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INTEREST RATE AND LOAN REPAYMENT IN SOME SELECTED COMMERCIAL BANKS IN OGUN STATE NIGERIA

ADU, CECILIA ADURAYEMI (PhD)
DEPARTMENT OF ACCOUTING AND FINANCE
CRAWFORD UNIVERSITY
OGUN STATE NIGERIA
prepet99@yahoo.com/wuradare2420@gmail.com

UCHEHARA, CHRIS CHIGO (PhD)
DEPARMENT OF ACCOUNTING AND FINANCE
CRAWFORD UNIVERSITY
OGUN STATE NIGERIA

WIILIAMS, ADEKUNLE CHRISTOPHER
DEPARTMENT OF ECONOMICS EDUCATION
LAGOS STATE UNIVERSITY OF EDUCATION
IJANIKIN, LAGOS STATE NIGERIA
adecwilliams@yahoo.com

OGUNTUASE, ALEXANDER TUNDE
DEPARMENT OF ACCOUNTING AND FINANCE
CRAWFORD UNIVERSITY
OGUN STATE NIGERIA

&

OKE-POTEFA, OLADELE SEWANU
DEPARTMENT OF BUSINESS EDUCTAION
LAGOS STATE UNIVERSITY OF EDUCATION
IJANIKIN, LAGOS STATE NIGERIA

Abstract
Nigerian banks play intermediary roles of channelling funds from surplus unit of the economy to the deficit unit of the economy at a cost called lending rate. The Lending rate represents the price of loans extended to borrowers by commercial banks. The objectives of the study were to determine the effect of interest rate on the lending capacity of commercial banks and to establish the relationship between interest rate and loan size of customers. Both primary and secondary sources of data were used for this study based on the hypotheses. The study concluded that the rate of interest on loan led to failure in prompt repayment thus making recovery to be slow; the result also showed that interest rate has a relatively significant influence on the repayment capability of the customers. It was recommended that there should be a continuous improvement on interest rate as a requirement to enforce compliance with policies and regulations.

Key words*: interest rate, loan size, repayment capacity, lending capacity, credits.*

Introduction

The banking industry in Nigeria is in the business of providing financial capital to the business community as well as individual customers. Banks do this with the expectation of achieving targeted rates of returns on the extensions of credit over a period of time and eventually reclaiming their principal with interest. Any extension of credit carries with it the risk of non-payment, under the terms of the financial relationship between the financier and an individual or corporate organization. Based on this fact, banks have a strong vested interest in performing extensive due diligence, prior to committing funds and on regular basis to minimize credit risk and achieve an enhanced value for their organization (Olawale, Tomola, James and Felix, 2015).

Since most banking assets are loans and advances, the process of assessing the quality of bank credit and its impact on the bank's financial condition is critical. As rightly observed by Sulaimon (2001), it is unfortunate that one of the most serious deficiencies prevalent among Nigerian banks has been the inability of their management to identify problem assets. This according to Ojo (2010) is borne out of ignorance or intense desire to declare huge profits at the end of the financial year. As a result, balance sheets often do not reflects the banks true financial condition, while profit and loss account often overstate profits from which taxes and dividends are paid. Whenever the bank's supervisors and regulators discover such deficiencies, the affected banks are often required to make up for the shortfall in provisions with adverse consequences for their financial statements. The profit for the emerging period is usually wiped off while the resultant losses would negatively affect the bank's assets quality as well their capital adequacy ratios(Iwedi, and Onuegbu, 2014).

The excessively high level of non-performing loans in the banks were caused by poor corporate governance practices, tax credit administration processes and the absence or non-adherence to credit risk management practices. High level of NPL has a tendency to reduce the lending ability of deposit money banks and possibly put them out of business. It was reported that the banking industry had been hit by low quality loan assets as a result of poor economic and financial conditions in the country following the Great financial recession of 2008 and the negative oil price shock. Low debt recovery hindered banks from extending further credit into the economy which adversely affected productivity. Asset Management Corporation of Nigeria (AMCON) was then established in 2010 as a monetary policy response to solve the aching problem of non-performing loans troubling the commercial banks. Now in 2016, Nigeria faces another economic crisis in the form of falling oil prices, poorly performing financial market and worrisome exchange rate volatility, issues of credit defaults and non-performing loans have once again come to the forefront of economic discourse. It is against this background that this study seeks to examine the relationship between credit risk management on deposit money bank performance and lending growth (Adu, Owualah and Babajide,2019).

Objectives of the Study

The main objective of this study is to discover the effect of interest rate on loan repayment of customer's credit in the commercial bank while other specific objectives are to:

i. determine the effect of interest rate on the lending capacity of commercial banks
ii. examine the effect of interest rate on loan size of customers
iii. examine the effect of interest rate on repayment capability of customers

Research Question

For the purpose of this study, the following research questions are enumerated in line with the objectives of the study:

i. To what extent is the effect of interest rate on lending capacity of commercial banks loan to customers?
ii. How is the effect of interest rate and loan size of a customer?
iii. To what extent has interest rate affected loan repayment of customers?

Research Hypotheses

H_o: Interest rate does not have significant effect on lending capacity of commercial bank's loans to customers.

H_o: There is no significant relationship between interest rate and loan size of a customer.

H_o: Interest rate does not have significant effect on loan repayment of customers.

Scope of the Study

This research work is centred on the effect of interest rate on customer's credits in the commercial banks who are customers of First Bank of Nigeria Plc and Guaranty Trust Bank in Abeokuta in Ogun State.

Literature Review

Commercial Banks

These are banks that perform all kinds of banking businesses and generally finance trade and commerce. Since their deposits are for a short period, these banks normally advance short term loans to businessmen and traders, avoid medium term and long term lending. However, recently, the commercial banks have also extended their areas of operation, to medium terms and long term finance. Commercial banks are also called joined stock loans(Adu,2016).

Adu (2023) defined a commercial bank as a bank that sells deposits and makes loans to businesses and individuals. Commercial banks are profit making institutions that receive deposits from the public, safeguard them and make them available on demand and make loans or create credit. Their functions among which the main ones are accepting deposits, lending (by granting loans, overdraft and by accepting bills) and agents of payment (by cheques, credit transfer, credit card, standing order). Other functions of commercial banks include providing cash dispensers, buying and selling of shares and stocks for customers in the stock exchange market, giving investment and financial advices to customers, providing travellers cheque to facilitate foreign trade, providing bank statements, acting as executors and trustees and safekeeping of valuables such as jewelries, documents and certificates(Adu, 2023).

Loans

This proportion of the bank's balance sheet makes up the vast majority of their assets. There are two categories of loans: Non-marketable debt (NMD) (made up to loans to non-banks and interbank loans) and Marketable debt (MD), i.e investments. The author pursued that the majority of banks loans are NMD. There are various loan types which include real estate loans, financial institution loans, agricultural loans, commercial loans, consumer loans, lease financing receivables and miscellaneous loans (Omole, and Falokun, 1999).

Interest Rates

Interest rates instability generally has been associated with poor financial performance of commercial Banks. Without interest rates stability, domestic and foreign investors will stay away and resources will be diverted elsewhere. In fact, econometric evidence of investment behaviour indicates that in addition to conventional factors (past growth of economic activity, real interest rates, and private sector credit), private investment is significantly and negatively influenced by uncertainty and macroeconomic instability (Sayedi, 2013). Although it is difficult to prove the direction of the relationship between interest rates and profitability, studies confirm that interest rates instability affects commercial banks financial performance with studies giving contradicting findings (Gilchris, 2013).

METHODOLOGY

Research Design

For the purpose of this research work to be carried out, a good analysis and reaching a reasonable conclusion, data had been collected from primary and secondary source. The research design refers to the way the various component of the study are organized in a coherent and logical way, through ensuring an effective addressing of the research problem. In this study, the descriptive survey research design is adopted.

Population of the study

This research was only limited to employees of five selected registered banks operating within Ogun State with an average management staff of 35 therefore, the population of this study consist of 175 staff members made up of loan officers, bank tellers, internal auditors, bank marketing representatives, branch managers, data processing officers etc.

Sources of Data

Both primary and secondary source of data was used in this study. For sourcing of primary data, questionnaire was constructed in line with the research hypothesis. The questionnaire was administered by the staff of the 5 registered banks in Ogun State.

Research Instrument

The questionnaire issued contained certain questions which are in accordance with the research work and the questions are framed in a way that it would not be misunderstood by the respondent. The questionnaire was subjected to five point likerts scale rating ranging from 1 the lowest to 5 the highest points. The ranges are (undecided, strongly disagree, disagree, agree and strongly agree.

Measurement of Variables

The variables that were operationalized for this study were covered in this section. The variables included the dependent variable which is borrowing habits of the customers. The independent variable is proxy by commercial bank services. Other variables measured in this study is perception of commercial bank services by customer and challenges faced by commercial bank customers.

Method of Data Analysis

Linear regression techniques and simple percentage and mean were employed by the researcher in analyzing various data obtained from the respondents. This method was appropriate for the three objectives designed for this study. This analysis was aided with Statistical Packages for Social Science (SPSS).

Model Specification

For the purpose of the study, the research model is specified as:

BP = F(MPR, IRS, SLR, EXR, INF, NPL) ----------------- equation i

$BP = a_o+a_1MPR+a_2IRS+a_3SLR+a_4EXR+a_5INF+a_6NPL+U$ ----------------- equation ii

Where:

BP = Bank Performance
MPR = Monetary Policy Rate
IRS = Interest Rate Spread
SLR = Statutory Liquidity Ratio
EXR = Exchange Rate
INF = Inflation Rate
NPL = Non Performing Loan
a_o, a_1, a_2, a_3, a_4, a_5 and a_6 are parameter
U = Stochastic error term

DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

4.1.1 Analysis of demographic characteristics of respondents

TABLE: 4.1 Gender of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	54	54.0	54.0	54.0
	Female	46	46.0	46.0	100.0
	Total	100	100.0	100.0	
Total		100	100.0		

Field Survey 2023

Table 4.1 shows that 54% of the respondents are Male, 46% of the respondents are Female. This implies that majority of the respondents are Male.

Table 4.2: Age of Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	21-30	30	30.0	30.0	30.0
	31-40	36	36.0	36.0	66.0
	41-50	24	24.0	24.0	90.0
	51-70	10	10.0	10.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.2 shows that 30% of the respondents are between 21-30, 36% of the respondents are between 31-40, 24% of the respondents are between 41-50 while 10% of the respondents are between 51-70. This implies that majority of the respondents are between 31-40.

TABLE 4:3 Marital Status of the Respondents

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Married	50	50.0	50.0	50.0
	Single	38	38.0	38.0	88.0
	Divorced	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.3 shows that 50% of the respondents are married, 38% are single while 12% of the respondents are divorced. This implies that majority of the respondents are married.

TABLE 4:4 Respondents Educational Qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	First School Leaving Certificate	10	10.0	10.0	10.0
	WASSCE/GCE	14	14.0	14.0	24.0
	NCE/ND	20	20.0	20.0	44.0
	HND/BSc	56	56.0	56.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.4 shows that. 10% of the respondents are First School Leaving Certificate holders, 14% of the respondents are WASSCE/GCE holders, 20% of the respondents are OND/NCE holders while 56% are HND/BSc holders.

This implies that majority of the respondents are HND/BSc holders.

TABLE 4:5 Respondents Occupational Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accounting Officer	20	20.0	20.0	20.0
	Teaching	16	16.0	16.0	36.0
	Trading	14	14.0	14.0	50.0
	Engineering	10	10.0	10.0	60.0
	Civil Servant	28	28.0	22.0	88.0
	Others	12	12.0	12.0	100.00
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.5 shows that 20% of the respondents are Accounting Officer, 16% are Teaching, 14% are Trading, 10% are Engineering, 28% are Civil Servants while 12% are other profession.

This implies that majority of the respondents are Accounting Officer.

TABLE 4:6 Interest Rate Affects Commercial Banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	26	26.0	26.0	26.0
	Agree	24	24.0	24.0	50.0
	Undecided	6	6.0	6.0	56.0
	Disagree	22	22.0	22.0	78.0
	Strongly Disagree	22	22.0	22.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.6 shows that 26% of the respondents strongly agreed, 24% of the respondents agreed, also 6% were undecided, 22% of the respondents disagreed while 22% of the respondents strongly disagreed that Interest Rate Affects Commercial Banks.

This implies that majority of the respondents strongly agreed to the statement.

TABLE 4:7 Central Bank Influence the Lending Capacity of Commercial Banks

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	30	30.0	30.0	30.0
	Agree	46	46.0	46.0	76.0
	Undecided	2	2.0	2.0	78.0
	Disagree	14	14.0	14.0	92.0
	Strongly Disagree	8	8.0	8.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.7 shows that 30% of the respondents strongly agreed, 46% of the respondents agreed, also 2% were undecided, 14% of the respondents disagreed while 8% of the respondents strongly disagreed that Central Bank Influence the Lending Capacity of Commercial Banks.

This implies that majority of the respondent agreed to the statement.

TABLE 4:8 Customers Deposit Determines Interest Rates on Loans

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	26	26.0	26.0	26.0
	Agree	38	38.0	38.0	64.0
	Undecided	8	8.0	8.0	72.0
	Disagree	18	18.0	18.0	90.0
	Strongly Disagree	10	10.0	10.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.8 shows that 26% of the respondents strongly agreed, 38% of the respondents agreed, also 8% were undecided, 18% of the respondents disagreed while 10% of the respondents strongly disagreed that Customers deposit determines interest rates on loans.

This implies that majority of the respondent agreed to the statement.

TABLE 4:9 Inflation Rates Affects Loan Size of Customers

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	34	34.0	34.0	34.0
	Agree	38	38.0	38.0	72.0
	Undecided	2	2.0	2.0	74.0
	Disagree	18	18.0	18.0	92.0
	Strongly Disagree	8	8.0	8.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.9 shows that 34% of the respondents strongly agreed, 38% of the respondents agreed, also 2% were undecided, 18% of the respondents disagreed while 8% of the respondents strongly disagreed that Inflation rates affects loan size of customers.

This implies that majority of the respondent agreed to the statement.

TABLE 4:10 Lack of Multiple Investment Knowledge Affects Repayment of Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	28	28.0	28.0	28.0
	Agree	36	36.0	36.0	64.0
	Undecided	8	8.0	8.0	72.0
	Disagree	16	16.0	16.0	88.0
	Strongly Disagree	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.10 shows that 28% of the respondents strongly agreed, 36% of the respondents agreed, also 8% were undecided, 16% of the respondents disagreed while 12% of the respondents strongly disagreed that Lack of multiple investment knowledge affects repayment of loan.

This implies that majority of the respondent agreed to the statement.

TABLE 4:11 Liquidation Risk of Borrower's Business Affects The Repayment of Loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strongly Agree	46	46.0	46.0	46.0
	Agree	38	38.0	38.0	84.0
	Undecided	8	8.0	8.0	92.0
	Disagree	6	6.0	6.0	98.0
	Strongly Disagree	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

Field Survey 2023

Table 4.11 shows that 46% of the respondents strongly agreed, 38% of the respondents agreed, also 8% were undecided, 6% of the respondents disagreed while 2% of the respondents strongly disagreed that Liquidation risk of borrower's business affects the repayment of loan.

This implies that majority of the respondent strongly agreed to the statement.

ANALYSIS OF DATA

The data generated through the administered questionnaires were analyzed using SPSS (Statistical Package for Social Sciences) version 23.0. Mean and standard deviation were obtained through the descriptive analyses of respondent's responses for each item as regards the formation of the data generated on electronics marketing and organization performance.

The results of the survey are shown in the table that follows.

TABLE 4.12: Respondents' Opinion on interest rate and Lending capacity of customers

S/N	Statements	Mean	Standard Deviation
1.	Interest rate affects commercial banks' credits	4.1000	1.54724
2.	Central Bank influences the lending capacity of commercial banks	4.2100	1.24819
3.	Calculation of interest rate really influences customers in obtaining loan	4.2500	1.34375
4.	Interest rate change affects the profitability of banks	4.3000	1.03748
5	Control of supply of money by Central Bank affects interest rate	4.4000	1.23272
6	Fixed interest rate imposed by Central Bank affects interest rate	4.1000	1.19949
7	Capital structure of commercial banks drives its interest rate spread	3.8900	1.22268
	Grand Mean	4.2896	1.26165

***Decision Rule if mean is ≤ 1.49 = Strongly Disagree; 1.5 to 2.49 = Disagree; 2.5 to 3.49 = Agree; 3.5 to 4=strongly Agree

Table 4.12 showed that majority of the respondents agreed that Interest rate Lending capacity of customers with mean value of 4.1000. Item 2 showed that majority of them agreed that Central bank influence the lending capacity of commercial banks with mean value of 4.2100 Items 3 indicate that, Calculation of interest rate really influence customers in obtaining loan with mean value of 4.2500. Items 4 showed that majority of them agreed that Interest rate change affects the profitability of banks withmean value of 4.3000. Item 5 showed that majority of the respondents agreed that Control of supply of money by central bank affects interest rate with mean value of 4.4000. Item 6 also showed that majority of them agreed that Fixed interest rate imposed by Central Bank affects interest rate with the mean value of 4.1000 while item 7 shows that majority of the respondents agree that Capital structure of commercial banks drives its interest rate spread. The analysis indicates that majority of the respondents strongly agree to the opinion ofinterest rate on lending capacity of customers with the average mean of 4.2896.

TABLE 4.13 Respondents Opinion on interest rate and loan size of customers

S/N	Statements	Mean	Standard Deviation
1.	Customer's deposit determines interest rate on loans	4.2300	1.32177
2.	Inflationary rate affects loan size of customers	3.1500	1.31871
3.	Interest rate influences the loan size of customers	3.3000	1.30655
4.	The worth of customer's collateral determines its loan size	3.5200	1.46556
5	Character of customer determines his loan size	3.8000	1.44516
6	Guarantor toa borrower influences its loan size	4.2300	1.43604
7	Existing lending relationship between the bank and the customer has an impact on his loan size	3.7500	1.31518
	Grand Mean	3.7114	1.3727

***Decision Rule if mean is ≤ 1.49 = Strongly Disagree; 1.5 to 2.49 = Disagree; 2.5 to 3.49 = Agree; 3.5 to 4=strongly Agree

Table 4.13 shows that majority of the respondents claim that customer's deposit determines interest rate on loan with mean value of 4.2300. Item 2 shows that majority of them agree that inflationary rate affects loan size of customer with amean value of 3.1500. Items 3 shows that majority of the respondents also claim that interest rate influences the loan size of customers with a mean value of 3.3000. Items 4 shows that majority of them agree to the claim that the worth of customer's collateral determines his loan size with a mean value of 3.5200. Item 5 shows that majority of the respondents agree that character of customer determines his loan size with the mean value of 3.8000, also item 6 shows that majority of the respondents agree that guarantor of borrower influences his loan size with the mean value of 4.2300 while item 7 shows that majority of the respondents agreethat an existing lending relationship between the bank and the customer has an impact on his loan size with the mean value of 3.7500.

The analysis indicates that majority of the respondents agree to the opinion of interest rate on loan size of customers with the average mean of 3.7114.

TABLE 4.14: Respondents Opinion of Interest Rate on Repayment Capability of Customers

S/N	Statements	Mean	Standard Deviation
1.	Fluctuating interest rate affects repayment of loan	4.2800	1.26635
2.	Lack of multiple investment knowledge affects repayment of loan	3.4900	1.36685
3.	High level of job insecurity of the borrower affects loan repayment	3.8000	1.33394
4.	Liquidation risk of borrower's business affects the repayment of loan	3.8500	.96400
5	National insecurity in the economy affects repayment of loan	4.2500	1.18646
6	Negligence of customer to enquire vital information pertaining to interest of loan	4.2800	1.31641
7	Lack of consideration of the time frame of investment affects repayment of loan	3.6500	1.37936
8	Negligence of customer in reading and understanding the loan form before accepting the loan terms	3.8000	1.39262
	Grand Mean	3.9250	

***Decision Rule if mean is ≤ 1.49 = Strongly Disagree; 1.5 to 2.49 = Disagree; 2.5 to 3.49 = Agree; 3.5 to 4=Strongly Agree.

Table 4.14 shows that majority of the respondents claim that fluctuating interest rate affects repayment of loan with mean value of 4.2800, Item 2 shows that majority of them agree that lack of multiple investment knowledge affects repayment of loan with a mean value of 3.4900. Item 3 shows that majority of the respondents also claim that high level of job insecurity of the borrower affects repayment of loan with mean value of 3.8000. Items 4 shows that majority of them agree to the claim that liquidation risk of borrower's business affects the repayment of loan with the mean value of 3.8500. Item 5 shows that majority of the respondents agree that National insecurity in the economy affects repayment of loan with the mean value of 4.2500. Also, item 6 shows that majority of the respondents agree that negligence of customer to enquire vital information pertaining to interest on loan has the mean value of 4.2800 while item 7 shows that majority of the respondents agree tolack of consideration of the time frame of investment affects repayment of loan with the mean value of 3.6500.

Finally, Item 8 shows that majority of the respondents agree thatnegligence of customer in reading and understanding the loan form before accepting the loanterms has the mean value of 3.8000. The analysis indicates that majority of the respondents agree to the interest rate on repayment capability of customers with the average mean of 3.9250.

Testing and Hypothesis

Restatement of Hypothesis One (H_{01}): Interest rate has no significant effect on loan size of customers.

The above hypothesis was tested using the simple regression analysis. The results of the regression analysis are presented in Table 4.15

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.979[a]	.959	.958	1.90598

a. Predictors: (Constant), IR

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	8280.990	1	8280.990	2279.532	.000[b]
	Residual	356.010	98	3.633		
	Total	8637.000	99			

a. Dependent Variable: LS

b. Predictors: (Constant), IR

Co-efficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.205	.413		-.496	.621
	IR	1.073	.022	.979	47.744	.000

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a. Dependent Variable: LS

Interpretation: Interest rate has no significant effect on loan size of customers

The result in Table 4.15 showed that there is a statistically determinant effect between interest rate and loan size of customersas it is associated with a sig-value of 0.000 which is less than 0.005 or 5%. This means that there is a moderate effect of interest rate onloan size (R = 0.979).Table 4.8 further shows the regression analysis between the explanatory variable (Interest rate) and Revenue. The table shows the unstandardized coefficient of interest rate to be (B = 1.073; t = 47.744, p = .000) meaning that interest rate has a significant impact on loan size. This is further shown as F-statistic equals 2279.532and p-value of 0.000 which is smaller than the adopted level of significance 0.05. This means that interest rate positively influences the loan size of customers. Further evidence is the fact that the percentage of variance in loan size explained by interest rate is about 97.9%.

On a simple regression relationship, the constant has a negative coefficient of -0.205, implying that interest rate constant influencesloan size negatively. The coefficient of interest rate is 0.979, implying that a change in interest rate leads to 97.9 % increase in the loan size of the customers. This result demonstrates that interest rate negatively affectsloan sizeof customers. Therefore, the null hypothesis one (H_{01}) which states that interest rate does not have any significant effect on loan sizeis hereby accepted.

Restatement of Hypothesis two (H_{02}): Interest rate has no significant impact on the repayment capability of customers.

The above hypothesis was tested using the simple regression analysis. The results of the regression analysis are presented in Table 4.16

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.989[a]	.979	.979	1.43843

a. Predictors: (Constant), IR

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	9432.791	1	9432.791	4558.941	.000[b]
	Residual	202.769	98	2.069		
	Total	9635.560	99			

a. Dependent Variable: RC

b. Predictors: (Constant), IR

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.303	.312		-.971	.334
	IR	1.145	.017	.989	67.520	.000

Field Survey 2023
Dependent Variable: RC

Interpretation: Interest rate has no significant impact on the repayment capability of customers.
According to the results in Table 4.16, the R value for the determinant of interest rate and repayment capability was 0.989meaning that there is a strong significant relationship between interest rate and repayment capability. Furthermore, the value of coefficient of determination (R Squared) is 0.979 which implies that 97.9% variation of the repayment capability of customers is due to the variation in interest rate. Also, the value of F-statistic is 4558.941 with $p <0.05$.
This shows that the model was statistically significant.
The result implies that Interest rate has significant effect on Loan size.
Consequently, in Table 4.10, the beta coefficients indicated the extent Interest rate affects Repayment capability of the customers. The results showed that Interest rate (B= 1.145, t= 67.520, p<0.05) has a relatively significant influence on the Repayment capability of the customers.
On a simple regression relationship, the constant had a negative coefficient of -0.303, implying that interest rate constant influences repayment capability negatively. The coefficient of interest rate is 0.989, implying that a change in interest rate willlead to 98.9 % increase in the repayment capability of customers.This result demonstrated that interest rate negatively affectsthe repayment capabilityof customers. Therefore, the null hypothesis two (H_{02}), which states that interest rate does not have any significant effect on repayment capability of the customers is hereby accepted.

Discussion of Findings
This study investigated the impact of interest rate on customer's credit of selected money deposit banks in Abeokuta, Ogun State, Nigeria. The result revealed that interest rate had a negative significant effect on the customer's credit of selected money deposit banks.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Findings
This study investigated the impact of interest rate on customer's credit of selected money deposit banks in Abeokuta, Ogun State, Nigeria. The result revealed that interest rate had a negative significant effect on the customer credit of the selected money deposit bank.

Conclusion

The study concluded that the rate of interest on loans leads to failure to pay in time and thus loan low repayment. It was also concluded that banks need toclassify customers to mitigate on failing to pay loans and that preventing defaulters fromreceiving more loans from any other bank in the future is compulsory. Loan size management can be influenced by the extent to which the bank can recover loans from its clients and the amount of returns that the loan yields.

Recommendations

Based on the findings of the study, the following recommendations were made:

Since many of the defaulters of loans mainly result from the short term loans, commercialbanks should charge a fair and reasonable rate which the short term borrowers can afford andthe same time avoid risk of default in the long-run.

This study also recommended that commercial banks ought to screen and try to classify their loan customers to avoid issuing loans to the wrong class with the wrong amounts and these may result to increased loan repayment.

The study also recommended that, in order to reduce risk of liquidity and increase rate of loan repayment, commercial banks should be encouraged to consider loan portfolio diversification by loaning out to different classes of individuals since increased loans leads to liquidation burdens if that sector is affected negatively.

The study also recommended that there is need for an effective loan size management which begins with oversight of the risk in individual loans. Economic trends need consideration before deciding interest rates on loans. Fair interest rates favours clients' willingness to repay affordably. There is need for adequate loan review policies and strict enforcement to credit officers who issue credit without following the credit policies of the bank.

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