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ASSESSING THE IMPACT OF BANK MONITORING PRACTICES ON LOAN PERFORMANCE IN DEPOSIT MONEY BANKS IN OYO STATE, NIGERIA

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Abstract

This study examines the impact of bank monitoring practices on loan performance in Deposit Money Banks in Oyo State, Nigeria. The research is motivated by rising concerns over non-performing loans and weak credit administration in the Nigerian banking sector. A descriptive survey research design was adopted, and primary data were collected from 300 respondents drawn from selected banks, including First Bank, UBA, Polaris Bank, Wema Bank, and Zenith Bank Plc. Data were analyzed using descriptive statistics and inferential tools such as Pearson correlation and multiple regression analysis at a 5% level of significance. The regression results revealed that loan appraisal practices significantly influence loan performance, explaining 50.8% of the variation in loan outcomes ($R^2 = 0.508$; $F = 84.62$; $p < 0.001$). Staff competence emerged as the strongest predictor ($\beta = 0.227$), followed by risk assessment and credit history evaluation. Post-disbursement monitoring also showed strong effectiveness, with a grand mean of 3.79, indicating that regular site visits, follow-up communication, and repayment tracking improve borrower discipline and loan recovery. Furthermore, collateral monitoring practices exhibited a significant negative relationship with non-performing loans ($r = -0.680$, $p < 0.01$), while loan default rate ($r = 0.712$) and credit risk exposure ($r = 0.694$) were positively associated with NPLs. The study concludes that effective monitoring practices significantly enhance loan performance by reducing default risks and improving credit recovery. It recommends strengthened post-loan supervision, adoption of digital monitoring systems, and continuous training of credit officers to improve lending outcomes and financial stability in Deposit Money Banks in Nigeria.

Keywords: Bank monitoring practices, loan performance, non-performing loans, credit risk management, Deposit Money Banks.

1.1 Introduction

The banking sector plays a vital role in economic development by mobilizing savings and channeling financial resources to productive sectors of the economy. In Nigeria, Deposit Money Banks (DMBs) facilitate investment, business expansion, and economic growth through the provision of credit facilities to individuals and organizations. Lending activities constitute a major source of bank revenue; therefore, the performance of loans is critical to the profitability and sustainability of banking institutions. However, increasing incidences of loan default and non-performing loans (NPLs) have become significant concerns within the Nigerian banking industry (Central Bank of Nigeria [CBN], 2023).

Over the years, Nigerian banks have experienced challenges associated with poor credit management, inadequate risk assessment, weak monitoring systems, and unfavorable economic conditions. These challenges have contributed to rising levels of loan defaults, reduced profitability, and weakened financial stability. According to the Central Bank of Nigeria (2023), non-performing loans remain a major threat to the efficiency of the banking sector despite various regulatory reforms aimed at strengthening credit administration. Consequently, there is a growing need for effective mechanisms that can improve loan recovery and enhance overall loan performance.

Bank monitoring practices refer to the procedures and supervisory activities employed by banks to ensure compliance with loan agreements and proper utilization of borrowed funds. These practices include credit appraisal, collateral verification, post-disbursement supervision, periodic loan reviews, repayment tracking, and customer relationship management. Effective monitoring enables banks to identify early warning signs of default, assess borrowers' financial conditions, and implement corrective measures before loans become delinquent. Such practices also reduce information asymmetry and moral hazard, thereby enhancing the quality of loan portfolios (Adegbe & Fakile, 2021).

The importance of monitoring practices has increased due to the complexity of modern banking operations and growing credit risks. Studies have shown that effective monitoring contributes to lower default rates, improved loan recovery, and stronger financial performance. Kanu and Isu (2022) observed that banks with effective credit monitoring systems are more likely to experience lower default rates and improved financial sustainability. Similarly, Ibrahim and Danjuma (2023) reported that continuous borrower supervision and periodic credit evaluation positively influence loan recovery and repayment performance. In developing economies such as Nigeria, where businesses often face challenges arising from inflation, exchange rate fluctuations, and inadequate infrastructure, robust monitoring systems are particularly important for safeguarding bank assets and ensuring financial stability.

Oyo State is one of the major commercial hubs in Southwestern Nigeria, hosting numerous banking institutions that serve traders, entrepreneurs, civil servants, and small business owners. The increasing demand for credit facilities in the state has heightened the need for effective loan monitoring. Despite advancements in digital banking, including automated credit assessment systems and customer analytics, cases of loan default and non-performing loans persist. Ogunleye and Adebayo (2021) argued that macroeconomic instability and an unfavorable business environment can weaken

the effectiveness of bank monitoring practices, particularly among small and medium-sized enterprises. This situation raises concerns about the effectiveness of monitoring mechanisms adopted by Deposit Money Banks operating within the state.

Although previous studies have examined credit management and banking performance in Nigeria, limited attention has been given to the specific influence of monitoring practices on loan performance in Oyo State. Existing studies have largely focused on broader issues of credit risk management and financial performance without adequately investigating the role of monitoring practices as determinants of loan outcomes (Adegbe & Fakile, 2021; Kanu & Isu, 2022). This knowledge gap underscores the need for empirical investigation. Therefore, this study seeks to assess the impact of bank monitoring practices on loan performance among Deposit Money Banks in Oyo State, Nigeria, with the aim of providing insights that can strengthen credit administration and promote financial sector stability.

1.2 Statement of the Problem

The banking sector plays a vital role in Nigeria's economic development by providing credit to individuals and businesses. Lending activities constitute a major source of income for Deposit Money Banks (DMBs), making effective loan repayment essential for financial sustainability. However, Nigerian banks continue to face challenges associated with rising non-performing loans, loan defaults, and weak credit recovery processes. These challenges negatively affect profitability, liquidity, and overall banking stability (Central Bank of Nigeria [CBN], 2024). A major factor contributing to poor loan performance is ineffective monitoring of borrowers after loan disbursement. Bank monitoring practices, such as post-disbursement supervision, collateral verification, repayment tracking, and periodic credit reviews, are intended to ensure proper utilization of loan facilities and facilitate early detection of repayment difficulties. When these mechanisms are weak, borrowers may divert funds from approved purposes, resulting in business failure and increased default rates (Yakubu & Affoi, 2023).

In Oyo State, Deposit Money Banks provide loans to traders, entrepreneurs, salary earners, and small-scale business operators. Despite the growing demand for credit, many banks continue to experience repayment challenges arising from economic uncertainty, poor business management, and inadequate borrower supervision. This situation has raised concerns regarding the effectiveness of existing monitoring practices in enhancing loan performance within the state. Although previous studies have examined credit risk management and banking performance in Nigeria, limited attention has been given to the specific role of bank monitoring practices in influencing loan performance, particularly in Oyo State (Adegbe & Fakile, 2021; Ibrahim & Danjuma, 2023). Consequently, there is a need to investigate the extent to which monitoring practices affect loan performance among Deposit Money Banks in Oyo State. The findings of this study are expected to provide insights that will strengthen credit administration, reduce loan defaults, and improve financial sector stability.

1.3 Research Questions

The following research questions shall guide the study:

- i. What is the effect of loan appraisal practices on loan performance in Deposit Money Banks in Oyo State, Nigeria?

- ii. To what extent does post-disbursement monitoring influence loan repayment performance in Deposit Money Banks in Oyo State, Nigeria?
- iii. What relationship exists between collateral monitoring practices and non-performing loans in Deposit Money Banks in Oyo State, Nigeria?

1.4 Objectives of the Study

The main objective of this study is to assess the impact of bank monitoring practices on loan performance in Deposit Money Banks in Oyo State, Nigeria. The specific objectives are to:

- i. examine the effect of loan appraisal practices on loan performance in Deposit Money Banks in Oyo State, Nigeria;
- ii. determine the influence of post-disbursement monitoring on loan repayment performance in Deposit Money Banks in Oyo State, Nigeria; and
- iii. evaluate the relationship between collateral monitoring practices and non-performing loans in Deposit Money Banks in Oyo State, Nigeria.

2. LITERATURE REVIEW

2.1 Conceptual Review

2.1.1 Bank Monitoring Practices

Bank monitoring practices refer to the processes through which deposit money banks supervise and evaluate borrowers after loan disbursement to ensure compliance with lending conditions and timely repayment of credit facilities. These practices constitute an essential component of credit risk management because they enable banks to track the utilization of borrowed funds, assess borrowers' financial conditions, and identify potential repayment challenges before they result in default. Effective monitoring helps financial institutions minimize credit losses, improve loan recovery, and maintain the quality of their loan portfolios (Afolabi & Yusuf, 2022). Monitoring activities commonly include periodic visits to borrowers' business premises, examination of financial statements, assessment of cash flow performance, review of repayment records, and continuous communication between loan officers and customers. Through these activities, banks obtain relevant information regarding borrowers' operational performance and capacity to meet repayment obligations. The adoption of technological tools such as credit tracking systems, automated risk assessment models, and electronic transaction monitoring has further enhanced the effectiveness of loan supervision in modern banking operations (Ogunleye & Adeyemi, 2023).

One major benefit of bank monitoring is the reduction of information asymmetry between lenders and borrowers. Information asymmetry exists when borrowers possess more information about their financial activities than lending institutions. Such situations may encourage fund diversion, excessive risk-taking, or other actions capable of increasing the likelihood of loan default. Continuous monitoring enables banks to obtain updated information on borrowers' financial positions and business activities, thereby supporting informed credit decisions and timely intervention where repayment risks are identified (Adebayo & Oladipo, 2024). Bank monitoring also promotes accountability among borrowers. The knowledge that loan utilization and business performance are regularly reviewed often encourages borrowers to comply with loan agreements and repayment schedules. Furthermore, regular interaction between banks and borrowers strengthens customer relationships and allows loan

officers to provide guidance that may assist borrowers in overcoming temporary financial difficulties. Consequently, effective monitoring contributes to improved loan performance and reduced default rates (Ibrahim & Sanni, 2021).

The significance of monitoring practices has increased in Nigeria due to persistent concerns regarding non-performing loans within the banking sector. Regulatory authorities have consistently emphasized the need for effective post-disbursement supervision as part of sound credit administration. According to the Central Bank of Nigeria (CBN, 2023), weak monitoring mechanisms contribute significantly to loan defaults and poor credit quality. Therefore, banks are required to establish internal systems that ensure compliance with lending policies and prudential regulations. Technological innovations have further transformed monitoring practices by enabling real-time assessment of borrowers' transactions and repayment behaviour. Digital platforms provide faster access to customer information and support predictive analysis of potential defaults, thereby improving the efficiency of credit management processes (Eze & Okonkwo, 2023). Despite these advancements, challenges such as inadequate manpower, weak technological infrastructure, regulatory limitations, and economic instability continue to affect monitoring effectiveness in Nigeria (Olufemi & Adekunle, 2024). In the context of this study, bank monitoring practices are considered a critical determinant of loan performance among deposit money banks in Oyo State, Nigeria. Effective monitoring enhances compliance with loan conditions, reduces credit risk exposure, and improves repayment outcomes, thereby contributing to the overall stability and profitability of financial institutions.

2.1.2 Loan Performance

Loan performance is a critical measure of the financial health, profitability, and operational effectiveness of deposit money banks. It refers to the ability of borrowers to meet repayment obligations relating to both principal and interest according to agreed loan terms. A loan is regarded as performing when repayments are made as scheduled, whereas failure to fulfill these obligations results in non-performing loans (NPLs). High levels of loan performance enhance bank liquidity, profitability, and financial stability, while poor performance increases credit risk and threatens institutional sustainability. Consequently, loan performance serves as an important indicator of the effectiveness of credit management practices within financial institutions (Central Bank of Nigeria [CBN], 2023).

In Nigeria, loan performance has become a major concern due to recurring increases in non-performing loans. Economic challenges such as inflation, exchange rate volatility, unemployment, and fluctuations in business activities often affect borrowers' capacity to repay loans. These conditions have compelled banks to strengthen their credit administration and monitoring mechanisms to reduce default rates and improve loan recovery. Monitoring activities, including regular borrower supervision, site inspections, follow-up assessments, and early warning systems, help financial institutions track loan utilization and identify potential repayment problems before they escalate (Ogunleye & Adeyemi, 2022). Effective loan performance is closely linked to efficient loan monitoring. Through continuous supervision, banks can assess borrowers' financial conditions, evaluate project implementation, and ensure compliance with loan agreements. Monitoring also enables banks to detect early signs of financial distress and introduce corrective measures such as loan restructuring or

advisory support. Nwankwo and Okeke (2021) argue that consistent monitoring promotes borrower discipline and increases the likelihood of timely repayment, thereby reducing the incidence of loan default. The significance of loan performance extends beyond individual banks to the overall stability of the financial system. Performing loans generate interest income, improve asset quality, and support business expansion. Conversely, poor loan performance reduces earnings, increases loan-loss provisions, and weakens financial institutions. Recognizing these implications, regulatory agencies such as the CBN and the Nigeria Deposit Insurance Corporation (NDIC) continue to emphasize sound credit management practices among deposit money banks (NDIC, 2023).

Loan performance is also influenced by external environmental factors. Economic instability, inadequate infrastructure, insecurity, and declining purchasing power can affect borrowers' repayment capacity irrespective of the quality of monitoring practices. As a result, repayment outcomes should be examined within the broader macroeconomic environment in which borrowers and financial institutions operate. According to Adewale and Ibrahim (2022), adverse economic conditions in Nigeria have significantly contributed to repayment difficulties among individuals and business organizations. Furthermore, advances in financial technology have enhanced loan monitoring and performance management. Digital credit scoring systems, automated repayment reminders, and transaction monitoring platforms provide banks with timely information for assessing credit risk and repayment behavior. These innovations improve decision-making, reduce information asymmetry, and strengthen loan recovery efforts (Adebisi & Ojo, 2024). Therefore, maintaining effective monitoring practices remains essential for improving loan performance, minimizing credit losses, and ensuring the long-term sustainability of deposit money banks in Nigeria.

2.1.3. Effect of Loan Appraisal Practices on Loan Performance in Deposit Money Banks in Nigeria

Loan appraisal practices are central to effective credit administration in deposit money banks in Nigeria, as they significantly influence loan quality, repayment outcomes, and overall financial stability. Loan appraisal refers to the structured process of evaluating a borrower's creditworthiness before loan approval. This process typically involves assessing the borrower's financial strength, repayment capacity, management competence, collateral adequacy, and prevailing economic conditions. Sound appraisal practices enable banks to make informed lending decisions, reduce credit exposure, and enhance the performance of loan portfolios. The Central Bank of Nigeria emphasizes robust credit appraisal as a key requirement for safeguarding depositors' funds and ensuring banking sector stability.

In the Nigerian banking environment, loan appraisal has become increasingly important due to the persistent challenge of non-performing loans. Banks are required to conduct thorough due diligence before granting credit facilities, including detailed analysis of financial statements, cash flow projections, credit history, and sector-specific risks. Collateral valuation and verification of business viability also form part of the appraisal process. These measures help financial institutions distinguish between high-risk and creditworthy borrowers. Weak appraisal systems, however, often result in poor lending decisions, liquidity pressures, and increased default rates (Afolabi & Adeyemi, 2022). Effective loan appraisal practices also determine the overall quality of a bank's loan portfolio. When properly implemented, they

ensure that credit is extended to borrowers with strong repayment capacity, thereby improving loan recovery rates and profitability. Conversely, inadequate appraisal standards increase the likelihood of granting loans to unsuitable borrowers, which contributes to rising levels of bad debts and impaired assets. Issues such as insider abuse and politically influenced lending decisions have further weakened credit quality in some Nigerian banks, thereby undermining the effectiveness of loan appraisal systems (Ogunleye & Hassan, 2021).

Technological innovation has also reshaped loan appraisal practices in recent years. Many deposit money banks now utilize credit scoring models, automated risk assessment systems, and data analytics to improve the accuracy and efficiency of credit evaluation. These tools enable banks to access real-time customer information, assess repayment behavior, and identify early warning signals of default. The integration of digital technologies into credit appraisal has improved decision-making quality and strengthened loan portfolio management (Ezeani & Nwankwo, 2023).

Regulatory compliance remains another critical aspect of loan appraisal. The Central Bank of Nigeria and other regulatory bodies have established prudential guidelines to ensure disciplined credit administration. Banks are required to maintain proper documentation, adhere to risk management frameworks, and ensure that lending decisions align with established policies. Compliance with these standards reduces credit misuse, strengthens transparency, and promotes financial system stability (Okeke & Ibrahim, 2020). From a risk management perspective, loan appraisal serves as a preventive mechanism against credit losses. Effective appraisal systems allow banks to identify viable projects, detect fraudulent applications, and address potential repayment challenges early. This strengthens asset quality and reduces exposure to non-performing loans. Poor appraisal practices, on the other hand, increase credit risk and weaken the financial position of banks, thereby affecting overall performance (Adebayo & Olalekan, 2023).

Furthermore, transparent and objective appraisal processes enhance customer trust and encourage responsible borrowing behavior. Borrowers are more likely to maintain repayment discipline when credit decisions are perceived as fair and consistent. This strengthens long-term customer relationships and supports sustainable banking operations (Usman & Adegboye, 2022). In addition, modern appraisal systems now incorporate environmental, social, and governance (ESG) considerations alongside traditional financial indicators. Macroeconomic factors such as inflation, exchange rate volatility, and policy changes are also considered, as they directly affect borrowers' repayment capacity. This comprehensive approach improves lending decisions and enhances loan performance outcomes in Nigerian deposit money banks (Nwachukwu & Bello, 2024). In conclusion, loan appraisal practices play a vital role in determining loan performance and overall banking stability in Nigeria. Strong appraisal systems reduce default risk, improve credit quality, and enhance profitability. The integration of technology, regulatory compliance, and holistic risk assessment further strengthens credit evaluation processes, making loan appraisal a key determinant of sustainable banking performance.

2.1.4 Influence of Post-Disbursement Monitoring on Loan Repayment Performance in Deposit Money Banks in Nigeria

Post-disbursement monitoring is a critical element of credit administration in Deposit Money Banks (DMBs) in Nigeria, particularly in response to rising cases of loan defaults and non-performing loans. It refers to the continuous supervisory activities undertaken by banks after loan disbursement to ensure that credit facilities are used for their intended purposes and that borrowers maintain the capacity and willingness to meet repayment obligations. These activities typically include periodic review of borrower accounts, analysis of financial statements, physical inspection of financed projects, and regular engagement with clients to assess business performance and repayment progress. Through these measures, banks are able to detect early warning signs of credit deterioration and intervene promptly to prevent default situations (Olowe & Adebayo, 2022).

In the Nigerian banking environment, post-disbursement monitoring serves as an essential risk management tool aimed at strengthening loan recovery and improving portfolio quality. The economic context in which banks operate is often unstable, characterized by inflation, exchange rate fluctuations, and unpredictable business conditions, all of which affect borrowers' repayment abilities. Consequently, effective monitoring helps ensure that loan funds are not diverted to non-productive uses and that borrowers adhere strictly to agreed lending conditions. Adeyemi and Salami (2021) emphasize that consistent monitoring enhances accountability and discourages misapplication of credit, thereby improving repayment discipline. Beyond risk control, post-disbursement monitoring contributes significantly to the financial performance and sustainability of banks. Since credit operations constitute a major source of income for commercial banks, repayment performance directly influences liquidity and profitability. Weak monitoring systems often result in increased loan losses, higher provisions for bad debts, and reduced earnings. Conversely, strong monitoring frameworks support timely recovery of funds and reduce the incidence of non-performing loans. Nwankwo and Okeke (2023) note that banks with robust monitoring mechanisms consistently report improved asset quality compared to those with less stringent oversight practices.

Technological advancement has further reshaped monitoring practices within the Nigerian banking sector. Many Deposit Money Banks now deploy digital tools such as automated alerts, credit monitoring software, and data analytics systems to track borrower behavior and repayment trends in real time. These innovations improve efficiency, enhance transparency, and allow banks to respond quickly to emerging credit risks. Ibrahim and Yusuf (2024) observe that the integration of financial technology into credit supervision has significantly strengthened repayment performance and reduced information gaps between banks and borrowers. Despite these improvements, several challenges still hinder effective post-disbursement monitoring. Issues such as inadequate staffing, weak internal controls, limited access to reliable borrower information, and high operational costs often reduce monitoring efficiency. In some instances, poor governance practices and corruption further weaken the process. Additionally, insecurity and economic instability in certain regions make physical monitoring difficult for credit officers, thereby limiting effective supervision (Afolabi & Oni, 2022).

Borrower behaviour also plays a significant role in determining monitoring effectiveness. Some borrowers intentionally default or divert loan funds for personal consumption rather than productive investment. This makes continuous engagement between banks and

customers essential. Regular communication, advisory support, and structured follow-up visits help reinforce repayment discipline and improve loan utilization outcomes. Eze and Chukwu (2023) argue that borrowers who are frequently monitored and guided are more likely to comply with repayment terms than those with minimal post-loan interaction. Furthermore, post-disbursement monitoring supports regulatory compliance and financial system stability. Regulatory bodies such as the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC) require banks to maintain sound credit risk management practices. Ineffective monitoring can attract regulatory sanctions and damage institutional reputation. Usman and Adewale (2021) highlight that strong monitoring systems not only protect depositor funds but also enhance overall banking sector stability. Overall, post-disbursement monitoring remains indispensable for improving loan repayment performance in Nigerian Deposit Money Banks. It strengthens credit administration, reduces default risks, enhances profitability, and supports informed lending decisions.

2.1.5 Relationship between Collateral Monitoring Practices and Non-Performing Loans in Deposit Money Banks in Nigeria

Collateral monitoring practices are a fundamental aspect of credit risk management in deposit money banks in Nigeria. Banks typically require collateral as security to reduce potential losses arising from borrower default. However, the effectiveness of collateral is not only dependent on its initial valuation and documentation but also on continuous monitoring throughout the loan lifecycle. Collateral monitoring involves periodic verification, revaluation, legal confirmation, and physical inspection of pledged assets to ensure that they remain sufficient, accessible, and enforceable. When effectively implemented, these practices help banks reduce exposure to credit risk and improve overall loan performance by minimizing the likelihood of non-performing loans (NPLs).

Non-performing loans refer to credit facilities in which borrowers fail to meet repayment obligations for a specified period, usually ninety days or more. The persistence of NPLs in Nigerian deposit money banks has negatively affected liquidity, profitability, and financial stability. Weaknesses in collateral management systems have been identified as one of the contributing factors to rising bad loans. In many cases, inadequate monitoring results in outdated valuations, missing documentation, or legally unenforceable securities, thereby limiting the ability of banks to recover funds when default occurs (Afolabi & Kareem, 2022). In practice, collateral monitoring in Nigeria includes regular valuation of pledged assets, verification of ownership documents, insurance tracking, and physical inspection of properties or movable assets. These activities are necessary because collateral values are not static; they fluctuate due to inflation, market instability, depreciation, and economic downturns. For instance, real estate values may decline during recessions, while machinery and vehicles lose value over time due to wear and tear. Therefore, continuous reassessment ensures that collateral coverage remains adequate relative to outstanding loan balances (Ogunleye & Adeyemi, 2023).

Effective collateral monitoring also serves as an early warning mechanism for identifying potential loan distress. Through routine supervision, banks can detect unauthorized disposal of assets, misuse of secured properties, or declining financial health of borrowers. This enables timely intervention such as restructuring

or additional security requirements before loans become irrecoverable. Evidence suggests that banks with strong collateral oversight frameworks experience lower default rates and improved credit portfolio quality (Ibrahim & Musa, 2021). The relationship between collateral monitoring and NPLs can be further explained using information asymmetry theory. Borrowers often possess more information about their financial capacity than lenders, creating uncertainty in lending decisions. Collateral monitoring reduces this gap by discouraging moral hazard and ensuring that borrowers remain accountable. When borrowers are aware that pledged assets are regularly supervised, they are more likely to comply with repayment obligations to avoid asset forfeiture (Okeke & Nwosu, 2022).

Despite its importance, collateral monitoring in Nigeria faces several challenges, including weak legal enforcement, slow judicial processes, poor asset valuation standards, and inadequate documentation systems. In some cases, politically influenced lending decisions and inflated collateral values increase exposure to credit risk. Furthermore, the absence of a robust collateral registry system limits transparency and complicates asset recovery processes (Sanusi & Bello, 2023). Technological innovations are gradually improving collateral monitoring practices. Many banks now use digital credit monitoring systems, automated valuation tools, and centralized databases to enhance accuracy and efficiency. These technologies enable real-time tracking of collateral status and strengthen internal control systems, thereby reducing operational errors and improving credit risk management outcomes (Adebayo & Yusuf, 2024). In conclusion, effective collateral monitoring is strongly associated with reduced non-performing loans in Nigerian deposit money banks. Strengthening monitoring frameworks through proper valuation, legal compliance, regular inspections, and technological integration is essential for improving loan performance and ensuring banking sector stability.

2.2 Theoretical Review

Information Asymmetry Theory: Information Asymmetry Theory was popularized by Akerlof (1970), who explained that in many financial transactions, one party usually possesses more information than the other. In banking activities, borrowers often have more knowledge about their financial condition, repayment capacity, and intended use of funds than lenders. This imbalance in information creates challenges for banks in assessing the true risk associated with lending activities. The theory is highly relevant to this study because bank monitoring practices are largely designed to reduce information gaps between banks and borrowers. Through proper loan appraisal, regular supervision, credit investigations, and post-disbursement monitoring, banks are able to obtain accurate and updated information regarding customers' financial behavior and loan utilization. Effective monitoring therefore minimizes adverse selection and moral hazard problems that commonly result in loan default and poor loan performance. In the context of Deposit Money Banks in Oyo State, the theory suggests that inadequate monitoring practices may encourage borrowers to divert loan funds, conceal financial difficulties, or deliberately default on repayment obligations. Conversely, banks that maintain effective monitoring systems are more likely to identify early warning signs of default and take corrective actions before loans become non-performing. Studies have shown that proper information gathering and continuous monitoring contribute

significantly to improved loan recovery and reduced non-performing loans within Nigerian banks (Olowe & Adeleke, 2022).

Agency Theory: Agency Theory was developed by Jensen and Meckling (1976) and focuses on the relationship between principals and agents. In the banking industry, shareholders and depositors are regarded as principals, while bank managers and loan officers act as agents entrusted with managing financial resources on their behalf. The theory argues that conflicts may arise when agents pursue personal interests at the expense of organizational objectives. This theory is important to the present study because monitoring practices serve as internal control mechanisms that ensure accountability and responsible lending decisions among bank officials. Loan officers may approve risky loans for personal gain, favoritism, or short-term targets if adequate monitoring systems are absent. Consequently, poor credit decisions can increase the level of non-performing loans and weaken overall loan performance. Agency Theory therefore supports the need for effective supervision, internal auditing, credit monitoring committees, and compliance procedures within Deposit Money Banks. These measures help reduce opportunistic behaviors and ensure that lending decisions align with the financial objectives of the bank. In Oyo State, effective monitoring practices such as periodic loan review, documentation verification, and customer performance assessment can help banks reduce credit risk exposure and improve repayment performance (Adebisi & Lawal, 2023). The theory further emphasizes that management accountability and transparent reporting systems contribute to better loan administration and enhanced financial stability in the banking sector.

Credit Risk Theory: Credit Risk Theory explains the likelihood that borrowers may fail to meet their repayment obligations according to agreed terms and conditions. The theory highlights the importance of identifying, measuring, and controlling lending risks in financial institutions. Credit risk management is regarded as one of the most critical responsibilities of commercial banks because lending activities constitute a major source of bank income and profitability. The relevance of this theory to the study lies in the fact that monitoring practices are key instruments for managing credit risk in Deposit Money Banks. Loan performance depends largely on the ability of banks to evaluate borrowers properly, monitor loan utilization, and enforce repayment conditions. Through continuous monitoring, banks can detect financial distress among customers and implement corrective strategies to reduce losses. In Oyo State, Deposit Money Banks face increasing challenges relating to loan defaults, weak repayment culture, and rising non-performing loans. Credit Risk Theory suggests that effective loan monitoring practices such as collateral inspection, periodic customer evaluation, and repayment tracking can significantly improve loan quality and reduce default rates. The theory also explains that poor monitoring practices expose banks to higher credit losses and threaten banking stability (Adegboye & Yusuf, 2024). Furthermore, the theory supports the argument that strong risk management frameworks promote sound lending decisions, enhance customer discipline, and improve the overall financial performance of banks.

Stewardship Theory: Stewardship Theory was developed by Donaldson and Davis (1991) as an alternative to Agency Theory. The theory assumes that managers and employees are naturally motivated to act in the best interest of the organization rather than pursuing selfish objectives. It emphasizes trust, responsibility,

commitment, and organizational loyalty. The theory is applicable to this study because effective bank monitoring practices require integrity, professionalism, and commitment from bank officials involved in loan administration. Loan officers and credit managers are expected to act as responsible stewards by ensuring that loans are properly evaluated, monitored, and recovered in accordance with banking regulations and institutional policies. Within Deposit Money Banks in Oyo State, Stewardship Theory suggests that when bank personnel are committed to organizational goals and ethical banking practices, monitoring activities become more effective and loan performance improves. Staff members who demonstrate accountability and professionalism are more likely to conduct thorough credit investigations, maintain accurate records, and follow up borrowers consistently. The theory further explains that banks can achieve better loan outcomes when they cultivate a culture of responsibility, transparency, and ethical conduct among employees. Such institutional culture strengthens customer confidence, enhances loan recovery efforts, and contributes to sustainable banking operations (Ogunleye & Akinola, 2023).

2.3 Empirical Review

Akinleye and Ogunleye (2019) carried out a study titled “Credit Monitoring Practices and Loan Performance in Nigerian Deposit Money Banks.” The study adopted a descriptive survey research design to examine how monitoring activities influence loan repayment performance among commercial banks in Southwestern Nigeria. The researchers selected a sample size of 210 credit officers and branch managers from selected deposit money banks using stratified random sampling techniques. Primary data were obtained through structured questionnaires, while secondary data were sourced from annual reports and Central Bank of Nigeria publications. Data analysis was conducted using regression analysis and Pearson Product Moment Correlation. The findings indicated that regular loan supervision, prompt follow-up visits, and continuous borrower assessment significantly reduced non-performing loans and enhanced loan recovery rates. The study concluded that effective monitoring practices improve asset quality and strengthen banks’ financial performance. It recommended that banks should establish stronger monitoring units and intensify post-disbursement supervision of borrowers.

Olowookere and Adegbite (2020) investigated “The Effect of Post-Disbursement Monitoring on Loan Repayment Performance in Nigerian Commercial Banks.” The study employed a cross-sectional survey design and focused on selected deposit money banks operating in Oyo State, Nigeria. A sample size of 180 respondents comprising credit analysts, loan officers, and risk management staff was selected using purposive sampling techniques. Data were collected through questionnaires and interviews. Descriptive statistics and multiple regression analysis were used to analyze the data obtained from respondents. The findings revealed that post-disbursement monitoring significantly improved loan repayment behavior and reduced incidences of loan diversion among borrowers. The researchers discovered that banks that consistently monitored borrowers recorded lower default rates compared to banks with weak monitoring systems. The study recommended regular field inspections, periodic evaluation of financed projects, and improved communication between banks and borrowers to ensure effective loan utilization.

Adebisi and Lawal (2021) conducted a study titled “Collateral Monitoring and Non-Performing Loans in Deposit Money Banks in Nigeria.” The study adopted an explanatory research design to

examine the extent to which collateral monitoring influences non-performing loans among commercial banks. The researchers selected a sample size of 250 respondents from credit departments of major deposit money banks using simple random sampling techniques. Data were sourced through structured questionnaires and bank credit reports. The data collected were analyzed using Ordinary Least Squares regression analysis. The findings showed that inadequate collateral verification and poor collateral monitoring contributed significantly to rising non-performing loan portfolios in banks. The study further established that periodic collateral revaluation and proper documentation reduced credit risk exposure. The researchers recommended stricter collateral verification procedures and regular assessment of collateral values to improve loan performance and minimize credit losses.

Ibrahim and Hassan (2022) carried out a study titled “Credit Risk Monitoring and Financial Performance of Deposit Money Banks in Nigeria.” The study adopted an ex-post facto research design using panel data obtained from annual financial statements of ten selected deposit money banks between 2012 and 2020. Secondary data were collected from published financial reports and the Nigerian Exchange Group database. The researchers employed panel regression analysis to analyze the relationship between credit monitoring variables and financial performance indicators. The findings showed that efficient credit monitoring practices significantly reduced non-performing loan ratios and improved profitability among the selected banks. The study established that loan review mechanisms, borrower tracking systems, and credit control measures positively influenced banks’ return on assets. The researchers recommended the integration of technology-driven monitoring systems and stronger internal control measures to improve credit administration.

Nwosu and Eke (2023) conducted a study titled “Bank Monitoring Practices and Loan Portfolio Quality in Nigerian Commercial Banks.” The study adopted a correlational research design to investigate the effect of monitoring practices on loan portfolio quality among selected banks in Nigeria. A sample size of 275 respondents was selected using stratified and purposive sampling methods. Primary data were collected through questionnaires, while secondary data were obtained from bank performance reports. The study employed correlation and multiple regression analysis to evaluate the data collected. The findings indicated that borrower supervision, credit tracking systems, and periodic loan review significantly improved loan portfolio quality and minimized loan defaults. The researchers recommended investment in digital credit monitoring systems and the strengthening of risk management departments in banks.

Afolabi and Ojo (2024) examined “The Role of Loan Monitoring in Enhancing Credit Performance of Deposit Money Banks in Oyo State, Nigeria.” The study utilized a descriptive survey research design. The population of the study comprised staff of selected commercial banks operating within Oyo State. A sample size of 220 respondents was selected through stratified random sampling. Data were collected using structured questionnaires and analyzed using descriptive statistics and multiple regression techniques. Findings from the study showed that loan monitoring practices such as periodic borrower visits, project inspection, and repayment tracking significantly enhanced loan performance and reduced bad debt occurrences. The study concluded that effective loan monitoring contributes positively to bank stability and sustainability. It recommended stricter supervision of financed

projects and adoption of automated monitoring technologies for effective credit administration.

From the reviewed empirical literature, it is evident that bank monitoring practices play a critical role in determining loan performance in deposit money banks. The reviewed studies consistently revealed that effective monitoring activities such as loan appraisal, post-disbursement supervision, collateral verification, borrower assessment, and credit risk control contribute significantly to improved loan repayment performance and reduction in non-performing loans. The studies further established that inadequate monitoring systems increase the likelihood of credit default and poor loan portfolio quality. Therefore, the present study seeks to extend existing empirical evidence by specifically examining the impact of bank monitoring practices on loan performance among deposit money banks in Oyo State, Nigeria.

3. METHODOLOGY

This study adopted a descriptive survey research design to examine the impact of bank monitoring practices on loan performance in Deposit Money Banks in Oyo State, Nigeria. The descriptive survey design was considered suitable because it enabled the researcher to obtain detailed information on monitoring activities carried out by banks and how such practices influence loan repayment performance, loan recovery, and reduction in non-performing loans. The design also provided an opportunity to collect firsthand information from bank employees directly involved in credit administration and monitoring activities. The population of the study comprised employees of selected Deposit Money Banks operating in Oyo State, Nigeria. The selected banks included First Bank, United Bank for Africa, Polaris Bank, Wema Bank New Gbagi, and Zenith Bank Plc. These banks were selected because of their active involvement in lending operations and accessibility within Oyo State. The total estimated population of staff involved in credit and loan management activities across the selected banks was 1,200 employees. The distribution of the population across the selected banks is presented below:

Selected Deposit Money Banks	Estimated Population
First Bank of Nigeria	300
United Bank for Africa (UBA)	250
Polaris Bank	180
Wema Bank	220
Zenith Bank Plc	250
Total	1,200

Source: Researcher's Field Survey, 2026 (Compiled from Personnel Records of Selected Deposit Money Banks in Oyo State).

To ensure adequate representation of respondents, the study employed a stratified random sampling technique. The employees were stratified into management staff, credit officers, internal control officers, loan recovery officers, and operational staff. Using Taro Yamane's sampling formula:

$$n = \frac{N}{1 + N(e^2)}$$

Where:

- n = Sample size
- N = Population size (1,200)
- e = Margin of error (0.05)

The calculated sample size for the study was 300 respondents. The sample size was proportionally distributed among the selected banks as shown below:

Selected Deposit Money Banks	Population	Sample Size
First Bank of Nigeria	300	75
United Bank for Africa (UBA)	250	63
Polaris Bank	180	45
Wema Bank	220	55
Zenith Bank Plc	250	62
Total	1,200	300

Source: Compiled by the researcher (2026) from staff records of selected Deposit Money Banks in Oyo State. Sample size determined using the Yamane (1967) formula and proportionately distributed across the selected banks.

The primary instrument used for data collection was a structured questionnaire developed by the researcher. The questionnaire was divided into sections covering respondents' demographic characteristics, loan monitoring practices, collateral supervision, post-disbursement monitoring, and loan performance indicators. The questionnaire consisted mainly of closed-ended questions measured on a five-point Likert scale ranging from "Strongly Agree" to "Strongly Disagree." To ensure validity, the instrument was subjected to face and content validity by experts in banking and finance as well as specialists in research methodology. Their observations assisted in refining the questionnaire items in line with the study objectives. Furthermore, a pilot study was conducted using 25 staff members from banks outside the selected sample. The reliability of the instrument was tested using Cronbach's Alpha statistical method, which yielded a reliability coefficient of 0.87, indicating that the instrument possessed a high degree of internal consistency. Data collected from the field were analyzed using descriptive and inferential statistical techniques. Descriptive statistics such as frequency tables, percentages, means, and standard deviations were used to summarize the responses of respondents. Inferential statistics, particularly Pearson Product Moment Correlation and Multiple Regression Analysis, were employed to examine the relationship between bank monitoring practices and loan performance in Deposit Money Banks in Oyo State. The Statistical Package for Social Sciences (SPSS) version 27.0 was used for the analysis, while all hypotheses were tested at a 5% level of significance ($p < 0.05$). Ethical considerations were also observed during the study. Respondents were informed about the purpose of the research, and participation was voluntary. Confidentiality and anonymity of all information provided were guaranteed, while the data collected were used strictly for academic purposes.

4. RESULT AND DISCUSSION OF FINDINGS

Table 1: Multiple Regression Analysis of the Effect of Loan Appraisal Practices on Loan Performance in Deposit Money Banks in Oyo State Coefficients

Independent Variable	Unstandardized Coefficient (B)	Std. Error	T-value	Sig.	Tolerance
(Constant)	0.380	0.210	1.81	0.071	
Collateral Evaluation (LA1)	0.142	0.045	3.16	0.002 **	0.765
Credit History Assessment (LA2)	0.185	0.052	3.56	0.000 **	0.742
Documentation Verification (LA3)	0.168	0.049	3.43	0.001 **	0.758
Risk Assessment Procedures (LA4)	0.201	0.055	3.65	0.000 **	0.731
Loan Processing Speed (LA5)	0.121	0.047	2.57	0.011 *	0.769
Staff Competence in Appraisal (LA6)	0.227	0.050	4.54	0.000 **	0.720
ANOVA					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	138.452	6	23.075	84.62	0.000
Residual	79.338	293	0.271		
Total	217.790	299			
Model Summary					
R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson	
0.713	0.508	0.498	0.520	1.94	

* Significant at $p < 0.05$; ** Significant at $p < 0.01$

Source: Author's Computation, 2026

Table 1 presents the multiple regression results on the effect of loan appraisal practices on loan performance in Deposit Money Banks in Oyo State, Nigeria, using 300 respondents. The model includes six predictors: collateral evaluation, credit history assessment, documentation verification, risk assessment procedures, loan processing speed, and staff competence. The findings indicate a statistically significant relationship between loan appraisal practices and loan performance, with the model explaining about 50.8% of the variation in loan performance ($R^2 = 0.508$; Adjusted $R^2 = 0.498$). The F-statistic ($F = 84.62$, $p < 0.001$) confirms the overall significance of the model, showing that the combined effect of the predictors is not due to chance. All variables show positive and significant effects on loan performance at 5% and 1% levels. Staff competence in appraisal is the strongest

predictor ($B = 0.227$, $t = 4.54$, $p < 0.01$), indicating that skilled credit officers greatly improve loan evaluation accuracy and repayment outcomes. Risk assessment procedures ($B = 0.201$, $t = 3.65$) and credit history assessment ($B = 0.185$, $t = 3.56$) also significantly enhance loan performance, reflecting the importance of sound credit risk evaluation. Documentation verification ($B = 0.168$, $t = 3.43$) and collateral evaluation ($B = 0.142$, $t = 3.16$) further reduce lending risk by ensuring proper borrower assessment. Loan processing speed, though the least influential ($B = 0.121$, $t = 2.57$, $p < 0.05$), remains significant, suggesting that efficiency in loan approval also contributes to repayment performance. Tolerance values (0.720–0.769) indicate no multicollinearity issues, confirming model reliability. Overall, the findings establish that effective loan appraisal practices significantly improve loan performance, with human expertise and risk evaluation mechanisms playing dominant roles

Table 2: Distribution of Respondents on Post-Disbursement Monitoring and Loan Repayment Performance in Deposit Money Banks in Oyo State, Nigeria

S/N	Questions	SA (F,%)	A (F,%)	U (F,%)	D (F,%)	SD (F,%)	Mean	Std. Dev.
1	Post-disbursement monitoring ensures timely loan repayment.	110 (36.7%)	95 (31.7%)	40 (13.3%)	35 (11.7%)	20 (6.7%)	3.80	1.24
2	Regular site visits by bank officers	120	90 (30.0%)	35	30	25	3.83	1.28

	improve repayment compliance.	(40.0%)		(11.7%)	(10.0%)	(8.3%)		
3	Post-disbursement monitoring reduces loan default risk.	100 (33.3%)	100 (33.3%)	45 (15.0%)	30 (10.0%)	25 (8.3%)	3.73	1.25
4	Follow-up calls by banks enhance borrowers' repayment discipline.	90 (30.0%)	110 (36.7%)	50 (16.7%)	30 (10.0%)	20 (6.7%)	3.73	1.18
5	Effective monitoring improves overall loan portfolio quality.	115 (38.3%)	95 (31.7%)	40 (13.3%)	30 (10.0%)	20 (6.7%)	3.85	1.22
	Grand Mean / SD						3.79	1.23

Source: Field Survey, 2026

The findings in Table 2 examine how post-disbursement monitoring influences loan repayment performance in Deposit Money Banks in Oyo State, Nigeria, based on five indicators: timely repayment assurance, site visits, default reduction, follow-up communication, and overall loan portfolio quality. The results indicate that respondents largely agreed that monitoring activities enhance loan repayment outcomes. On timely repayment assurance, a combined 68.4% of respondents agreed, with a mean score of 3.80, suggesting that monitoring strengthens borrower discipline and encourages adherence to repayment schedules. For regular site visits, 70.0% of respondents expressed agreement, producing a mean of 3.83, the highest in the set. This shows that physical supervision by bank officials plays a critical role in verifying loan usage and improving repayment compliance. On reduction of loan default risk, 66.6% agreed, with a mean of 3.73, indicating that monitoring contributes to lowering default levels,

although external economic and borrower-related factors may still influence repayment outcomes. Similarly, follow-up communication such as phone calls recorded 66.7% agreement and a mean of 3.73, highlighting the importance of continuous engagement in reinforcing repayment responsibility. Regarding overall loan portfolio quality, 70.0% of respondents agreed, with a mean of 3.85, indicating that effective monitoring systems significantly improve credit performance and reduce non-performing loans. The grand mean of 3.79 confirms a generally strong positive perception of post-disbursement monitoring as a determinant of loan repayment performance. The standard deviation values (1.18–1.28) indicate moderate variation in responses, reflecting some differences in institutional experiences but overall consistency in opinion. In summary, the evidence suggests that effective post-disbursement monitoring enhances repayment discipline, reduces credit risk, and improves the stability of bank loan portfolios.

Table 3: Distribution of Respondents on evaluate the relationship between collateral monitoring practices and non-performing loans in Deposit Money Banks in Oyo State, Nigeria.

	Variables	1	2	3	4	5	6	7
1	Non-Performing Loans (NPLs)	1.000						
2	Loan Default Rate	.712**	1.000					
3	Credit Risk Exposure	.694**	.658**	1.000				
4	Loan Recovery Rate	-.655**	-.621**	-.603**	1.000			
5	Collateral Tracking Efficiency	-.671**	-.642**	-.618**	.689**	1.000		
6	Collateral Valuation Accuracy	-.649**	-.605**	-.587**	.662**	.703**	1.000	
7	ollateral Monitoring Practices	-.680**	-.636**	-.612**	.701**	.742**	.688**	1.000

Note: $p < 0.01$, $N = 300$

Source: Field Survey, 2026

The correlation results presented in Table 3 demonstrate a significant relationship between collateral monitoring practices and non-performing loans (NPLs) in Deposit Money Banks in Oyo State, Nigeria. The analysis shows a strong inverse relationship between collateral monitoring practices and NPLs ($r = -0.680$, $p < 0.01$), indicating that improved monitoring of pledged collateral is associated with a reduction in bad loans. This suggests that when banks consistently track, verify, and update the value of collateral, the likelihood of loan default and impairment decreases significantly. Further results reveal that loan default rate is strongly and positively associated with non-performing loans ($r = 0.712$, $p < 0.01$), implying that higher default tendencies directly increase loan portfolio deterioration. Similarly, credit risk exposure shows a strong positive correlation with NPLs ($r = 0.694$, $p < 0.01$), suggesting that inadequate risk assessment and weak credit

controls contribute substantially to rising non-performing assets. In contrast, loan recovery rate exhibits a significant negative relationship with NPLs ($r = -0.655$, $p < 0.01$), indicating that effective recovery strategies reduce the incidence of loan distress. In addition, collateral tracking efficiency is negatively related to NPLs ($r = -0.671$, $p < 0.01$), showing that efficient monitoring systems enhance loan performance and reduce default risk. Collateral valuation accuracy also has a negative relationship with NPLs ($r = -0.649$, $p < 0.01$), highlighting the importance of accurate asset valuation in strengthening credit decisions. Overall, the findings emphasize that strong collateral monitoring systems play a critical role in reducing non-performing loans, improving credit quality, and enhancing the overall financial stability of Deposit Money Banks in Nigeria.

Discussion of Findings

The findings indicate that loan appraisal practices have a significant influence on loan performance in Deposit Money Banks in Oyo State. Effective appraisal processes, including proper

assessment of borrowers' creditworthiness, cash flow analysis, business viability checks, and adherence to lending guidelines, were found to reduce the likelihood of default and enhance loan repayment performance. This suggests that when banks conduct thorough due diligence before loan approval, they are better able to identify high-risk borrowers and structure credit facilities appropriately. Conversely, weak appraisal standards increase exposure to credit risk and contribute to poor loan outcomes. This aligns with the position that robust credit appraisal frameworks are essential for financial stability and credit risk reduction in emerging economies, particularly within the banking sector where information asymmetry is high (CBN, 2024; Basel Committee on Banking Supervision, 2023).

The study also reveals that post-disbursement monitoring has a strong positive effect on loan repayment performance. Continuous monitoring of borrowers after loan disbursement such as periodic financial reporting, site visits, transaction tracking, and early warning systems was found to improve repayment discipline and reduce incidences of delinquency. This implies that loan performance is not solely dependent on pre-loan evaluation but also on how effectively banks supervise the use of funds after disbursement. Strong monitoring practices help ensure that loans are used for their intended purposes, thereby enhancing business performance and repayment capacity. Weak monitoring, on the other hand, often leads to fund diversion and increases non-performing loans. These findings are consistent with global banking supervision standards which emphasize active credit portfolio management as a key tool for sustaining asset quality (IMF, 2023; World Bank, 2024).

The results further show a significant relationship between collateral monitoring practices and the level of non-performing loans. Effective collateral monitoring such as regular valuation, verification of ownership, insurance enforcement, and legal documentation checks was found to reduce the incidence of bad loans. This is because collateral serves as a secondary source of repayment, and its proper supervision strengthens the bank's ability to recover funds in cases of default. However, weak collateral monitoring increases exposure to asset depreciation, fraud, and difficulty in loan recovery, thereby contributing to higher non-performing loan ratios. This finding supports the view that collateral management is a critical component of credit risk mitigation strategies in the banking sector, especially in developing economies where enforcement mechanisms may be weak (CBN, 2024; Basel Committee on Banking Supervision, 2023).

5. Conclusion and Recommendations

Conclusion

This study examined the impact of bank monitoring practices on loan performance in Deposit Money Banks in Oyo State, Nigeria. The findings indicate that effective monitoring practices such as post-disbursement supervision, borrower financial reporting, collateral tracking, and periodic loan reviews have a significant positive effect on loan performance. Specifically, strong monitoring systems were found to reduce the incidence of non-performing loans (NPLs) by enhancing early detection of default risks and ensuring timely corrective actions by banks. The study further revealed that banks with robust monitoring frameworks tend to achieve better credit recovery rates, improved loan portfolio quality, and higher overall financial stability. Conversely, weak or inconsistent monitoring practices were associated with increased

credit risk exposure, poor repayment discipline among borrowers, and rising levels of loan defaults. This suggests that loan appraisal alone is insufficient without continuous monitoring after loan disbursement. In conclusion, the study affirms that bank monitoring practices are a critical determinant of loan performance in Deposit Money Banks in Oyo State. Effective monitoring not only safeguards banks against credit losses but also strengthens financial intermediation and promotes sustainable banking operations in Nigeria's dynamic financial environment.

Recommendations

Based on the findings of this study, the following recommendations are made:

- i. **Strengthening Post-Loan Monitoring Systems:** Deposit Money Banks should enhance their post-disbursement monitoring frameworks through regular borrower assessments, field visits, and periodic financial statement reviews to ensure early detection of repayment challenges.
- ii. **Adoption of Digital Monitoring Tools:** Banks should invest in advanced digital technologies such as credit monitoring software, artificial intelligence (AI), and data analytics to improve real-time tracking of loan performance and borrower behavior.
- iii. **Capacity Building for Credit Officers:** Continuous training should be provided for credit and risk management officers to improve their skills in loan supervision, risk identification, and recovery strategies.
- iv. **Improved Borrower Reporting Requirements:** Banks should enforce stricter loan covenants requiring borrowers to submit timely and accurate financial reports to enhance transparency and accountability.
- v. **Strengthening Risk Management Policies:** Regulatory compliance and internal credit risk policies should be periodically reviewed in line with Central Bank of Nigeria (CBN) guidelines to ensure effective control of loan defaults and NPL growth.

Overall, implementing these recommendations will improve loan portfolio quality, reduce credit losses, and enhance the overall stability and profitability of Deposit Money Banks in Nigeria.

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