**ADEKUNLE AJASIN UNIVERSITY**

**LOAN SCHEME MANAGEMENT SYSTEM**

**SUPERVISOR**

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**CHAPTER ONE**

**1.0 INTRODUCTION**

**1.1 BACKGROUND OF STUDY**

Loan can be defined as the act of lending of money by one or more individuals, organizations, or other entities to other individuals, organizations etc. The recipient (i.e. the borrower) incurs a debt, and is usually liable to pay interest on that debt until it is repaid, and also to repay the principal amount borrowed but not all loan requires interest, it all depends on the agreement between the lender and the borrower. The document evidencing the debt, e.g. a promissory note, will normally specify, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and date of repayment. (Signoriello, 2011). A loan entails the reallocation of the subject assets for a period of time, between the lender and the borrower. The interest provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Acting as a provider of loans is one of the main activities of financial institutions such as banks and credit card companies. For other institutions, issuing of debt contracts such as bonds is a typical source of funding. (Vincent, 2011).

A loan entails the redistribution of financial assets or money over time, which occurs between the lender and the borrower. In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time. Typically, the money is paid back in regular installments, or partial repayments; in an annuity, each installment is the same amount.

The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. It’s hard to say which factor is the most important when it comes to your business loan, with each lender weighing criteria differently. For one, it could be your business’s minimum annual revenue that decides the success of your application, while another could look more closely at how long you’ve been in business, your personal credit score or collateral you’re able to put up. (Guttentag and Jack, 2017).

There are several organizations in Nigeria which ranges from private to public organization. *The* Publicorganizations are organization that are owned and operated by the government and exist to provide services for its citizens while a private organization is any partnership, corporation, person, or agency that is not operated by a profit or a public body. It includes all businesses that are for-profit that are not government owned or operated. In this work, we will be using a case study of a private organization. AB Microfinance Bank is a national microfinance bank licensed by the Central Bank of Nigeria (CBN), with its head office in Lagos and branches spread across Lagos, Oyo, Ogun and Ondo State. AB Microfinance Bank Nigeria is committed to its passion of helping to improve the business opportunities of entrepreneurs by availing them of easy access to affordable loans, as well as improve the general financial status of everyone with its deposit accounts. It is a limited liability company duly incorporated in Nigeria under the 2002 Companies and Allied Matters Act, and is regulated by the Central Bank of Nigeria as a fully-fledged microfinance bank. This company has adopted the computerized system for their loan processing but there are still some lapses associated to the processing. Below are some of the issues associated to loan.

1. The existing loan processing system is not capable of detecting impersonation or in cases where a customer has to fake his/her identity to request for a new loan.
2. More human effort is needed in the processing of loan which doesn’t make the operation fully computerized. In the aspect of approving loan, the form in filled by the lender would have to be verified couple of times b4 approval.
3. The processing is slow.
4. The company still make use of manual method of keeping record, that’s due to the inefficient database being used in the company computerized system.

That has brought up the development of an automated system to handle the loan management scheme system. An Automated system operations (ASO) is the set of software and hardware that allows computer systems, network devices or machines to function without any manual intervention. Automated system allows computer systems to work without much of human being physically located at the site where the system is installed.

In this research work, the researcher will be developing and automated loan management scheme for a private organization like AB Microfinance Bank, which the handles the loan processing and also in the process of paying back the loan.

**1.2 STATEMENT OF PROBLEM**

Loan management in many organizations are still characterized not only with bureaucracy and processing delay but with fraudulent activities that can mar the prospect of the scheme and its effect can psychologically affect the life of the cooperators.

Hence the need for an improved loan scheme management system as proposed in this work.

**1.3 AIM AND OBJECTIVES**

The aim of the study is to develop a loan scheme management system that will improve efficiency and overcome the problems of the convention scheme. The following are the objectives of the study;

1. To develop a system platform that supports registration, management and administration of loan.
2. To implement the proposed system.
3. Evaluate the performance of the system in term of efficiency

**1.5 RESEARCH METHODOLOGY**

To achieve the aim of this work, the following steps shall be taken into consideration

Object oriented analysis and design will be adopted in this work and the software development life cycle to be used is water fall model. It is a model that implements a linear-sequential life cycle model. In a waterfall model, each phase must be completed before the next phase can begin and there is no overlapping in the phases. The model is shown in Figure 1.1 as follows:

**Requirement Analysis**

**Testing**

**Implementation**

**System Design**

**Maintenance**

**Deployment**

**Waterfall Mode**

Figure 1.1: Waterfall Model adopted for the Research

The components of the model are presented as follows:

**a. Requirement Gathering and Analysis**

All possible requirements of the system to be developed are captured in this phase and documented in a requirement specification document. This requires the research going to loan management agencies, most particularly micro finance banks to understand how their system operates.

**b. System Design**

Design of the system model and architecture would be done using class diagram, use case and sequential design. The requirement specifications from first phase are studied in this phase and the system design is prepared. This system design helps in specifying hardware and system requirements and helps in defining the overall system architecture.

**c. Implementation**

This project would be developed using Java programming language for the interface of the program, which would link the front end (FXML) and the back end (MYSQL) together. Netbeans IDE would be used as the development environment.

**d. Integration and Testing:**

All the units developed in the implementation phase are integrated into a system after testing of each unit. Post integration exists when the entire system is tested for any faults and failures.

**e. Deployment of System:**

Once the functional and non-functional testing is done, the product is deployed in the customer environment or released into the market.

**f. Maintenance:**

There are some issues which come up in the client environment. To fix those issues, patches are released. Also to enhance the product some better versions are released. Maintenance is done to deliver these changes in the customer environment.

**1.6 CONTRIBUTION TO KNOWLEDGE**

The proposed system will be of great help to organization for improved management of their loan scheme. Additionally, it will overcome the conventional problems of delay and processing errors.

**1.7 DEFINITION OF TERMS**

**Loan:** is the lending of money by one or more individuals, organizations, or other entities to other individuals, organizations etc.

**Automated System:** is the set of software and hardware that allows computer systems, network devices or machines to function without any manual intervention.

**Organization:** An organization or organization is an entity comprising multiple people, such as an institution or an association, that has a particular purpose.

**Centralized Organization:** Centralized organization can be defined as a hierarchy decision-making structure where all decisions and processes are handled strictly at the top or the executive level.

**Incentives:** a payment or concession to stimulate greater output or investment.

**Scheme:** a large-scale systematic plan or arrangement for attaining some particular object or putting a particular idea into effect.