

BANKRUPTCY PROCEEDING AS A TOOL FOR ECONOMY RECOVERY

Inam Wilson [1]

Introduction:

Extending credits in Nigeria is a highly risky venture. At whatever level of involvement, the common refrain is the inability or unwillingness of debtors to meet their obligations. For instance the debt profile of banks stands at **N=704billion** and 20% are non-performing.

Recovery by due process of law has often proved unprofitable because after a protracted trial and judgment is eventually obtained and executed the creditor does not find enough assets to fully liquidate the indebtedness. At that point the tendency is for the creditor to mitigate his loss and declare the loan a bad debt. The debtor walks away completely free and in no distant time he may rise to become a well respected public figure, a politician, philanthropist, administrator, chieftaincy title holder, etc. The money they spend to maintain their lifestyle of affluence is sometimes more than the amount of their indebtedness and yet no attempt is made to redeem their indebtedness.

It is clear that new tools are needed to manage bad debts. Bankruptcy and internal governance proceedings promises to be most effective. Its effectiveness is not in the judicial process but in the social consequences of being adjudged bankrupt. Under the current socio-political reforms in Nigeria and the crusade against corruption, bankruptcy proceedings have been assured of relevance.

Bankruptcy is predicated on the belief that there should not just be bad debts but bad debtors as well. It ensures that the public and corporate image of a bad debtor is stained so much that he becomes socially and politically irrelevant.

The message an adjudged bankrupt sends to the social world is that he is incapable of conducting his private and financial affairs. As a result clients, professional and business colleagues as well as potential creditors tend to shun the bankrupt.