Credit Risk Management and Efficiency of Savings and Credit Cooperative Society in Lagos State

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Received: 02 March 2023; Accepted: 09 March 2023; Published: 10 April 2023

ABSTRACT

The objective of this study was to examine the effect of credit risk management on organizational efficiency of Savings and Credit Co-operative Society in Lagos State. The study used a survey-style descriptive research design with a quantitative research methodology. The study population covered all the credit officers and managers of Savings ad Credit Co-operative Society in Lagos state. Out of which 25 credit officers and 5 managers were chosen using purposive sampling technique. To meet the specific objectives of this study, further analysis of the data collected from the respondents were carried out using Pearsoncorrelation and multiple regression analysis techniques. The study set out to test three variables – credit risk identification, credit risk monitoring and credit risk control on the efficiency of Savings and Credit Cooperative Societies in Lagos. The multiple regression estimation results revealed that CRI, CRM andCRC have a positive effect on organizational efficiency of savings and credit corporative society in Lagos state with the coefficient values of 0.198, 0.101 and 0.141 respectively. This study therefore recommendsthat Savings and Credit Co-operative Society in Lagos State should establish procedures and systems to enforce credit risk identification, monitoring and control, such as committees and principles to ensureborrowers are kept in check at all times and the credit is secured at all cost, to avoid insolvency.

Keywords: Credit risk identification, Credit risk monitoring, Credit risk control, Credit risk management, Efficiency, Savings Cooperative Society, Lagos.

INTRODUCTION

Financial institutions, businesses, and firms require capital and finance to run, more so, to stay afloat and operate maximally. Hence, it becomes imperative for them to manage credit risks effectively, manage insolvency adequately and avoid bankruptcy. Credit risks most often occur in either of the following ways; i. from the bank management which is occasioned as a result of inadequate assessment and examination of the request for loans from customers ii. The customers who are often time scrupulous and fraudulent, choosing to outsmart the banks by not repaying their loans from the bank. Credit risk therefore refers to the risks that financial institutions incur flowing from the defaulting of its borrowers to pay back, leading to a negative effect on the asset's value. Credit risk management therefore encompasses all the measures and approaches targeted at curtailing the volume of risk associated with Credit, be it from the financial institution management to the customer-related risks. In 1993, Uyemura and Deventer explained the risk management framework to comprise the entirety of the risks needed to be managed, coupled with the system process and requisite procedures to manage risks and the assigned roles of the concerned parties to the risk management procedures (Deventer and Uyemura, 1993). Hence such a framework is expected to be complete and adequately prepare to fit the requisite task it was set to handle. In other words, it should cover all the risks any financial institution might be exposed to and make room for flexibility in the changingnature of business (Wambugu, 2010). The economic needs of any region vary and over time the need for savings and credit cooperative societies have proven to be pivotal institutions contributing to developing

economies. In Nigeria, over 300,000 savings and credit cooperative societies exist, contributing about 1.2 trillion to GDP yearly and creating 600,000 new direct jobs for Nigerians nationwide (Guardian 2021). Their contribution indeed has saved lives and businesses and lifted some households out of poverty. Such contribution points to the importance of their continuity and more importantly their efficiency which has the capacity of impacting or affecting their continuity. Furthermore, this study sets out to assess the efficiency of Savings and Credit Cooperatives Societies, especially in the management of credit risks, which has the capacity to impact either negatively or positively on the SACCOs, and on the economy of the country at large. Sadly, the Nigerian government has not supported the sector notably, as cooperatives are exempted from key decisions at the national level (ibid). In terms of efficiency, firm efficiency typically portrays the optimum maximization of resources with the optimum reduction of waste in order to provide qualitycustomers with goods and services (Kalluru & Bhat, 2009). Peculiar to Nigeria, flowing from the Covid-19 pandemic to the declining economy and recession at large, more people have turned to cooperative societies to be able to survive the turbulent economy. The issue of the efficiency of these organizations therefore becomes of paramount importance owing to the growing needs of the

Research Objectives

The effectiveness of the Savings and Credit Co-operative Society in Lagos State is examined in this study in relation to credit risk management. Specifically, the study:

1. investigates the effect of credit risk identification on organizational efficiency of Savings and Credit Co-operative Society in Lagos State;
2. examines the effect of credit risk monitoring on organizational efficiency of Savings and Credit Co-operative Society in Lagos State;
3. determines the effect of credit risk control on organizational efficiency of Savings and Credit Co-operative Society in Lagos State.

Research Hypothesis

H_{01}: Credit risk identification does not significantly impact on organizational efficiency of savings and cooperative societies in Lagos

H_{02}: Credit risk monitoring has no significant impact on the organizational efficiency of savings and cooperative societies in Lagos

H_{03}: Credit risk control does not significantly impact on organizational efficiency of savings and cooperative societies in Lagos

LITERATURE REVIEW, THEORETICAL AND CONCEPTUAL FRAMEWORK

Literature Review

Credit Risk Management and Firm Efficiency

Kalui & Kiawa (2015) described the management of credit risks as the overall process designed by firms targeted at ensuring adequate recovery and recollection of monies borrowed by customers and abating the chances of non-payment. Terje and Ortwi (2009) argued that as with every concept, the concept of risk hasn't been universally agreed upon, however, there are specific characteristics that explain the term and they include the following; i. risk often typifies the likelihood of a negative/ adverse outcome, ii. risk typifies the likelihood of an unplanned occurrence pertaining to things that are important to humans (IRGC, 2005). In their work, Sufi & Qaisar (2015) argued that credit risk was more volatile than any other risk a financial institution was likely to face and more costly if unavoided as it had the capacity to threaten solvency.

ISSN No. 2454-6186 | DOI: 10.47772/IJRISS |Volume VII Issue III March 2023

It is expected that loans should be repaid and lenders weigh the capacity of a borrower to repay back a loan before moving forward to lend them such loans. In situations where these loans are not repaid, they become non-performing loans and these types of loans threaten and significantly affect the efficiencyof savings and credit cooperative societies (Afriyie & Akotey, 2012). Credit risk management plays a major role in any company's approach to risk management. In this light, faulty and incompetent credit riskmanagement strategies account for the major cause of several failures in business. Research has shown that several small businesses, which do not have the requisite resource and expertise to run a competent creditrisk management system have consequently failed as a result of such weakness (Richardson, 2002). Typically, when a Savings and Credit Cooperative Society issues out credits, non-payment risk becomes in- view. Credit risk management, becomes very important and it refers to the overall process by which a Savings and Credit Cooperative Society employs to recover its credits (Naceur and Goaied. 2003). Firm efficiency involves the process of avoiding wastes, ensuring productivity and optimum efficiency andproductivity of an organization. It is the sole aim of firms to reduce waste and maximize profit in all their dealings and transactions. According to Darrab & Khan (2010) firm efficiency typically involves the creation of new processes that improve overall productivity and quality. Cooper and Rhodes (1978) also defined the concept to center around output and inputs, with the expectance that output weighs more. In any sense the concept is approached from, it has everything to do with deriving the most benefit and minimizing waste to the barest minimum. Several types of efficiency exist which include; institutional efficiency,technical efficiency, allocative efficiency etc. Institutional efficiency which is the focus of this study refersto the relations between the achievements of an organizational objectives and resource utilization (Kuosmanen & Johnson, 2017). Efficiency can be measured using various non-parametric analysis frontier approaches. Several studies have been undertaken to shed light on how the effectiveness of Savings and Credit Cooperative Societies has been impacted by the management of credit risk. In 2014, Kurawa and Garba (2010) conducted research between 2002 and 2011 on the impact of credit risk management on the profitability of six Nigerian banks. Their findings showed a significant and favourable link between credit risk factors and of the six Nigerian banks using random-effect generalised least square (GLS) regression approaches. Uwuigbe, Uwuigbe, and Oyewo (2015) conducted a study on the impact of credit risk management on bank performance in Nigeria utilising 10 banks as its case study for the years 2007–2011 in order to further explore the subject. The study used panel linear regression as a different methodology. The results showed that the performance of Nigerian banks was significantly and negatively impacted by baddebt ratios and non-performing loans. The impact of risk management on the financial performance of 10 Nigerian deposit money banks was further researched by Okere, Isiaka, and Ogunlowore (2018). The panel regression results revealed a favourable and significant correlation between risk management and the financial performance of the sampled banks. Aduda and Obondy (2021) also examined the same subject, from the approach of literature reviews on the available materials. His findings revealed that the major differences between scholars in the field pertained to the methods and variables used. Additionally, his findings indicated that there are few to no studies on the impact of credit risk management on the effectiveness of savings and credit cooperative societies, despite the availability of numerous studies on the impact of credit risk management on the financial performance of these organizations.

Savings and Credit Cooperative Societies in Lagos State

Savings and Credit Cooperative Societies (SACCOS) are financial institutions that provide savings and borrowing facilities to their customers. Sometimes, they are also referred to as credit unions, because they give low-interest rates in comparison to other financial institutions. The organization is charged with theneed to make sure that credit unions are developed in a sustainable manner in the world; is the World Council of Credit Unions (WOCCU) (Aggrey, Eliab & Joseph, 2010). Halkos & Tzeremes, (2012) had argued in their research that persons with accounts in the Savings and Credit Cooperative Societies (SACCOS) are often called squires and have the power to decide using their votes not withstanding their individual shares. Hence only parties to such organizations can deposit and lend from them. Consequently, adequate risk management has been structured and enforced by several Savings and Credit Cooperative Societies in a bid to maximize efforts and achieve their financial goal.

Owing to the divergent nature of various systems, coupled with the changes in economic conditions, a unique and functional risk management system has been difficult to create (Aduda & Obondy, 2021). Pandey (2010), argued that it was very important for SACCOs to derive competent procedures to ensure that credit operations are safeguarded, which was requisite for credit generation for SACCOs. This buttresses that point that loans was accompanied by several insecurities. Research further reveals that the decision for the application for loans was analyzed according to risk parameters that were subjective in relations to repayment by the borrower, thereby, predisposing such institutions to risks. (Fayman & He, 2011). Hence, credit risk management is an essential aspect of the smooth running of saving and credit cooperative society as the provision of credit to its customers is a major activity of the SACCOS. Mugo, Muathe & Waithaka, (2019) argue that the major cause of the fallings of SACCOs was attributive to issues like poor risk management.

However, they went on to say that SACCOs may reduce their overall exposure to financial risks if they adopted appropriate credit risk management procedures (Mugo, Muathe & Waithaka, 2019). These willmake sure that they can compete with other established commercial banks in the financial sector with ease (Odhiambo, 2019). Cooperatives are alternative sources of finance and funding for Nigerians, who run away from the high-interest rates from the banks and impossible collaterals. Specifically, Lagos plays host to over 15.4 million (2022) Nigerians, with a total of 1,171.28 square kilometers as its size, with 6,871 residents per square kilometer (World Population Review, 2022). Lagos currently has a total of 1.85m unemployed people, consequently necessitating a need to either turn to families or friends for help and support. Currently, there are over 16,000 cooperatives registered in Lagos, whose activities are monitored by the Lagos State Government, Ministry of Commerce, Industry and Cooperatives (Ministry of Commerce, Industry and Cooperatives, 2022). The state prides itself on operating one of the successful cooperatives in the country which is the Lagos Local Governments Co-operative Multipurpose (Africa Prudential PLC, 2020). Like with most cooperatives in the country, the savings and credit cooperatives in the state havefaced major setbacks such as inefficient management, poor communication, and disunity amongst members, lack of capitals and the peculiarity of the Nigerian terrain.

Theoretical Framework

Risk Management Theory

Risk management is essential for firm survival for any organization. Wenk (2010) argued that risk management model is comprised of the all the process that makes for the issuing and retrieval of credits loaned. Hence, the importance and consequences of risk management go way beyond the protection of stakeholder values to also the survival or death of a firm. Little wonder Kirigo (2014) highlighted theavenues from which risks could emanate from, which included; uncertainty in financial markets, liabilities from legal loopholes, unplanned and unforeseen project failures, and unavoidable natural disasters, including planned or coordinated attacks from adversaries and purely uncertain events. It is thereforepertinent to emphasize that organizations should be deliberate in making cost-effective use of risk management to abate the negative consequences that ensue from risks, especially credit risks, which havethe capacity of leading to the closure of businesses, especially savings and credit cooperative societies. Dorfman (2007) therefore argued that risk management consisted of the creation of a system, embeddedwith adequately defined risk management and then inculcating them. Hence any savings and credit cooperative society that seeks efficiency must first of all identify such credit risks within their purview and then assess them adequately as these two approaches serve as an undertone for the survival of lending institutions, most especially savings and credit cooperatives.

Information Asymmetric Theory

This theory was established by Akerlof in 1970. The basic assertion of the theory holds that both lenders and borrowers more often than not experience information asymmetry in their dealings and interactions. This

theory better explains fierce market behavior of which, the major concepts include; dreadful selection, forestalling institutions, flagging and selecting (Akerlof, 1970). In expanding on the tenets of the theory, Edward & Turnbull (2013) by arguing that the interaction between the lender and borrower is initiated by the borrower, who requires a loan and borrows same, being armed with information on potential risks linked with the investment ventures relating to the loan, in which case the lender is unaware. Information which is key and pivotal to savings and credit cooperative societies, serves as the foundation of every financial decision, hence institutions and lenders in general, work with shaping the information that attracts borrowers and ensures that the decisions they take are pro-lenders and favor their course (Stiglitz, 1981). Hence, such information that is hidden and withheld from either party becomes avenues for problems that question morality and inadequate selection (Horne, 2012). Flowing from the aforementioned, Taylor (2013) argued that the resultant effect of such actions will amount to the issues of non-performing loans, which in turn reduces the power, especially capital resources of the lender and inevitably affects their ability to expandtheir lending business. Hence the inadequate and non-asymmetrical flow of information has the propensityto affect the efficiency of savings and credit cooperatives, especially in Lagos, which is our focus in this study.

Conceptual Framework

This study sought to relate credit risk management practices and efficiency (optimal resourcesmaximization, waste reduction towards the provision of quality service delivery to customers) of savingsand credit cooperative society (SACCOS). The figure below presents conceptualization and relationship between the research variables.

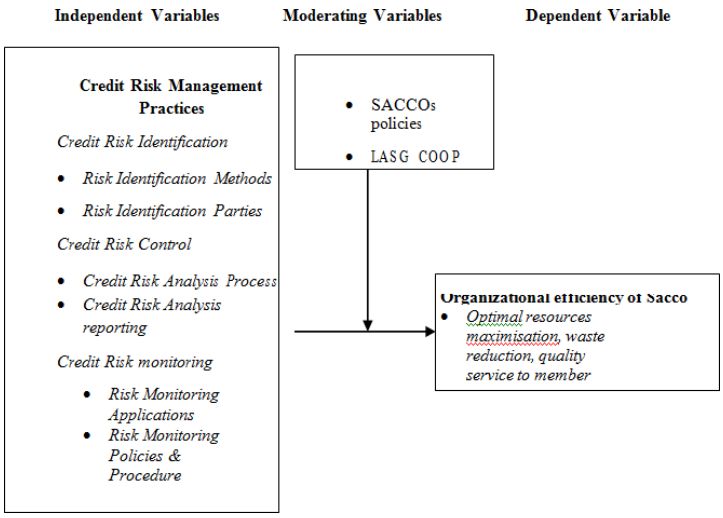

Figure 2. 1: Conceptual Framework

From the conceptual framework, organizational effectiveness of SACCOS is dependent on credit risk management practices. Credit risk identification was conceptualized into credit risk identification methods and credit risk identification parties and adopted from Mengich & Njiru (2015). Credit risk control was conceptualized into; credit risk analysis process and credit risk analysis reporting asadopted from Onkoba (2010). Credit risk monitoring was conceptualized into; credit risk monitoring applications and tools and credit risk monitoring policies & procedures while organizational efficiency was measured in effective and efficient utilization of the credits collected. The relations between the variablesare as presented in figure 2.1 above.

METHODOLOGY

The research design adopted in this study is a descriptive design, coupled with a survey type. This was best suited as descriptive research makes use of situational context to explain things, whilst survey design affords

every part of the study population to be represented and examined through which inferences could be made. In line, with the descriptive survey design, the study adopts a quantitative research approach since, primary data is used. The study covered all the credit officers and managers of Savings ad Credit Co-operative Society in Lagos state. Out of which 25 credit officers and 5 managers were selected using purposive sampling technique. Officers with at least five years of working experience were selected for this study because it is believed that these officers will have adequate knowledge and provide relevant comprehensive information that will be resourceful to the researcher. A close-ended questionnaire is thereby administeredto them. To meet the specific objectives of the study, further analysis of the data collected from the respondents is done utilizing Pearson correlation and multiple regression analysis techniques. The study modified the model used by Paulino, Mwambia, and Kithinji (2018) to examine how credit risk management affected commercial banks' financial performance in Juba, South Sudan. Mathematically, the model is specified below:

$$\mathbf{Y = a1+\beta1X1+\beta2X2+\beta3X3+\beta4X4+\varepsilon \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.1}$$

Where: Y = Commercial Banks performance; A1 = constant; β1, β2, β3, β4 = coefficients of the determinants of credit risk management; X1 = Credit Risk Identification; X2 = Credit Risk control; X3 = Credit Risk Monitoring; X4 = Credit Credit-approval or Sanctions; ε = Error This study modified this model by replacing commercial bank performance with organizational efficiency as a function of credit risk identification, monitoring and control. To accomplish the study's stated aims, adjustment is required. The model is described mathematically as follows:

$$\mathbf{OEF = f(CRI, CRM, CRC)\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots 3.2}$$

Where OEF is organizational efficiency, CRI is Credit Risk Identification, CRM is Credit Risk Monitoring, and CRC is Credit Risk Control. The equation of the model given in 3.2 is given below:

$$\mathbf{OEF_{it} = \beta_0 + \beta_1 CRI_{it} + \beta_2 CRM_{it} + \beta_3 CRC_{it} + U_{it} \ldots\ldots\ldots\ldots\ldots\ldots\ldots (3.3)}$$

Where: =Intercept, it = represents the combination of time and individuality, U_{it} = error term.

RESULT AND DISCUSSION

RESULTS

Pearson Correlation Matrix

Pearson correlation analysis was carried out to determine the relationship that exits between all the predictors and the outcome variable. This test will further show the presence or absence of multi-collinearity capable of affecting the regression results.

Table 4.1 Pearson Correlation Matrix Result

Var.	OEF	CRI	CRM	CRC	VIF
OEF	1				
CRI	0.472	1			1.025
CRM	0.210	- 0.049	1		1.027
CRC	0.262	0.288	- 0.046	1	1.045

Source: Data Analysis, 2022. Where OEF is organizational efficiency, CRI is Credit Risk Identification, CRM is Credit Risk Monitoring, CRC is Credit Risk Control

The table 4.1, it is obvious that a positive relationship exists between OEF, CRI, CRM and CRC with the correlation coefficient of 0.472 for OEF and CRI, 0.210 for OEF and CRM and 0.262 for OEF and CRC. This shows that the variables moved in similar directions in the sampled corporative society in Lagos State. Similarly, it was discovered that there exists a positive relationship between CRI, CRM and CRC with the correlation coefficient of 0.049 for CRI and CRM and 0.288 for CRI and CRC indicating that an increase in CRI would engender a rise in CRM and CRC in the sampled corporative society firm. CRM and CRC have a 0.046 correlation coefficient, which indicates a favourable relationship between them. Finally, it was demonstrated that there was a positive correlation between CRC and other predictive factors. The maximum correlation coefficient between the predictors was 0.472, which indicates that multi-collinearity is notpresent because the correlation coefficient was excessively high and moderate. The general guideline is that multi-collinearity could threaten the regression results if there is a strong correlation coefficient of at least 0.6 between the predictors.

Regression Analysis

Multiple linear regression analysis was carried out through which the researcher either accept or reject the null hypothesis. Alongside the regression analysis, the normality test and heteroscedasticity test were carried out to observe whether the responses of the respondents with respect to both independent and dependent variables fulfill the requirement of linear regression.

Table 4.2 Multiple linear regression result

Var.	Coe.	St. E.	T-test	Prob
C	5.781	.931	6.211	.000
CRI	0.198	.125	0.903	.071
CRM	0.101	.021	4.880	.000
CRC	0.141	.034	4.144	.001

Source: Data Analysis, 2022. R-sq. 0.159, Adj. R-Sq. 0.152, F-Stat. 22.371, Prob (F-stat) 0.000 Where OEF is organizational efficiency, CRI is Credit Risk Identification, CRM is Credit Risk Monitoring, CRC is Credit Risk Control

The adjusted R-square statistics disclosed that about 15.2% of the systematic variance in organizational efficiency of savings and credit corporative society in Lagos state can be jointly explained by CRI, CRM and CRC. As the remainder 84.8% could be accounted for by variables not covered by this study. The multiple regression estimation result revealed that, CRI, CRM and CRC have a positive effect on organizational efficiency of savings and credit corporative society in Lagos state with the coefficient values of 0.198, 0.101 and 0.141 respectively. However, the positive effect is significant for CRM and CRC withthe p-values of $0.000<0.05$ and $0.001<0.05$ respectively against the insignificant positive effect of CRI with the probability value of $0.071>0.05$. Finally, the F-statistics of 22.371 along the probability value of 0.000 revealed that the model is fit.

Table 4.3: Diagnostic Tests

Null Hypotheses	Test Method	Chi-square stat	Probability
Error term is not normally distributed.	Shapiro-Wilk Normality test	1.805	0.0711
No issue of heteroscedasticity	Breusch-Pagan Godfrey Heteroscedasticity Test	1.01	0.1832

Source: Data Analysis (2022)

The results of the diagnostic tests are presented in Table 4.3. Statistically, the Chi-square stat of 1.805 and alongside their respective p-value of 0.0711 and 0.1832 suggests that the error term is normally distributed and that there is no issue of heteroscedasticity in the estimated models' error term.

DISCUSSION

This study revolves around the effect of credit risk management on organizational efficiency of savings and credit corporative society in Lagos state. Several findings were made, however for the discussion of findings, emphasis was laid on multiple regression analysis results being the most consistent and efficient estimation for each of the objectives. Relating to the first objective, it was detected that credit risk identification has a positive but negligible impact on organizational efficiency of savings and credit corporative society in Lagos state to the tune of 0.198($p=0.071>0.05$) indicating that a 1% increase in credit risk identification would result to 7% increase in organizational efficiency of savings and credit corporative society in Lagos State, insignificantly. The corollary of this discovery is that credit risk identification onlyhas the capacity to positively influence the efficiency of savings and credit corporative society in LagosState, and is not significantly practiced. The effect became insignificant as a result of the fact that there is a high level of favoritism among the members of the corporative society. For instance; it is stated in the codeof conduct of the corporative society that members without three years of membership will not be granted a credit facility. However, it is a common practice that new members who are highly connected with members of the management committee are granted credit facilities which is against the stipulated conduct of the society. In line with other studies, these findings gave credence to the findings of Afriyie and Akotey(2011), Aldayel and Fragouli (2018) and Karugu and Ntoiti (2015) that credit risk identification insignificantly influenced the performance of banks. However, it failed to corroborate the findings reported by Chege (2010) that credit risk identification cannot independently influence the sustainability of financial institutions. Also, credit risk monitoring has a positive insignificant effect on organizational efficiency of savings and credit corporative society in Lagos State to the tune of 0.101($p=0.000<0.05$). This suggests that, with a 1% increase in credit risk monitoring, organizational efficiency of savings and credit corporative society in Lagos State will increase by 10%. Thus, credit risk monitoring has the capacity to enhance the growth of efficiency in savings and credit corporative society in Lagos State. The significant effect could be as a result of the frequent checks on members to ensure effective and efficient utilization of the credits collected. This outcome failed to agree with the finding of Gakure, Ngugi, Ndwiga and Waithaka (2012), Ewool and Quartey (2021) that credit risk monitoring contributes positively to performance of financial institutions. Finally, it was discovered that credit risk control has a positive significant effect on organizational efficiency of savings and credit corporative society in Lagos State to the tune of 0.141($p=0.001<0.05$). This implies that an increase in credit risk control would engender a rise in the efficiency of savings and credit corporative society in Lagos state. The positive effect could be attributed to the fact that the credit officers ascertain the need for loans and advances by their customers before givingout credits to them. The positive became significant as a result of the control measures put in place by the management. For instance; the management set up some committees whose responsibility is to ensure that their members utilized the credit as made known to the credit officers. Also, a stipulated number ofguarantors are required who are also members of the corporative before giving out credits to their members. This outcome corroborated the findings of Paulino, Mwanbia and Kithinji (2018), Abiola and Olausi (2014), Al-Tamimi and Al-Marrooei (2007) that credit risk control could contribute significantly to an increase in performance of commercial banks.

CONCLUSION AND RECOMMENDATION

CONCLUSION

The study set out to examine the impact of credit risk management on efficiency of savings and credit cooperative societies in Lagos. The study concluded that credit risk identification has a positive but

insignificant effect on organizational efficiency of savings and credit corporative society in Lagos. This means that credit risk identification only has the capacity to positively influence the efficiency of savingsand credit corporative society in Lagos State, and not significantly practiced. The effect became insignificant as a result of the fact that there is high level of favoritism among the members in the corporative society. Also, credit risk monitoring has a positive insignificant effect on organizational efficiency of savings and credit corporative society in Lagos State. This implies that, with a 1% increase in credit risk monitoring, organizational efficiency of savings and credit corporative society in Lagos State will increase by 10%. Thus, credit risk monitoring has the capacity to enhance the growth of efficiency insavings and credit corporative society in Lagos State. Lastly, credit risk control has a positive significant effect on organizational efficiency of savings and credit corporative society in Lagos State. This implies that an increase in credit risk control would engender a rise in the efficiency of savings and credit corporative society in Lagos state. It is therefore important to ensure that there is a high level of credit risk identification, monitoring and control, in order to increase the efficiency of savings and credit cooperative societies in Lagos.

Recommendation

Proceeding from the findings and conclusion, the study makes the following recommendation:

1. There must be strict adherence to the code of conduct of the corporative societies especially the number of years of membership prior to the granting of credit facility to new members.
2. Prioritization of credit risk monitoring especially post disbursements of facilities to members as this has the capacity to enhance the growth of efficiency in savings and credit corporative society in Lagos State. Frequent checks on members to ensure effective and efficient utilization of the credits collected is highly essential.
3. Management of SACCOs should as a matter of priority set up effective committee whose responsibility is to ensure that their members utilized the credit as made known to the credit officers and for which the facilities were appraised.
4. Savings and credit cooperative societies must put in place systems, measures and procedures to identify credit risks, as this is the starting point in ensuring their efficiency.
5. It is advised that competent hands with the requisite skills be employed to ensure that no red flag goes unnoticed, which consequently ties back to the information asymmetric theory tenets.
6. In so doing, good borrowers will be separated from bad borrowers and in turn non-performing loans will be avoided.
7. The study also recommends that pragmatic strategies for credit risk monitoring be put in place, which will keep both the lender and borrowers on their toes to fulfill their contractual commitments.
8. Monitoring of the business of the borrowers and constant reminders sent out, coupled with strict monitoring of the financial markets.
9. Keeping records of changes in their borrower's activities which could lead to a high probability of credit risk
10. Training of members should be a matter of priority while credit officers must be exposed to modern trends in credit administration through training and exposures.
11. Lastly, the study recommends that credit risk control mechanisms are strictly adhered to, as it has a very high propensity to increase risks of insolvency. In this case, financial institutions like savingsand credit cooperative societies are expected to create measures to reduce the probability of credit risk and also to ensure that the credit they have lent out has been recovered to a realistic extent before venturing into more lending. Such controls could be increasing and stiffening the guarantor's requirements, enforcing strict measures on defaults and as a final strand, confiscating propertiesequivalent to the credit. To achieve this, committees should be put in place to enforce the manager's decisions and take prompt actions.

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