



# Assessment of 5Cs Relationship towards Credit Risk Management: Evidence from Islamic Banks

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## Abstract

This study aims to provide a new approach to assess the Character, Capacity, Capital, Condition, and Collateral (5Cs) variables towards the Islamic Bank Credit Risk Management from the Islamic Banks in Nigeria. The study used a quantitative approach using a structured questionnaire; 310 individuals participated. Data are sourced from Islamic Bank staff, customers of Islamic Bank, experts from financial institutions and some Shariah scholars of the advisory board of Islamic banks. The study employed structural Equation Modeling (SEM), using AMOS and SSPS, are used for analysis. The results indicate a positive relationship between Character, Capacity, Capital, Condition, and Collateral (5Cs) and Islamic Bank Credit Risk Management; such can also control and mitigate Credit Risk in an Islamic Bank in Nigeria. In the managerial part, such credit risk should be considered vital in examining and controlling credit risk-mitigation. The paper indicates a positive and significant relationship between the Character, Capacity, Capital, Condition, and Collateral (5Cs) and Islamic Bank's Credit Risk Management. The authors innovatively use a unique sample to assess the relationship between 5Cs and Islamic Bank's Credit Risk Management. Even though 5Cs and Credit Risk Management are well-known in the conventional financial concept system, while have not been elaborate on Islamic Banks as the paper attempts to fill the gap. The study is limited to Northern Nigeria and did not cover the entire regions of the country due to the resource constraints and short study period.

*Keywords:* 5Cs, credit risk management, Islamic banks, credit

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## 1. Introduction

Islamic banking, which origin can be traced back to the 1960s, is considered one of the fastest-growing sectors based on an interest-free system. The scheme was initially started in 1963 in Egypt (Wan Ibrahim and Ismail, 2015). The size and number of Islamic banking are continuously growing in different parts of the World, currently operating in more than 75 countries around the World (Salman and Nawaz, 2018). Since then, Hasan (2020) recorded that Iran and Sudan's financial services operate in line with Islamic principles (Hussain et al., 2016). In some other countries, such as the Western World, conventional financial institutions co-exist with Islamic banks under the same umbrella as an Islamic window or subsidiary (Hasan, 2020). History indicates that during the second wave of the 2008 world financial crisis, Islamic banks emerged unscathed, suggesting the asset and credit of Islamic financial institutions (IFIs) were nearly twice of conventional banks (Chamberlain et al., 2020). However, Daher et al. (2015) indicated that Islamic banks lacked strong risk management. IFI refers to a financial institution that strictly adhere to the rules and tenets of Shariah, which distinguished the practical operations of Islamic bank and conventional system, such as the prohibition of interest rate, the reliance on profit-sharing and tangible assets, respectively (Yusof et al., 2015). According to Heckmann et al. (2015), risk refers to uncertain future events that could influence the achievement of organizational goals and objectives, including financial, strategic operational and financial compliance. It could also indicate an uncertain future possibility like a failure of a borrower to repay on time.

Credit risk arises whenever a borrower fails to meet their obligations as specified in the loan contract. Financial institutions' health impairs properly managed credit risk and effective management often requires

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dealing with factors affecting credit risk management (Taiwo et al., 2017). Credit risk is one of the significant risks experienced by the conventional system as well as the Islamic banks as a new actor in a field where it is not immune to such risk. Many literature reviews discussed the risk related to products rendered by Islamic banks, such as *Mudarabah*, *Musharakah*, *Murabaha*, *Salam*, *Istisnah* and other related instruments. Instead, in this regard, the study focuses on individual capacity and capability towards credit risk management. In the process, the study will answer the following question: How can Personal Character, Personal Capacity, Capital, Personal condition as 5Cs affect Credit Risk Management?

The study is organized in the following sequence; the second section is the literature review, aligns with credit risk management's determinant factor. The third section is the methodology used for analysis. The last section is the results presentation discussion, conclusion, and limitation.

## 2. Literature Review

This section focuses on factors affecting credit risk based on individual borrowers' ability to repay the debts based on client assessment towards credit risk management. The guidelines of credit risk in an Islamic bank is designed by a risk management board, which is clearly defined as a potential failure that needs to be assessed in terms of its obligation and attributes on the beneficiaries to manage the essential and possible failure from scratch (Iheduru, 2004). The individual's assessment and identification of the individual capacity through 5Cs of credit which an Islamic bank tactically adopted is to gauge the potential borrower's creditworthiness. The five Cs consist of Character: which is identifying the applicant's credit history; Capacity: indicating the income to debts ratio of the borrower; Capital: once the client is a business owner or borrowing through an organization, the capital amount of that organization used for investment needs to be checked; Collateral: its attribute to an asset that backs the borrowing or stands as security for the borrowing; and Condition: is act as the reason for borrowing and the amount to be generated during or at the end of the investment.

### 2.1 Information Theory of Credit

The Information Theory of Credit refers to the amount a firm or individual credit rating has as financial institutions to predict the possibility of repayment of the loan from an individual or firm as a prospective customer. The more the financial institution assesses the potential customer's credit history, the more profound borrower would be evaluated by the bank (Frost et al., 2019).

### 2.2 Determinant Repayment of the Loan

The recovery of a loan from an individual or firm can be attributed to various factors, ranging between credit management administration and economic conditions. One of the most significant and critical determinants of loan repayment depends upon the robustness of credit appraisal, which can manage customer credit lines (Chaibi and Ftiti, 2015). The credit assessment helps financial institutions tactically grape an insight into a customer's financial weakness or strength to analyze its repayment patterns and credit score history. However, credit assessment's effectiveness depends on the procedure and method used to evaluate the customers' credit history (Lessmann et al., 2015). Chaibi and Ftiti (2015) discussed that accessing credit approval in a financial institution is simple but subjective, which is a fairly complex method that refers to computer-generated models. The focus on such a procedure is to avoid defaulting after credit issuance. It has been proven that credit management policies discourage loan repayments (Freel et al., 2012). According to Owusu-Antwi and Antwi (2010), interest rate contributes to credit defaulting, especially if it is high. Still, borrowers can settle their debts if the interest rate happens to be low. Therefore, a higher interest rate discourages borrowers from repayments and applications. Quintuss et al. (2015) indicated that the economic conditions affect and influence the loan repayments and further highlighted that the wide fluctuation of the economic cycle may disrupt the capacity and ability of the customer to repay loans as planned. Therefore, credit policies on recovery and disbursement should consider such a factor while planning for credit policy.

### *2.2.1 Empirical Studies*

[Abdirahman \(2020\)](#) investigated the relationship between performing loan and non-performing loan practices in conventional financial institutions. The study shows that there is a need for financial institutions to espouse practices of non-performing loan management. The approach ensures limited lending, sufficient collateral, loan securitization, procedure in addressing loans and clear lending assessment facilities. The findings further revealed the positive relationship between financial performance and non-performing loans practices and management, which will lead to improved financial performance based on credit risk. [Nyasaka \(2017\)](#) examined the relationship between non-performance and credit risk management. The study aimed to identify and discover a new effective way to employ credit management techniques in assessing non-performing loans. The study tried to establish the relationship between credit risk practices and non-performing loans by examining Kenya's financial institutions. The findings indicated a combination of intensive credit risk management practices linked with close supervision by the last resort, which will significantly enhance the non-performing ratio and confirm a strong relationship between credit risk management and non-performing loans. [Haile \(2015\)](#) studied the determinants of loan defaulting and employed a credit scoring model of conventional financial institutions. The research found that the customer's characteristics, profitability, customer's activity, revenue stability, financial situation, contractual relationship, financial institution customers' relationship and credit risk control influence financial institution's credit risk. The findings revealed that factors like marriage, women, bank proximity and aged influenced a better technology system which is flexible to adjust to market changes at all times. The findings also identified that frequent loan maturity, project diversification collateral and personal guarantee are adversely affecting default risk. [Shuya and Sharma \(2018\)](#) revealed that poor loan repayment is due to the delay in loan disbursement to respective beneficiaries and becoming burdensome disbursement procedures. Some considered political affirmation to influence loan approvals. [Disyatat \(2011\)](#) suggested that the lending policy should always be in line with bank strategy and considered factors such as industry norms, existing credit policy, prevailing economic climate and general economic condition to influence lending policy.

### *2.2.2 Character*

Character is considered a subjective evaluation of personal integrity of the borrower. Such assessment checks the trustworthiness and previous records of borrowing to justify its honesty in loan repayment without imposition from lenders. This indicates human and moral factor towards commitment and responsibility. The generated information to be noted in observing character is the borrower's previous credit reference ([Moulton, 2007](#)).

### *2.2.3 Capacity*

The capacity assessment indicates the borrower's ability to settle its loan on the due date ([Kodongo and Kendi, 2013](#)). The evaluation of customer financial information will determine the capacity of the borrower. The borrower's ability is to be determined using several tools of predictions such as profit margin, coverage ratio, debt service and quick ratio.

### *2.2.4 Capital*

The bank determination towards industry, organization or firm is significant in accessing the organization's risk. An industry with high equity can handle all expenses to ensure smooth profitability and breakeven ([Greenwood et al., 2010](#)).

### *2.2.5 Collateral*

The collateral serves as an alternative source for repayment of the loan if there be a failure to securitize financial exposure. This collateral must have a value to deploy and cover the loan amount ([Berger and Black, 2011](#)).

### *2.2.6 Condition*

The condition refers to the reason behind the loan and the state of the economic environment. The loan approved is based on a fair study on critical condition and stipulation. This is to discover borrowers' vulnerability in the current economic situation ([Daly, 2010](#)) and to measure the hindrance that may cause the risk default on loan repayment.

The objective of this study is to detect the assessment impact of 5Cs in the Islamic banks towards credit risk management.

2.2.7 Research Framework

This research is developed through a framework based on the above literature from the concept of 5Cs on Islamic bank’s credit risk management.

Figure 1: Research Framework

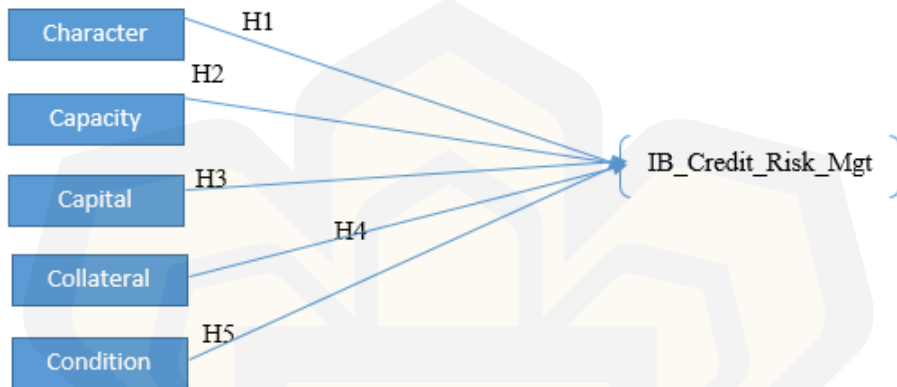


Table 1: Hypotheses and Variables

Hypotheses	Variables
H1	Character (CH) significantly affect Credit Risk Management (CRM)
H2	Capacity (CA) significantly affect CRM
H3	Capital (CP) significantly affect CRM
H4	Collateral (CO) significantly affect CRM
H5	Condition (CD) significantly affect CRM

3. Methodology

3.1 Research Design

Many researchers have proposed a causal research design in this type of study. The study adopted a quantitative approach that examined the relationship between the factors, effect and cause, which is evaluated statistically using the Structural Equation Modeling. The study was deemed suitable and relatively assessed to test how the independent variables affect credit risk management of the Islamic bank. The effect analysis is considered significant and satisfactory in it attempts to find the relationship between the existing variable through Islamic bank. Both the AMOS and SSPS software are used for the analysis.

3.2 Data Collection

The data were gathered from the customers of Islamic bank, experts from financial institutions, Shariah scholars of the advisory board of Islamic banks using a structural questionnaire for analysis. This study tries to obtain data from appropriate individuals to avoid biased results. After removing missing values and data screening, the total number of returned questionnaires was 310 for analysis, which is tactically considerable under the Structural Equation Modeling based on the Confirmatory Factor Analysis, in confirming the 5Cs on Islamic bank and credit risk management.

The Structural Equation Modeling (SEM) used flexible and litheness model for conducting multiple predictions and variables criterion, model errors in measurement for variable construct latent and relationship in a single model (Bisbe and Malagueño, 2015). SEM shields all indicators reflected in the constructs, which have been analyzed based on the SEM including the Confirmatory Factor Analysis (CFA) and the Covariance-Based Structural Equation Modeling (CB-SEM) of which the study considered as the model of analysis as (CB-SEM) in the research. Reliability and validity were also used to determine the consistency in the data. The

composition reliability, Cronbach's alpha, Average Variance Extracted (AVE), and convergent discriminant validity were all checked for accuracy of the research variables.

#### 4. Results and Analysis

Table 2: Demographic Analysis

Var.	Freq.	Percentage
<i>Gender</i>		
Male	190	61
Female	120	39
<i>Age</i>		
18-30	30	9
31-40	150	46
41-Above	140	45
<i>Education</i>		
Primary	10	0.3
Secondary	50	16
Degree	150	48.5
Master –above	100	32.4
<i>Working Experience</i>		
Working in financial Institutions	80	26
Financial experts	150	48
Others	80	26
<i>Monthly turn over</i>		
Less Naira 50,000,	50	15.8
N100,000 – N250,000	180	58.2
N300,000 – N500,000	40	13
N501,000 – Above	40	13

Referring to Table 2, the description of the above indicates the profile and characteristics of the respondents. The sample shows that 61 per cent are male while 39 per cent are female respondents. A total of 46 per cent of respondents were above the age of 31-40, indicating that most of them are financial experts and financial institution workers who were youth and middle age. 50 per cent of the respondents were degree holders who attended universities, implying that most of them are skilled people working with a financial institution or financial experts. Furthermore, the monthly turnover of the participants indicate that 58.2 per cent of the respondents earn between N100,000-N250,000 equivalent (\$263-\$657) per month. The number of staff determines the size and capacity of the financial institution.

#### 4.1 Measurement Model

##### 4.1.1 Reliability and Validity

The study accessed the reliability of data in three different assessments namely: Cronbach alpha, Average Variant Extracted (AVE) and composite reliability. The factor loadings of constructs as recommended loading should be 0.5 (Hair et al., 2017). The idea of recognizing discriminant validity is to measure the legitimacy. Hair (2010) shows that 'bigger discriminant acceptability shall be considered below 0.85.

Table 3: Factor loading, Measurement of CR, AVE and Cronbach's alpha

Variables	Code	Factor Loadings	Composite Reliability (CR)	Average Variance Extracted	Cronbach's Alpha
Character	CH1	0.642	0.847	0.800	0.826
	CH2	0.914			
	CH3	0.845			
			0.758	0.714	0.770



Capacity	CA1	0.747			
	CA2	0.729			
	CA3	0.666			
Capital	CP1	0.916	0.902	0.906	0.790
	CP3	0.897			
Collateral	CO1	0.769	0.838	0.795	0.787
	CO2	0.783			
	CO3	0.833			
Condition	CD2	0.695	0.697	0.732	0.696
	CD3	0.767			
IB Credit Risk Mgt.	CRM1	0.697	0.682	0.719	0.681
	CRM2	0.742			

All standard factor loadings must meet the minimum of 0.5, showing the positive loadings above 0.5. There were some variables which loaded below the level 0.5 and were removed such as CD1 and CRM3 which were poorly loaded as indicated during a pilot test of the variable loadings as recommended by Hair et al, (2017). The reliability and validity were also used in the above Table 3 to indicate and represent each group as defined in the above Composite Reliability (CR) columns. The Average Variance Extracted (AVE) and Cronbach's Alpha were considered significant and good loadings only in the case of Condition and IB\_CRM shows near to 0.7, hence is also considered.

Figure 2: Measurement Model

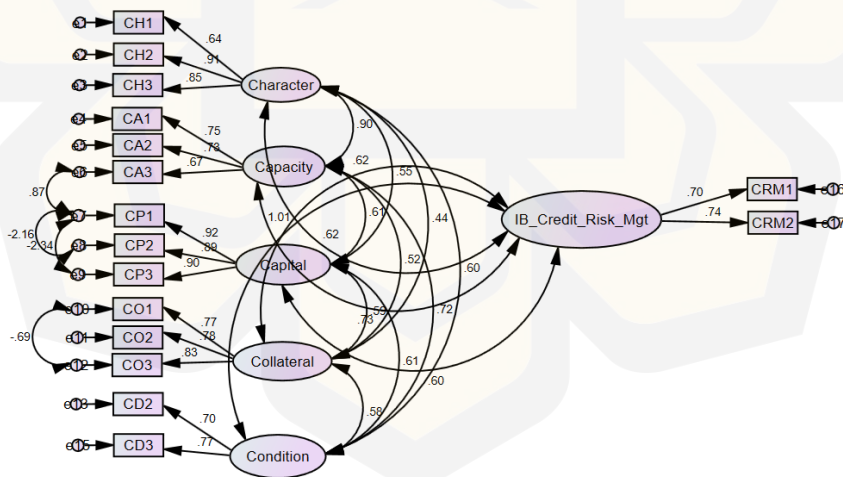


Table 4: Correlation Coefficient

Var.	(1)	(2)	(3)	(4)	(5)
Character (1)	1				
Capacity (2)	.897	1			
Capital (3)	.553	.614	1		
Collateral (4)	.431	.518	.594	1	
Condition (5)	.605	.720	.611	.581	1

The relationship between Character and all other variables are  $>0.5$ , except Collateral-Character (0.431). While the other variables showed a positive and significant relationship as predicted by (Abdirahman, 2020; Haile, 2015; Nyasaka, 2017), especially between Character and Capacity.

Table 5: Goodness of Fit Indices

Measures	Position	Authors	Suggestion
CMIN/DF 3.018	Acceptable	Marsh and Hocevar (1985), Bantler (1990)	$< 5.0$
GFI 0.915	Satisfactory fit	Chau (1997), Grover (1993)	$> 0.9$
AGFI 0.864	Good fit	Byrne (2010)	$> 0.8$
CFI 0.944	Satisfactory fit	Bentler (1990), Hatcher (1994)	$> 0.9$
NFI 0.919	Satisfactory fit	Bentler and Bonett (1980)	$> 0.9$
TL 0.921	Satisfactory fit	Forza and Filippini (1998)	$> 0.9$
IFI 0.945	Satisfactory fit	Byrne (2010)	$> 0.9$
RMSEA 0.076	Good fit	Byrne (2001)	$< 0.08$

The CB-SEM is considered by endorsing latent variables and goodness of fit (GOF). The model GFI indicates a high acceptance level at above 0.9, as recommended by (Chau, 1997) and (Grover, 1993). AGFI is above 0.8, as recommended by (Byrne 2010). CFI also indicates a level of acceptance as above 0.9, while RMSEA is considered below the level of 0.8 (Byrne, 2001). The study indicates that the research model is developed and confirmed and has good overall goodness of fit as indicated in Table 5. The path coefficient measurement shows positive results, as shown in Figure 2, which illustrates an influential relationship among the constructs variables.

Table 6: Discriminate validity

Variable	CH	CA	CP	CO	CD	IB_CR_Mgt
Character	.192					
Capacity	.266	.192				
Capital	.240	.272	.154			
Collateral	.219	.255	.217	.223		
Condition	.319	.213	.275	.293	.327	
IB_CR_Mgt	.306	.329	.406	.528	.432	.307

Notes: Character (CH), Capacity (CA), Capital (CP), Collateral (CO), Condition (CD), Islamic Bank Credit Management (IB CR Mgmt)

Discriminant validity, to which extent the construct is distinct from each other, discriminates between a particular latent construct and other constructs of a similar nature and should not be above 0.85 as indicated by (Hair et al., 2017).

Figure 3: Measurement Model

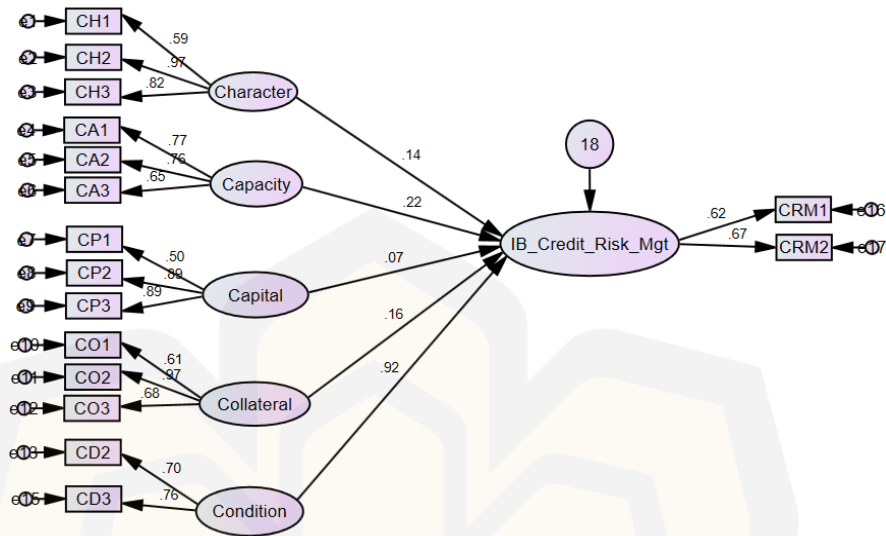


Table 7: Hypotheses Testing

Var.		Est.	S.E	C.R	p-value	Hypotheses status
Character	-> IB_CRM	.142	.048	2.481	.013	Accepted (H1)
Capacity	-> IB_CRM	.221	.056	3.466	0.001	Accepted (H2)
Capital	-> IB_CRM	.068	.083	1.178	.239	Rejected (H3)
Collateral	-> IB_CRM	.160	.056	2.795	.005	Accepted (H4)
Condition	-> IB_CRM	.924	.045	8.665	0.001	Accepted (H5)

On the hypotheses testing, the study indicates the acceptability of four out of 5Cs which support the positive effect and relationship between variables, due to the significant level of their respective p-value as indicated in Table 7 and subsequence the explanation of the hypotheses.

The hypothesis (H1) indicates the acceptability as when Character goes up by 1 standard deviation, the IB\_Credit\_Risk\_Management (IB CRM) goes up by 0.142 standard deviations. The probability of getting a critical ratio as large as 2.481 in absolute value is .013. In other words, the regression weight for Character in the prediction of IB CRM is significantly different from zero at the 0.05 level (two-tailed). These statements are approximately correct for large samples under suitable assumptions of (Moulton, 2007) and show a positive relationship.

The hypothesis (H2) shows the acceptability as when Capacity goes up by 1 standard deviation, the IB CRM goes up by 0.221 standard deviations. The probability of getting a critical ratio as large as 3.466 in absolute value is less than 0.001. In other words, the regression weight for Capacity in the prediction of IB CRM is significantly different from zero at the 0.001 level (two-tailed). These statements are approximately correct for large samples under suitable assumptions and indicate a positive relationship as supported by (Kodonga and Kendi, 2013).

The hypothesis (H3) rejected the assumption of Capital towards IB CRM, as when Capital goes up by 1 standard deviation, IB CRM goes up by 0.068 in standard deviation. The probability of getting a critical ratio is as large as 1.178 in absolute value is .239. In other words, the regression weight for Capital in the prediction of IB CRM is not significantly different from zero at the 0.05 level. Therefore, the assumption contradicts the prediction of (Greenwood et al., 2010).

The hypothesis (H4) shows the acceptability as when Collateral goes up by 1 standard deviation, IB CRM goes up by 0.16 in standard deviation. The probability of getting a critical ratio as large as 2.795 in absolute value is .005. In other words, the regression weight for Collateral in the prediction of IB CRM is significantly



different from zero at the 0.01 level (two-tailed). These statements are approximately correct as supported by (Berger and Black, 2011) for large samples under suitable assumptions and show a positive relationship.

The hypothesis (H5) shows the acceptability as when Condition goes up by 1 standard deviation, IB CRM goes up by 0.924 in standard deviations. The probability of getting a critical ratio as large as 8.665 in absolute value is less than 0.001. In other words, the regression weight for Condition in the prediction of IB CRM is significantly different from zero at the 0.001 level (two-tailed). These statements are approximately correct for large samples under suitable assumptions and, therefore, show a positive relationship, as Daly (2010) indicated.

#### *4.2 Discussion*

The CB-SEM Analysis is employed in this study, covering customers, experts, bankers, and some scholars supervising Islamic financial institutions' activities in Nigeria. The research assesses the effect of 5Cs on credit risk management in Islamic Banks.

The study examined the connection between 5Cs and Credit Risk Management in Islamic Banking. Five constructs of independent variables were measured: Character, Capacity, Capital Collateral, and Condition were tested and their respective relationship on how one affects the other was measured. The association between 5Cs variables and IB\_CRM is considered applicable towards Islamic Bank CRM. However, capital prediction indicates a negative relationship between them. While each variable has unique characteristics, each of them has variation in Islamic Bank. This indicates that the cordial relationship is not always significant towards a specific risk, so the bank needs to be more aware and to thoroughly analyze every loan proposal that comes in, not treating it in the same way as analyzed by the conventional financial institutions. The result also shows that the type of risk found in the credit risk management in Islamic Bank and the solution is related to 5Cs (Character, Capacity, Capital, Condition, and Collateral) as credit criteria commonly used to make a lending decision. The most significant criterion is Character, Capacity, Condition, and Collateral, while Capital is not considered significant, as the top-ranked terms do not reflect the criteria. The bank can use this result to reshape the risk analysis since only four of the 5Cs criteria are exposed significantly in at least one constellation. In this regard, analysts in analyzing Capital need more in-depth investigation in their analysis, as capital being as one of the most crucial criteria.

The study indicates a positive link between Character and IB CRM as recommended by (Moulton, 2007). The test associated between Capacity and IB\_CRM indicates a positive relationship as predicted by (Kodongo and Kendi, 2013). Capital and IB CRM rejected the prediction of (Greenwood et al., 2010). The prediction supported the Collateral and IB\_CRM, while Condition and IB\_CRM are also accepted indicating a strong relationship between the IB CRM and Condition. The correlation coefficient shows a relationship between IB CRM and 5Cs indicating a positive effect on Islamic Bank CRM. The study hence indicates that applying a 5Cs activity on IB\_CRM is a proper measure to control and mitigate credit risk in Islamic Banks in Nigeria.

## **5. Conclusion**

To sum up, the study indicates that 5Cs influence IB\_CRM. The research findings show that 5Cs can also be used in Islamic banks to control and mitigate credit risk in Islamic Banks in Nigeria despite Capital showing a negative relationship with IB\_CRM.

### *5.1 Theoretical Contribution*

The study has significantly promoted an integrated system on the relationship between 5Cs and IB CRM. In the past, many studies were conducted using credit analysis based on ranking the 5Cs through regression analysis. However, this study investigates how 5Cs affect credit risk management of Islamic Banks, adopting the CB-SEM analysis approach. The research proposes that Character, Capital, Collateral, and Condition have an inclusive impact and strong relationship with IB CRM. This discovery first, will assist managers, risk managers, and other stakeholders in Islamic banks to control and mitigate risk levels. Secondly, the research has open up to the Basel Committee's recommendations regarding credit risk liquidation and awareness of Islamic bank.

### 5.2 The implication for Policy and Strategy

From the study findings, the following strategy and policy planning needs to be considered for a successful management of credit risk practice in Islamic banks in Nigeria. Management should consider risk management as vital and examine it time by time for controlling and mitigating activities. Islamic banks therefore should make proper screening through the 5Cs before granting such loans to avoid such risk.

### 5.3 Limitation of the Study

This study nevertheless did not cover the entire regions in the country, focusing only in the northern part of Nigeria. The research hence may be extended to a wider area in the future to increase the generalization of the study findings in the context of 5Cs towards IB\_CRM. Future research may also adopt the approach by extending to the entire region in the country.

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## Research Questionnaire

### Section A

#### DEMOGRAPHIC INFORMATION

##### Gender

Male	
Female	

##### Age range

18- 30	
31- 40	
41-60	
61-Above	

##### Education

Primary	
Secondary	
Degree	
Master above	

##### Working Experience

Working in financial Institutions	
Financial experts	
Others	

##### Monthly turn over

Less N50,000	
N100,000 – N250,000	
N300,000 – N500,000	
N501,000 – Above	

### Section B

#### Character

This section presents statements regarding the relationship between Character as one of the 5Cs towards Islamic Bank that affects Credit Risk Management. Please, kindly identify how you agree with each statement by ticking the appropriate scale.

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
I think the borrower's personal integrity needs to be assessed before issuing credit based on Islamic Bank in Nigeria.					
Character assess the trustworthiness and previous record of a borrower to justify honesty in loan repayment.					
Character generates information based on moral factor and commitment and responsibility observance of character as the borrower of credit reference.					

#### Capacity

This section presents statements regarding the relationship between Capacity as one of the 5Cs towards Islamic Bank that affects Credit Risk Management. Please, kindly identify how you agree with each statement by ticking the appropriate scale

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Capacity assessment of borrower's ability to settle loan and enhance the Capacity of CRM					
Evaluate the customer's financial information in determining the capacity of the borrower to enhance capacity CRM					
The capability of Investment of borrower based on performing factors such As profit margin, debt service, coverage ratio, and quick ratio in enhancing CRM.					

#### Capital

This section presents statements regarding the relationship between Capital as one of the 5Cs towards Islamic Bank that affects Credit Risk Management. Please, kindly identify how you agree with each statement by ticking the appropriate scale

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The capital assessment of any organisation is based on determination of institutions activities on equity and organizational risk					
Assessing firm's capital in handling expenses comparing with the generated income of the organisation, such assessment enhances CRM.					



I always ensure smooth profitability and breakeven for organisation income and expenses analyzing such determine the enhancement of CRM.					
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**Collateral**

This section presents statements regarding the relationship between Collateral as one of the 5Cs towards Islamic Bank that affects Credit Risk Management. Please, kindly identify how you agree with each statement by ticking the appropriate scale

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
Collateral serves as an alternative source for a borrower to repay on time and mitigate CRM.					
Collateral is seen as a security and securitizes financial exposure in repaying on time or liquidating collateral assets to repay a loan.					
Collateral must have a value to deploy and cover the amount borrowed, such as mitigate and enhance CRM.					

**Condition**

This section presents statements regarding the relationship between Condition as one of the 5Cs towards Islamic Bank that affects Credit Risk Management. Please, kindly identify how you agree with each statement by ticking the appropriate scale

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The condition has to be spelt out clearly with any condition and stipulation for the borrower that gingers the borrower repaying on time.					
The loan approved based on fair study and critical condition indicates the borrower vulnerability in the current economic system.					

**Islamic Bank Credit Risk Management**

This section presents statements regarding the relationship between Islamic Bank that affects Credit Risk Management towards the 5Cs. Please, kindly identify how you agree with each statement by ticking the appropriate scale

	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
The Character, Capacity, and Capital enhance CRM in an Islamic Bank.					
The Collateral and Condition enhance CRM in an Islamic Bank.					

**END OF QUESTIONNAIRE  
THANK YOU!**