Business Lending and Bank Profitability Nexus: The Case of Zenith Bank Plc, Nigeria

Bingilar Paymaster Frank PhD
Department of Accounting
Faculty of Management Sciences
Niger Delta University, Wilberforce Island, Bayelsa State.
Tel: +2348036620418, e-mail: paymasterfrank@gmail.com

Sawyer Egberipou Ayaundu FCTI, ACA
Tel: +2348148335080, e-mail: ayandue@gmail.com

Abstract
One of the major problems confronting the Nigerian banking industry today is the increasing incidence of loan defaults and consequently loan losses which manifest on the profitability of the banks, with huge uncollectible loans and advances. This study therefore, examines the effects of business lending on the profitability of Nigerian Banks: a case study of Zenith Bank Plc for the period 2009-2018. The study adopted Profit after Tax (PAT) as the dependent variable, Loans and Advances (LAA) and Customers Deposit (CUD) as the independent variables. The methodology used in the research was secondary source of data collection. The data collected were analyzed using multiple regression statistical tools (with the aid of SPSS version 20). Based on the discussion and findings above, we thereby concluded that one of the independent variables Customers Deposit (CUD) is significant with the dependent variable Profit after Tax (PAT). While the other independent variables Loans and Advances (LAA) has no significant relationship the dependent variable Profit after Tax (PAT). The study recommends that more efforts should be on mobilization of Customers Deposits (CUD) as this positively and significantly relates to Profit after Tax (PAT).

1.0   INTRODUCTION
1.1 Background to the Study
Banks are global phenomena, a universal institution. In fact banks intermediate between surplus and deficit economic units, thereby, acting as machinery for the allocation of scarce financial resources (Mohammed, 2002). Consequently, banks occupy a primary position in the economy as it is the fulcrum of money market and central nervous system of the economy. The banking industry worldwide, and in Nigeria in particular, had been witnessing a lot of structural charges. These changes are meant for the improvement of services for the betterment of it operators and for the benefit of the customers, shareholders as well as the economy.

Due to their intermediary function between lenders and borrowers, banks have an important role for all economies. On one side, savers can have a chance to gain interest income with their excess funds. On the other side, thanks to the money creation function of the banks, not only can inventors reach the money they need for their business activities, but also consumers are able to spend their future income. In other words, banks contribute investment and consumption amounts in a country. These functions of the banks help the banking sector to reduce unemployment in a country by employing many people in their branches. In short, the banking sector plays an essential role in the economy; (Yuksel et al 2015).
Keeping a nations savings in deposit accounts and lending more of them, thanks to the money creation process, allows banks to make high profits. However, especially after globalization,

banks had to manage different types of risks, such as credit risks, liquidity risk, interest rate risk, and currency risk. In the last 20years there have been many banking crisis in the world since these risks could not be managed accurately.

This paper contributes to the current literature as in investigating how business lending affects banks profitability; particularly the case of Zenith Bank Plc, of Nigeria. How Loans and Advances (IAA) and Customers Deposit (CUD) affects the Profit After Tax (PAT) of Zenith Bank Plc of Nigeria.

Effective and efficient operations of the financial sector are very critical in any economy because the financial sector especially the commercial banks serve as a fuel for running economic activities. Therefore, more attention has been focusing on how well banks are running. This calls for numerous studies on what drives bank profitability within a country, a region and at the global level. Similarly, many studies have been carried out for the Nigerian banks because special features of the country and its past experience. Nigeria banking industry experienced different reforms in order to ensure that the country has a strong banking industry that enhances the economic activities. This motivation led to the 2005 bank capitalization that reduced the number of commercial banks from 89 to 22 through merger and acquisition.

1.2 Statement of the Problem:

One of the major problems confronting the banking industry today is the increasing incidence of loan defaults and loan losses which manifest on the profitability of the banks. Sequel to increasing incidence of huge bad debts in the Nigerian banking industry, insider's abuses, management's competence have been called to question. Bad debts, it must be noted occur due to the inability of the bank's management to recover loans granted to customers.

As earlier pointed out, loans and advances constitute the largest proportion of the banks' earning asset hence loan defaults which results in bad debts, destroy this asset and subsequently reduce banks profitability as bad debt or provision for bad debt are charged to profit and loss account.

The task before this study is to make an empirical analysis of the management of loans and advances and customers deposit and its effect (positive, negative or both) on the profitability of Nigerian banks, using Zenith Bank plc as a case study and the causes of the problem if any, so as to be in a position to proffer solution to aid management performance towards better profitability.

1.3 Objective of the Study

The basic objective of the study is to assess the performance of Nigerian banks in managing loans and advances in their asset structure and how the management or mismanagement affects the profitability of the banks.

The specific/objectives of the study include the following:-

i. To examine the structure put in place by Nigerian banks for the management of loans and advances and Customers deposit to determine its adequacy or otherwise.

ii. To examine the extent to which customers deposit affects the profitability of banks.

iii. To examine the Bank's practices in granting loans and advances and their recovery procedure.

1.4 Research Questions

In order to achieve the above study objectives, the researcher aims at addressing the following questions in relation to the case study ie Zenith Bank plc.

1. To what extent do loans and advances affect the profitability of banks in Nigeria?
2. To what extent does customers deposit affect the profitability of banks in Nigeria?

1.5   Research Hypotheses:
In order to assess the effect of Business lending on the profitability of Nigerian Banks, specifically Zenith Bank Plc; the following hypotheses are to be tested;
Ho₁: That there is no significant relationship between Loans and Advances (LAA) and Profit After Tax (PAT)
Ho₂: Profitability After Tax (PAT) is not significantly affected by Customers Deposit (CUD)

1.6   Scope of the Study
The Study looks at management of credit facility (Loans and advances) and Deposit liability (Customers deposit) and its effect on profitability of Nigerian Banks using Zenith Bank Plc as case study.
The study period is 10 years spanning from 2009 to 2018. This period witnessed the most dramatic changes in the economic landscape of Nigerian banks in recent past, occasioned by the downturn in the national economy, political era and the consequent introduction of various policies by government to pull the economy out of the doldrums. These changes have had considerable impact on the functioning of the financial system. These changes have had considerable impact on the functioning of the financial system. The period chosen, therefore, will be of immense value in establishing trends in loan management and customers deposit over the period and will aid in predicting the likely future trend. Knowledge of the likely future trend will be of help to the bank management in bringing the future under control for effective and efficient management of credit (Loans and advance) portfolio and Customers deposit.

1.7   Significance of the Study
A study of this nature is invaluable not only to the bank's management, other banks, share-holders, potential investors and depositors but to the economy as a whole.
To the bank's management and managers of other banks, the study draws their attention to the importance of this asset (loans and advances) and customers deposit to the overall success and growth of their organizations. As the largest component of a bank's total assets, there is the need for its effective and efficient management. Besides, loans and advances are also the most profitable and risky assets, hence the need for proper management for maximum profitability while minimizing the risk element.
The study is also significant to the shareholders, both existing and potential ones. This springs from the fact that the proper management of this resource will enhance reasonable returns on shareholder's investment. The study, therefore, is timely, current and relevant not only for the continued visibility of the financial system but the overall growth and development of the economy. The findings of this study if duly and adequately incorporated by all the operators of the banking industry and the financial system in general will enhance profitability and efficiency in the provision of banking services in the country.

1.8 Limitations of the Study
This study is not an independent work, but is built on previous empirical and theoretical basis of other researchers which now serves as limitation. Also the study on the business lending and bank's profitability, a case study of Zenith Bank Plc, is limited to three variables such as Profit after tax (PAT), Loans and Advances (LAA) and Customers Deposits (CUD), this also serves as a limitation.

1.9   Definition of Major Terms
PROFIT AFTER TAX: Profit After-Tax is the earnings of a business after all income taxes have been deducted. This amount is the final residual amount of profit generated by an organization. The profit after tax figure is considered the best measure of the ability of an entity

to generate a return since it incorporates both operating income and income from other sources, such as interest income.

LOANS AND ADVANCES: Loans are the source of long and short term finances while the Advances are granted by the banks to meet short term financial requirements, ie. They are repayable within one year interest is charged on both as well as both are repayable either in a lump sum or instalments or on demands.

CUSTOMERS DEPOSIT: Bank deposits consist of money placed into banking institutions for safe keeping. These deposits are made to deposit accounts such as savings accounts, current account and money market accounts. The account holder has the right to withdraw deposited funds, as set forth in the terms and conditions governing the account agreement (Julia 2019).

1.10 Organization of the Study

This study is structured into five chapters. Chapter one provides some background on Business lending and Bank profitability. This chapter of the study introduces the research problem to the reader, as well as how it will be solved. Chapter two reviews the existing literature on Business lending and Bank's profitability. Chapter three focuses on the methodology of the study and the model used. Chapter four entails the presentation of data, results and discussion of findings. It also provides the framework for drawing appropriate conclusions. Lastly chapter five contains the summary, recommendations and conclusions.

REVIEW OF RELATED LITERATURE
2.1 INTRODUCTION:

In order to discuss the important of credits/loans in bank's asset structure and the effect of credit management on profitability, we need to understand what is meant by credits/loans. Loans and credits are inter-changeable on this study and can be described as an agreed sum of money granted by a bank to a customer for an agreed purpose repayable with interest in regular instalments at agreed intervals. Hence credits mean receiving goods or services and pay at a future date. Ojo (1982:57 – 64), described credit as that amount of money granted to a customer by a bank on request with interest on demand except in the case of term loans which are repayable over a designated period of time.

This chapter therefore, reviews and examines some related literatures on the loan management concepts, credit policy formulation, criteria for loan decision and its effects on profitability, loan reviews and monitoring policy, Loans classifications and recovery procedures.

2.2 Conceptual Clarification
Brief History of Zenith Bank Plc

Zenith Bank Plc was established in May 1990, and commenced operations in July of the same year as a commercial bank. The Bank became a public limited company on June 17, 2004 and was listed on the Nigerian Stock Exchange (NSE) on October 21, 2004 following a highly successful Initial Public Offering (IPO). Zenith Bank Plc currently has a shareholder base of about one million and is Nigeria's biggest bank by tier-1 capital. In 2013, the Bank listed $850 million worth of its shares at $6.80 each on the London Stock Exchange (LSE).
Headquartered in Lagos, Nigeria, Zenith Bank Plc has over 500 branches and business offices in prime commercial centres in all states of the federation and the Federal Capital Territory (FCT). In March 2007, Zenith Bank was licensed by the Financial Services Authority (FSA) of the United Kingdom to establish Zenith Bank (UK) Limited as the United Kingdom subsidiary of Zenith Bank Plc.

Zenith Bank also has subsidiaries in: Ghana, Zenith Bank (Ghana) Limited; Sierra Leone, Zenith Bank (Sierra Leone) Limited; Gambia, Zenith Bank (Gambia) Limited. The bank also has representative office in The People's Republic of China. The Bank plans to take the Zenith brand to other African countries as well as the European and Asian markets. Zenith Bank Plc blazed the trail in digital banking in Nigeria; scoring several firsts in the deployment of Information and Communication Technology (ICT) infrastructure to create innovative products that meet the needs of its teeming customers.

The bank is verifiably a leader in the deployment of various channels of banking technology, and the Zenith brand has become synonymous with the deployment of state-of-the-art technologies in banking. Driven by a culture of excellence and strict adherence to global best practices, the Bank has combined vision, skilful banking expertise, and cutting-edge technology to create products and services that anticipate and meet customers' expectations; enable businesses to thrive and grow wealth for customers.

Zenith Bank Plc, founded by Jim Ovia in 1990, has since grown astronomically to become one of the leading financial institutions in Africa. Zenith Bank Plc currently ranks as the 6th biggest bank in the continent. The Bank grew its shareholder's fund of ₦20million in 1990 to ₦704.50billion as at year end 2016. Today, the Bank continues to thrive on the strong values, brand equity, corporate culture of professionalism and service excellence which are the foundations upon which the bank was built.

2.3 Theoretical Framework
Loans/Credit Management Concept in Nigerian Banks

Management has been defined as the process of coordinating, controlling, directing and planning of limited resources to achieve the corporate goal. In managing its loans portfolio, banks are guided by government economic and monetary policies, objectives and the cannons of lending. Foremost the banks' lending is informed by government economic policy goals as spelt out in the annual budget and defined by CBN Monetary and Credit Guidelines and the Regulatory and Institutional Environment within which it operates. Banks lending ability is dependent on its deposits profile (demand, time and savings deposits) which Marshall and Swanson, (1980); pointed out constitute the largest portion of money supply to the economy. Generally, deposits of customer are repayable on demand except for time deposits which have specific maturity time for repayment. It implies, therefore that sufficient liquidity is required to absorb possible customers' deposit withdrawals and some required to meet customers' demand for loan. Loans and advances are the largest earning assets of banks but the objective of liquidity is to meet deposit withdrawals conflict with meeting customers' demand for loan. Again, Marshall and Swanson, (1980); agrees with this when they opined that the liquidity objective conflict with the objective of profitability in the conduct of Commercial Bank Management "In explaining this conflict further, Nwankwo, (1980); contended that orthodox banker consider he owes two obligations in his daily banking operation; Maximum liquidity to depositor to repay the deposits on demand or as agreed; and maximum profitability to shareholders who has contributed to set up the business. Effective lending /credit in orthodox banking philosophy according to him (Nwankwo), is the successful reconciliation of these two obligations. This philosophy he dismissed is unacceptable in a developing economy and, therefore, advocated a philosophy of creative banking. Effective lending based on this philosophy implies that question of lending which maximizes the bank's objectives of liquidity, and profitability with the economy's objectives of maximum development.

2.3.1 Commercial loan theory (Real Bill Doctrine)

Prior to the World Economic Depression of 1930's the widely held view about the liquidity question was the real bill doctrine. In this theory, the liquidity question of banks can be resolved

by acquiring short- term liquidating loan asset. This implies that meeting customers demand for loans should only be based on granting of loans to customer for short term financing of their working capital and loan secured by real goods in production, marketing and shipment. The sale of such goods invariably provides the means for liquidating the loans.

2.3.2 Shiftability Doctrine

This was developed during the 1920's and 1930's with increased holding by banks of marketable securities. To meet customers deposit withdrawals, the shiftability theory of asset management, advocates banks holding of marketable securities so that liquidity could be met by shifting or selling the securities held to other buyers. The theory presupposes a well-developed secondary securities market, Kreps (1972:18), pointed out that the doctrine was viewed by bankers as an improvement of the real bill doctrine. He argued, however, that liquidity can only be generated based on this doctrine in normal times' as marketable securities may fail to yield the desired liquidity in times of liquidity squeeze. For the doctrine to be fully operationalized, he contended that there must be a lender of last resort, willing and able to lend to banks during the time of liquidity squeeze.

2.3.3 Liability Management:

With the emergence of commercial deposits in 1961, a new approach to the liquidity question in loan management developed. Commercial deposit is an alternative means of raising deposits to meet customer deposits withdrawals. It was thus possible for banks to lend most of their deposit liabilities without being constrained by the size and maturity patterns of such loans. According to Woodworth, (1971); a proper liquidity management entails the generation of enough liquid resources as and when desired, thus eliminating the constraints of earlier concepts.

2.3.4 Profitability

Profit maximization is the primary objective of all business organizations banks as one of the profit oriented organizations tries to maximize profit by minimizing costs, risks and bank loan losses which eventually turns bad. Profits enhance the growth and expansion of any bank and it does constitute retained earnings and dividends. Dividend is the proportion of profit given to share- holders usually at the end of accounting period as returns on their investment. What makes up this profit in lending or credit facilities offered is the rate of interest charged by the banks. So if the banks are able to recover the principal plus the interest charged, then profit is declared as a result of the loan recovered.

2.3.5 Bad and Doubtful Debt in Banks

Bad debts are those credits/loans granted to customers by banks in which the customers are unable to repay. In other words, they are debts owed the banks by customers which are not only uncollectible but also unpayable. Bad debts have over the years brought colossal losses to banks and it has been identified as one factor that is responsible for the recent spate of distress in the banking sector. In spite of all the efforts by the monitoring authorities at observing lending principles and putting in appropriate lending or credit policies, bad debt remain a serious problem of the banking sector.

2.4 Emperical Review
Credit/Lending Policy Formulation

The management of any loan should start with the credit policy. The term "Credit policy" refers to those decision variables that influence the amount of credit given out to customers. The formulation of which is the responsibility of the bank directors and management. It entails

establishing guidelines which incorporates the extent of any discretion or authority delegated to the various executives and officers charged with credit administration. It thus set out rules which form the basis for subsequent monitoring. Crosse, (1962:191), pointed out that a "well – conceived lending policies are essential if a bank is to perform its credit. Creating function effectively and minimize the risk inherent in any extension of credit". The credit (Loans and Advances) are affected by economic conditions, industry norms, change in technological, competition etc. the banks have no control on factors such as economic condition, industry norm, competitions etc but can certainly influence the level of credit facilities to be given out through its credit policy within these constraints imposed externally. The credit policy of any organization may be lenient or stringent one depending on its approach.

Lenient Credit policy

Banks or firms operating a lenient credit policy tends to give credit facilities to customers very liberally that is credits are granted even to those customers whose credit worthiness are not known or is doubtful. Banks with this policy tends to have higher or a number of customers patronizing them, which in turn incur/record higher or more bad debt losses which affects the growth and profitability of the bank and also face the problem of liquidity.

Stringent Credit Policy

These are banks or firms who are very selective in extending credit or loans. They offer credit facilities to their customers who have proven credit worthiness. The banks or organizations with stringent credit policy follow tight credit standard and terms and as a result, minimize cost, risks, and chances of bad debts and problem of liquidity. In Nigeria, credit policies of banks must fall within the provisions of the regulatory/legal environment of bank lending. Policy decisions should address lending issues like the kind and number of loans a bank will give, to whom and under what circumstances. Onwughara (1992), enumerated factors, other than the legal/regulatory ones that need to be taken into consideration in formulating lending policies as follows:-
i. Structure of Deposit and Loan Maturity Profile
ii. Repayment
iii. Interest Rate

Methodology
3.1 Description of Variables

This chapter presents and defines the methods and procedures used in this study. In order to analyze the determinants of banks. Profitability, the study used three variable one of them the dependent and the two others are independent variables.

Banks profitability, typically measured by return on asset (ROA) return on equity (ROE), net interest margin (NIM). Return on Asset is defined as net profit divided by total asset and is expressed in percentage, Net interest margin reflects the difference between interest income and interest expense as a percentage of total assets. In this study, we used profit after tax as a measure of bank's profitability.

Bank specific determinants as internal factors are determined by bank's management decisions and policy objectives, such as asset size, capital adequacy, asset quality, liquidity, deposit etc. We use the following two bank specific characteristics as internal determinants of bank profitability. Loans and advances and customer's deposit.

3.2 Data and Sample Size

The data for this study comprised of the panel secondary data which is obtained from audited financial reports of zenith Bank Plc. from 2009 to 2018. Data obtained from the audited

financial statement of Zenith Bank Plc covering 10years analysis is subjected to the use of frequency distribution table analysis with a view assessed to test the hypothesis, the research made use of regression analysis, the dependent variables in regressed against the independent variables to determine if there exist a relationship between the dependent and independent variables and also ascertain the significance of such relationship.

3.3 Data Source
The data use for this study are secondary data collected from the audited Financial reports of Zenith Bank plc.for the duration of 2009-2018.

3.4 Techniques of Data Analysis:
A computerized regression analysis (SPSS Version 20) is used to measure the impact of the independent variables on the dependent variable. The data was regressed using the multiple regression equation below:

For this study, we specify the model as follows:

PAT = f (LAA, CUD)

$PAT = a_o + a_1 LAA + a_2 CUD + E$

Where

PAT – Profit After Tax

a_o = A constant, equals the value of Y when the value of X = o

a_1 = Coefficient of Loans and Advances

a_2 = Coefficient of Customers Deposit

E = Error term

Data Presentation, Analysis and Interpretation
4.0 Data Presentation and Analysis
4.1 Data Presentation
The following data presented below are gotten from Zenith Bank Plc audited financial statements/reports, covering the period of ten (10) years 2009 – 2018. The data covered certain customer's deposit.

For the sake of clarity, the data are presented in the table below: Table 1

YEAR	DEPENDENT VARIABLES	INDEPENDENT VWARIALE	
	PROFIT AFTER TAX ₦b	LOANS AND ADVANCES ₦b	CUSTOMER'S DEPOSIT ₦b
2009	21.9	0.68	1.11
2010	32.3	0.71	1.29
2011	41.3	0.83	1.58
2012	95.8	0.90	1.80
2013	83.4	1.13	2.08
2014	99.46	1.73	2.54
2015	105.66	1.99	2.56
2016	124.25	2.29	2.98
2017	173.79	2.10	3.44
2018	193.42	1.83	3.69

The first column shows the period of 10 years covered in the study, second column shows the Profit After Tax (PAT) of the bank for the 10 year period while third column shows the Loan and Advances (LAA) position of the bank for the same period and the fourth column shows the Customers Deposit (CUD).

From the above table, it shows the data from year 2009 to 2018 which is ten (10) years, which serves as the year of study. The Profit After Tax (PAT) increased constantly every year with also a continuous increase on the independent variables. Loans and Advances (PAT) and Customers Deposit (CUD).

DESCRIPTIVE STATITICS – Table 2

	N	Minimum	Maximum	Mean	Std. Deviation
PAT	10	21.90	193.42	97.1280	56.89362
LAA	10	.68	2.29	1.4190	.62917
CUD	10	1.11	3.69	2.3070	.88643
Valid N (listwise)	10				

Descriptive Statistics is to describe the variables presented in Table 1. The N value of 10 for each of the variables indicates the number of observation for each of the variables which 10. The dependent variable profit after tax (PAT) has a Minimum Value of 21.90 and a maximum value of 193.42. While the independent variables loans and advances (LAA) and customers deposit (CUD) has mean of 1.4190 and 2.3070 respectively and standard deviation of 0.62917 and 0.88643 respectively. This shows that the profit after tax (PAT) has a very high risk of variability while the independent variables have very low risk of variability.

Data Analysis
Model Summary – Table 3

Model	R	R Square	Adjusted R Square	Std Error of the Estimate	Durbin-Watson
1	.984[a]	.968	.958	11.62404	2.916

   a. Predictors: (Constant), CUD, LAA
   b. Dependant Variable: PAT

From table 3, the R Value of 0.984a shows correlation coefficient of the independent variables (LAA & CUD) and the dependent variable (PAT), are positively and significantly correlated. R-Square and Adjusted R-Square shows the extent to which the dependent variable (PAT) is been affected by the independent variables (LAA & CUD) R square value of 0.968 shows that changes in the independent variables (LAA & CUD) accounts for 96.8% of changes in the dependents variable (PAT).

The adjusted R square shows that changes in the independent variables (LAA & CUD) accounts for 95.8% of charges in tie dependent variables (PAT) with all other variables held constant. The Durbin-Waston value of 2.916 shows that the independent variables (LAA & CUD) and the dependent variables (PAT) are negatively auto correlated, because the value of 2.916 is greater than 2.

The model summary shows that Business lending and Bank Profitability are positively and significantly related.

Test of Hypothesis
Coefficients – Table 4

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig	95.0% Confidence Interval for B	
	B	Std. Erro	Beta			Lower Bound	Upper Bound
(Constant)	-48.398	10.757		-4.499	.003	-73.834	-22.963
LAA	-30.480	13.974	-.337	-2.181	.066	-63.523	2.562
CUD	81.828	9.918	1.275	8.250	.000	58.376	105.281

    a. Dependent Variable: PAT

Decision Rule: We accept the null hypothesis when the probability of the T-value is greater than 0.05 and we reject the null hypothesis when the probability of the T-value is less than 0.05.

Hypothesis 1 – There is no significant relationship between Loans and Advances (LAA) and Profit After tax (PAT).
In Table 4 Loans and Advances (LAA) has T value of -2.181 and probability of 0.066 which is slightly greater than 0.05. We therefore accept the null hypothesis; that there is no significant relationship between Loans and Advances (LAA) and Profit After Tax (PAT).

Hypothesis 2 – PAT is not significantly affected by Customers Deposit (CUD).
From table 4, Customers Deposit (CUD) has T value of 8.250 and probability of o.ooo which is less than 0.05. We therefore reject the null hypothesis that Profit After Tax (PAT) is not significantly affected by Customers Deposit (CUD).
We therefore conclude that Profit After Tax (PAT) is positively and significantly related to Customers Deposit (CUD).

Summary, Conclusion and Recommendations
5.1   Summary of findings
The most recent development in the banking industry came up when a new method of banking popularly known as Universal System of Banking. The Universal banking system is a system of banking that permits any bank to determine its portfolio offerings, which may involve non – financial services. Merchants bank are already converting to Commercial banks to be able to access the relatively cheaper and stable deposits, also giving the diminishing investment banking business in the weak economy. Banking as a service industry is organized to make "PROFIT" for the shareholders vide provision of banking services and supply of financial needs of individuals and cooperate bodies. Banks as a sub-system of national economy is not immune and is having its own share of the economic downturn in form of increasing loan defaults because of the inability of borrowers to redeem their loans, which resulted in banks failure and subsequently banks distress.

One of the major problems confronting the Nigerian banking industry today is the increasing incidence of loan defaults and consequent loan losses which manifest on the profitability of the banks, huge uncollectible loans and advances.
This study therefore, examines the impact of Loans and Advances and Customers deposit on the profitability of Zenith Bank Plc.
To assess the strength of the relationship, we employ the Pearson's Product Moment Coefficient Correlation and we found T value of -2.181 and Probabilty of 0.066 which is

slightly greater than 0.05. This reflects no significant relationship between the amount of Loans and Advances granted by the Bank and the Bank's profitability.

Customers Deposit (CUD) has T value of 8.250 and probability of o.ooo which is less than 0.05.This indicates that Profit After Tax (PAT) is not significantly affected by Customers Deposit (CUD). We therefore conclude that Profit After Tax (PAT) is positively and significantly related to Customers Deposit (CUD).

5.2 Conclusion:

This study investigated the effect of business lending on the profitability of Banks in Nigeria; Nexus a case study of Zenith Bank Plc; for the period of 2009 - 2018. The two components of business lending adopted as the explanatory variables are loans and advances (LAA) and customers deposit (CUD). Secondary data was collected from the annual financial statements of Zenith Bank Plc. The results of the analysis indicates that there is no significant relationship between loans and advances (LAA) and profit after tax (PAT). While Profit after tax (PAT) is positively and significantly related to CUD. This indicates that bank is involved in other business activities that affects the profitability of the bank significantly other than loans and advances (LAA).

5.3 Recommendations:

Based on the findings, the study made the following recommendation:

1. Banks should design more packages that would entice and motivate customers patronage and deposits this will invariably increase customers' loyal to deposit more cash with the bank which will ultimately generate additional revenue for banks.
2. Bank Management should establish sound lending policies, adequate credit administration procedure and an effective and efficient machinery to monitor the lending function in line with establishment guidelines.
3. Furthermore, the formulation and implementation of appropriate economic policies by the government as well as maintaining a stable economic environment will enhance the development of a secured loan and advances portfolio to both the customers and the banks.
4. There is also the need for a proper and well-articulated analyses over all collaterals presented for loans and advances. This will help the banks in ensuring that the assets serving as collaterals have the economic value that will cover the loans and advances collected. It will further help the recovery effort in case of any default.

REFERENCES

Akinkunmi, M.A (Ph.D) , June 2017"Determinants of banks' Profitability in Nigeria: Does relative market power matter? *Journal of Finance and Bank Management.* 5, 42-53

Ally, Z (2014)"Determinants of banks' profitabilty in a developing economy: Empirical evidence from Tanzania" *European Journal of Business and Management*, 6,363-375

Mohammed, A.(2002),*The Dynamism of the Banking Industry*: Research project report

Dr. Etale, L.M & Ujuju, L.E (November 2018)"Rsk management, risk concentration and the performance of deposit money banks in Nigeria" *International Journal of Business and Management Review.* 6, 50-58

Nwanna, O.I (Ph.D) & Oguezue ,F.C (2017)"Effect of credit management on profitability of deposit money banks in Nigeria"ILARD *International Journal of Banking and Finance Research*. 2, 137-160

Sanusi, J. (2000). Perspectives on Universal Banking: theNigerian Banker, *Journal of the Chartered Institute ofBankers of Nigerian*. Jan – June, 2000 Pgs 11 – 12.

Ekpu, V. & Ploni, A. (2016)"Business lending and Bank Profitability in the UK. Studies in

Economics and Finance" 33(2), 302-319

Zenith Bank Plc, Audited Financial Report covering 2009-2018