, how they go about limiting risks and keeping an eye on their customers' credit, how they analyse and report risks, as well as how they handle loan losses. Two theories—the risk-adjusted return on capital and the capital asset pricing theory—form the basis of this system. The research used a survey design. The researcher gathered information using questionnaires and in-depth interviews. Fidelity banks in Enugu City, Enugu State, are the focus of this research. In-depth interviews with key personnel at Fidelity Banks and a survey of their employees were used to collect primary data. This study relied on data from 295 total employees. The rate of participation was a perfect 100%. During the morning briefing, the questionnaire was distributed in the banks' main hall and promptly collected with the assistance of managers and supervisors. The questionnaire used was of the closed-ended kind. Content analysis was used to verify the instrument's reliability, which was found to be satisfactory. Fattest, a statistical programme developed by students, was used to examine the data. The results indicate a strong and favourable correlation between risk evaluation and the loan and advance processes. A positive association exists between risk reporting and loan loss in Fidelity: $F(95, n = 295) = 38.018$, P0.05, and $F(95, n = 295) = 28.765$, P0.05, respectively. According to the findings, the most significant factors influencing the financial evaluation of banks in Nigeria are the loan advances product, the regulation of risk and credit monitoring, the risk reporting, and the loan loss provision. According to the research, commercial banks require complete and reliable data from internal and external sources to evaluate the various credit risks associated with a loan request. Financial institutions should use credit bureaus as well. By monitoring consumers' financial activities over time, credit reporting agencies might fill in the blanks that now exist at the time of loan applications in both business and personal finance. Ebah (2013) investigated Access Bank Plc's risk management and credit administration in Kaduna. The study was driven by the following research questions: I was wondering how Access Bank deals with risk. Can you please explain the obstacles that prevent effective risk management and credit administration? The question is, what can be done to fix the issues that have been highlighted? A total of 54 people were chosen at random via the survey technique. The tool for data collection was a questionnaire formatted on a 5-point Likert scale. The data was analysed using the mean (x). According to the research, Access Bank mostly handles risk by insuring client deposits and closely monitoring loan applications.

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RESEARCH DESIGN

Research Design

The study adopted survey research design from which the opinions of staff of Union bank, Ikot Ekpene were sought on the an assessment of risk management and credit administration in Access Bank. This method was selected on the basis of the sample size and focus of the study.

Population of the Study

The population of the study comprised of all the staff of Access bank, Ikot Ekpene, Ikot Ekpene with a total number of 83 staff.

Sample Size

The researcher used the Taro Yamene sample size determination technique to determine a sample size of 50 respondents from the total population. This was done to allow for easy administration of questionnaire.

Sampling Technique

The researcher used a convenience sampling technique to select 50 respondents for the purpose of administering questionnaire.

Instrumentation

The research instrument used for this study was mainly a self-developed questionnaire which was in two parts. Part one was designed to gather bio-data of respondents and part two was designed to gather data on respondents' opinion on the subject matter. The other instruments for the study were data from both primary and secondary sources.

Method of Data Analysis

The completed questionnaire forms were collected, coded and analyzed using simple descriptive statistical tools which include: likert scale, frequency tables and simple percentages.

DATA ANALYSIS

Hypothesis One

There is no significance effect of risk avoidance on credit administration. In-order to test the hypothesis, independent t-test analysis was used in comparing the mean score of the two groups.

TABLE 1
Independent t-test analysis of effect of risk avoidance on credit administration

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	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Risk avoidance	35.394	48	.000	54.22449	51.1441	57.3049

***Significant at 0.05 level; df= 48; N= 50; critical t-value = 1.96**

The calculated t-value is shown in table 1 as (35.394). The significance of this number was examined by comparing it to the crucial t-value (1.96), which is required for a 0.05 significance level and 48 degrees of freedom. Results showed that the resulting t-value (35.394) was statistically significant (1.96). Therefore, the outcome was very important. That implies that avoiding risk has a major impact on how credit is managed.

Hypothesis two

There is no significance effect of risk transference on credit administration. In-order to test the hypothesis independent t-test analysis was used in comparing the mean score of the two groups.

TABLE 2

Independent t-test analysis of effect of risk transference on credit administration

	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Risk Transference	50.134	48	.000	57.59184	55.2821	59.9016

***Significant at 0.05 level; df= 48; N= 50; critical t-value = 1.96**

The calculated t-value of (50.13) is display in Table 2. The significance of this number was examined by comparing it to the crucial t-value (1.96), which is required for a 0.05 significance level and 48 degrees of freedom. Statistically, the resulting t-value (50.131) was more significant than the minimum required t-value (1.96). Therefore, the outcome was very important. This finding implies that risk transference has a considerable impact on the management of credit.

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Conclusion

Every financial institution is required by law to have a system of risk management that encompasses any and all deals that might compromise their risk profile. It entails promptly identifying, assessing, monitoring, and managing such threats. It seems that the speed with which risk is managed will determine the future of the financial services industry. There is little doubt that only banks that have implemented a comprehensive risk management system will survive and thrive in the long run.The overarching goal of implementing risk management measures is to lessen the likelihood of a catastrophic failure in the future. However, in real life, there is a penalty associated with taking risks. But for efficient loan administration, banks need to properly assess the risk to choose the best risk management approach. Over time, this will increase the company's worth.

Recommendations

Based on the summary of their findings, the researchers proposed additional research.

One way for banks to cut down on loan defaults is to set up a system of extra services to help people with their credit.

Second, effective legal mechanisms (institutions and procedures) for collecting debts in the event of loan defaults are required.

Third, so that the people in charge of credit risk at banks can do their jobs well, the banks should give them training in modern risk management methods.

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