

AN EVALUATION OF CUSTOMERS' SATISFACTION  
IN THE BANKING INDUSTRY IN NIGERIA  
A COMPARATIVE STUDY OF SELECTED  
BANKS IN KADUNA METROPOLIS

BY

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BEING A PROJECT SUBMITTED TO THE POSTGRADUATE SCHOOL  
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SEPTEMBER, 1999

DECLARATION

I hereby declare that this work has been written by me, and it is the product of my research findings.

All materials from other sources have been properly acknowledged in the footnotes and bibliography.

Any discrepancies should be attributed to me and nobody else.

USMAN MOHAMMED AKIRI

(G93BAP7484)

A handwritten signature in black ink, appearing to read 'U. Akiri', enclosed within a circular scribble.

20/11/99.

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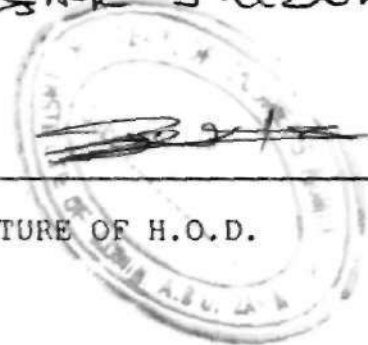
CERTIFICATION

This project titled, "An Evaluation of Customers' Satisfaction in the Banking Industry in Nigeria. A Comparative Study of Selected Banks in Kaduna Motropolis", by USMAN MOHAMMED AKIRI, meets the regulations governing the award of the degree of Master of Business Administration (M.B.A) of Ahmadu Bello University (A.B.U.), Zaria and is approved for its contribution to knowledge and literary presentation.

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**DEDICATION**

This work is dedicated to my late Mother, Mrs Usman Bilkisu, who left this world on the 23rd of April, 1998.

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ABSTRACTS

This thesis is an attempt at examining the services that are rendered to customers by the banking industry with a view to determining whether they are satisfied or not. It is also aimed at assisting banks in knowing their responsibilities to their customers and in assisting customers to know their rights.

The choice of the topic of this research study was motivated by the need to look into the incessant complaint of poor customers' services in the banking industry and the quest for more knowledge on banker - customer relationships.

The relationships between a banker and a customer have been examined with a view to highlighting the point at which a legal relation is created. The law and practice of banking impose some duties on the bankers and customers alike, and any breach of those duties can attract court action.

The research study examined different categories of customers in order to clearly distinguish the rights of each of them. If both parties know their rights, duties and/or obligations, the problem of poor customers service will be reduced. The symptoms of poor customers' service and their effects on the bank as well as the benefits of good customers service have been highlighted.

Finally, the research study made useful recommendations which if implemented, would usher in better customer/banker relationships that may result, at efficiency and satisfaction to both parties (customers and bankers) and thereby increasing the profitability of banks in Nigeria.

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**CHAPTER ONE****INTRODUCTION**

It is generally acknowledged that the availability of financial capital is a pre-requisite for the rapid development and transformation of any nation's economy. The provision and efficient management of this scarce resource is best facilitated by the existence and appropriate functioning of the financial institutions in the economy. The banking industry, is recognised and constitute an important element in the functioning of any financial system.

The Nigerian banking industry has witnessed a phenomenal growth in numerical strength and branch network particularly in the last decade. This has largely been facilitated by the macro-economic policies of the federal government in an attempt to revamp the depressed Nigerian economy.

The advent of the Structural Adjustment Programme (SAP) witnessed many banks declaring huge profit while other sectors of the economy were severely hit by the depreciation in the value of the Naira. The pertinent questions one may ask are:  
Does the banking sector renders efficient services to their customers to justify their huge earnings?

Are customers adequately compensated by the banking industry for their patronage?

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One common but costly mistake analysts make in evaluating bank's performance is the use of profit as a test of economic efficiency. They even classify banks as performing or non-performing using profit as a yardstick for measuring their efficiency. The efficiency of the banking sector should not be evaluated in relation to their 'superfluous profits' alone but most of necessity be examined from the view point of the satisfaction the customers derive from the services received from banks.

The importance of customers in any business establishment cannot be over-estimated. It is always asserted in many quarters that the social justification for the existence of any business organisation is the satisfaction of customers' wants or needs. Customers therefore, become the focal point of the operations of any business unit that wishes to survive in an environment that is highly competitive. For the banks, customers constitute the most vital 'raw material' for their operations. Therefore, any issue relating to the customers' satisfaction must be given due considerations.

The Banking industry, we know, is a service industry. This research work is an attempt to determine the extent of satisfaction that customers derive from the banking services with particular reference to the commercial banks. The banker-customer relationship will also be examined in the course of this research work in order to acquaint both the bankers and customers with their rights and responsibilities.

The research study is motivated because of complains and series of allegations levelled against the banks about their poor customers services. If these complains and allegations are not looked into critically in order to solve the problem, they could eventually affect the profitability of the banks.

The choice of this topic is also informed by the need to educate the customers more on their rights and obligations given the fact that the relationship between the banker and his customer is always described as contractual. The report will be useful to the banking industry as the recommendations will focus on improving the performance of the sector.

### **1.1. PROBLEM STATEMENT**

There is no denial of the fact that banks are service organisations. They do perform a number of valuable services to their customers.

According to the Banking Ordinance of 1952, as incorporated in the Banking Act of 1970, a bank performs the following functions:-

- a) acceptance of deposits from the public
- b) granting of credit facilities to their customers
- c) assumption of guarantee
- d) buying and selling of securities to mention but a few.

Banking is a personal service industry. The banking business is with people. All categories of workers, directors, management, senior and junior staff, all employees must at all times provide services that will earn the bank customers confidence. Furthermore, first class services *are* essential if the bank is to command a reasonable share of competition within the industry. Banking business is also a commercial trading of services which range from less complex to highly complex ones. This business is not only sensitive because of its impact on the individual customers, but also it is largely due to its impact on the general economy of a country like Nigeria.

A study of this nature which deals with sensitive business in the Nigerian environment will surely centre on the type of services the bank renders to their customers and how satisfactory these services are in the economic development of the nation. The distinctive nature of banking is commitment to the quality of service it renders. This quality services provides to customers enable the bank to win more customers.

It is however, surprising why Nigerian bank staff fail to recognise the importance of these customers to them since they are the main purpose of their (staff), employment.

It is against this background that the researcher wishes to evaluate these services that are being rendered by banks to their customers. There have been public outcry against the poor services performed by the banks to their customers. Is the public crying wolf?

If the industry renders poor services due to the fact that it is understaffed, or there are inexperienced or unskilled staff, lack of modern machines, (for example, computer), what are the likely consequences to the individual banks, the Banking Industry and the Nigeria economy at large?

The significance of these problems can only be appreciated if one bears in mind the fact that banking services are vital to the customers in particular and to the overall economy in general. Therefore, the research study attempt to find out the extent to which these services rendered by banks are satisfactory.

If not, what is responsible?

- i) Could it be due to poor counter services arising from low degree of efficiency of bank officials?
- ii) Could it be due to the failure of Nigerian banks to adopt innovations which have eased banking services in other parts of the world?
- iii) Could it be due to lack of proper training of banks' staff or inadequate manpower?
- iv) Could it be due to lack of adequate incentives given by banks to their staff?
- v) Could it be due to lack of motivation of bank staff by management?
- vi) Could it be due to lack of honesty by bank staff and customers that accounts for the poor quality of services rendered by the banking industry?

These and many other aspects of banks services are being studied to provide solutions.

### **1.2. OBJECTIVES OF THE STUDY**

The objectives of this study include the following:

- i) to carry out a critical analysis of the type of services offered by banks;
- ii) to investigate the criticism of poor customers' services often levelled against the banks;
- iii) to enlighten the customers and the public at large as to the role that banks are expected to play within the society which will assist in the maintenance of good customer-banker relationship;
- iv) to study the staff attitudes and responses to their customers and finally;
- v) to *provide* solutions to the problems which the research study may reveal in the course of this study.

### **1.3. SIGNIFICANCE OF THE STUDY**

The importance of good or quality service in the banking industry cannot be over-emphasized given the competitive nature of our banking environment.

The advent of the Structural Adjustment Programme (SAP), led to the phenomenal growth in the banking sector. Therefore, for

the banks to attract and retain customers they need to serve their customers efficiently. Quality service should be treated with utmost importance in business development to improve customer relations in our ever-changing financial system and to enhance the profitability of this sector.

Banks as financial inter-mediate are significant institutions for the mobilisation of capital for economic development. This role becomes especially relevant in capital scarce economies like Nigeria where the intermediating role of banks in channeling financial resources from surplus economic units is called for. The provision of adequate financial resources is necessary for economic transformation. Financial resources channeled into the agricultural and the industrial sectors, which are the real productive sectors of the economy, through the creation of necessary financial instruments can facilitate economic expansion.

It becomes necessary to continue to fine-tune the banking system to help achieve this laudable objective. It is for this reason that the primary focus of this study is on efficient service delivery in the banking sector with particular reference to commercial banks. The study is of immense benefit to the banking authority in terms of their policy formulation and implementation. It will point out to the bankers the level of undesired treatment the customers receive from them (bankers). This study will hence provide the information to combat 'banking-

out-of-necessity' situation of our society as well as improving the profitability of the banking sector in particular and the economy in general.

#### **1.4. LIMITATIONS OF THE STUDY**

This study is intended to evaluate the services of banks vis-a-vis customers' satisfaction. Under normal circumstances this type of study is supposed to be on comparative basis involving large number of banks but the researcher intends to restrict the analysis to two banks only due to some unavoidable circumstances.

The banking industry is known for its secrecy regarding its operations. This, definitely, limited my accessibility to important records which the banks classified as 'secret'. Difficulty of seeing the officers assigned to help the researcher with the necessary information is another constraint because in most cases they were said to be pretty busy.

The time allocated for this write up cannot be regarded to be enough to gather all the necessary data for this study. This also limited the extent of coverage given to this study.

Finally, lack of satisfactory answers to questions asked by the researcher is also a limiting factor since this affects the overall findings.

### **1.5. RESEARCH METHODOLOGY**

This study is basically descriptive and as such the main source of data and information is secondary data. Primary data was also collected. the survey method was used in collecting primary data for the study and the questionnaire was utilised.

The study has made an extensive use of various relevant books and magazines, journals, newspapers, and other publications in the libraries relating to banking services as well as banker - customer relationship. Part of the study are largely theoretical and were drawn largely from the works of prominent banking scholars and authors.

### **1.6. DEFINITION OF TERMS**

Account:

A statement of receipts and expenditure showing the balance; a register of debits and credits. It therefore shows debits and/or credits reflecting increases and decreases in the subject of the account.

Current Account:

This is an account running from day to day on which cheques are paid and or drawn.

**Deposit Account:**

This account is always maintained in credit. The balance is repayable at seven or fourteen days notice or after a fixed term.

**Advances:**

Payment before hand, accommodation made available by a money lender, by an employer, or by a banker to a customer by way of overdraft, loan discount or credit card.

**Bank:**

This is an establishment which deals in money, receiving it on deposit from customers, honoring customer's drawings against deposit on demand, collecting cheques for an lending or investing surplus deposits until they are required for repayment.

**Commercial Bank:**

Commercial Bank is also known and called clearing bank, which takes cash and collect cheques of their customers drawn on other banks.

**Bank Rate:**

This is advertised minimum rate at which the Central Bank of Nigeria was prepared to discount approved bills of exchanged.

**Bearer:**

The person in possession of a bill or note which is payable to bearer.

**Bill of Exchange:**

It is a note promising future payment.

**Dormant Account:**

An account which has not been used by the customer for a long time, so that the balance has remained unchanged.

**Drawer:**

The owner of Account who writes out and signs a cheque or a bill of Exchange.

**Drawee:**

This is the Bank on which a cheque is drawn or the person to whom a bill of Exchange is addressed.

**Endorsement:**

A writing on the back of a document mainly cheques.

**Executor:**

A person appointed by a testator to pay his debts and to carry out the provisions of his will, for example, a Lawyer and a Survived person of a deceased.

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Stop Cheque:

This is a cheque which a drawer has written the bank not to pay, the reason which is only best known to him.

*Treasury/Vault/Strong Room.*

This is the strong room or safe of any bank, where cash and valuables are kept.

**CHAPTER TWO****LITERATURE REVIEW****2.1 INTRODUCTION**

Banking business in Nigeria started in 1892 by Africa Banking Corporation. This bank was taken over by British Bank of West Africa in the same year. The British Bank of West Africa therefore became the first banking establishment to actually practice business in Nigeria. It was formerly incorporated in England in 1894 with its head office in Liverpool. The name was changed to Standard Bank of Nigeria Limited. This was when it was incorporated in Nigeria. The bank again changed its name to First Bank (Nigeria) Limited in 1978 to reflect the Nigeria majority shareholding. It is First Bank Nigeria Plc today and it is one of the largest Banks in Nigeria.

The Barclays Bank DCO (Dominion, Colonial and Official) appeared on the banking scene in 1917. The bank became Barclays Bank Nigeria Limited in 1968 in order to comply with the Companies Act of that year. In 1978, the name was changed to Union Bank Nigeria (UBA), which was established initially as the British and French Bank in 1947. It took on its present name in 1961.

The early stages of banking development also witnessed the establishment of indigenous such as National Bank of Nigeria (1933), African Continental Bank (1947), Agbonmagbe Bank (1945),

Nigeria Penny Bank (1940), Bank of the North (1961) to mention a few.

The development of banking system was legislative free. At the initial stage there was no banking legislation. For example neither Central Bank nor Ministry of Finance emerged until 1958. Prior to 1952 there were all kinds of speculative investors who started mushroom banks in Nigeria. The banks used to operate for a while, and after collecting deposits from their customers, would disappear with their funds. The need for legislation for the control of banking operations in Nigeria became very apparent if only to protect depositors. The first attempt at regulating banking operations was made in 1952 with enactment of the first Banking ordinance. it stipulated minimum capital base and licensing for banks. The period that followed, 1952 to 1959 was called the first banking boom era by SoyibqA(1991)<sup>1</sup>. However Nwankwo noted that no new bank was established in Nigeria between 1962 and 1970, presumably because of the impact of regulations and the Civil War (1967 to 1970).

The period 1959-1986 witnessed the era of regulations. The Central Bank of Nigeria was established in 1959 with powers to promote and integrate the Nigeria Financial system. The Central Bank encouraged the development of money and capital markets apart from controlling the operation of both Merchant and Commercial Banks.

The period 1986 to 1993 is referred to as the second banking boom era because of the rapidity with which banks were established due to the deregulation of the Nigerian economy. The public and the private sectors now largely rely more on the market forces for the allocation of financial resources. According to Dada<sup>50</sup>(1991)<sup>3</sup>, the banking industry had 12 Merchant and 29 commercial banks in 1986 but in December, 1990 there were 40 Merchant banks and 48 Commercial banks in the country. As at today the number of Commercial banks operating in the country is put at 66.

## **2.2. COMMERCIAL BANK**

Commercial banking predates Central and Merchant banking in Nigeria, hence the awareness for making institutionalized saving was primarily induced by the Commercial banks. These banks form the nucleus of the banking system. They account for the bulk - 84 per cent of institutionalised savings as at end - December, 1990 and comprise the largest sector of the banking system in terms of number (56 in operation 1990) and deposit takings total deposits (demand, time and savings) with the commercial banks at the end of 1989, at N30,974.2 million comprised 87.7 per cent of aggregate deposits of the banking system.

Two broad functions performed by the commercial banks are:

(i) The banking function which involves the creation, distribution and transfer of deposits as well as the provision of commercial credit and;

(ii) The saving function which comprises the mobilisation of savings from the surplus units of the economy and the channelling of such funds towards the projects.

Commercial banks in Nigeria act as agents of the government in implementing various schemes aimed at promoting agricultural and industrial development. The Commercial banking sector is oligopolistic with the seven largest accounting for 45 and 55 per cent of aggregate assets and deposits, respectively. In 1990, their major source of funds were deposit liabilities applied primarily to investment in financial and fixed assets and loans and advances.

### **2.3 FEATURES OF COMMERCIAL BANKS**

Commercial banks are those banks which carry on 'retail' banking services. Their features are as follows:-

- a) They are profit-oriented.
  
- b) The banking industry in Nigeria practices 'branch banking system'. There are few banks with many branches.

- c) Their deposit are repayable on demand or at short notice.
  
- d) Commercial banks do not generally grant long-term loans due to the short-term nature of their deposits. They concentrate more on short-term loans. They therefore, observed what has come to be known as 'liquidity principle' in lending, because they are influenced in making their loans by the highly liquid nature of their deposits.
  
- e) Commercial banks offer retail banking services. They accept deposits from any member of the community regardless of their size and lend to everybody generally irrespective of the size of the loan, provided such a person has collateral to support the loan.

#### **2.4 OBJECTIVES OF THE COMMERCIAL BANKING SYSTEM**

The objectives of the commercial banking system in Nigeria as contained in the proposals of the financial system Review Committee (1976) and accepted by the government, are as follows:-

- a) The banks should actively facilitate the transformation of the rural environment by promoting the rapid expansion of the banking facilities and services and banking habit in the rural and near

communities. They will thus, serve as paying and receiving stations from hand to hand currency and provide facilities for remittances to and from the rural areas. They will provide savings deposit facilities for their customers and thereby help to mobilise rural savings. Most important of all, they will serve as vehicles for the creation of credit in the rural areas; this credit will take the form of equity and loans for small scale farmers and entrepreneurs;

b) While the banks in the past had concentrated on short term lending, (although some of these loans frequently acquired the character of long-term capital), they should extend consistently with banking prudence, increasingly undertake more medium and long term lending designated as such. The designated is important because it enables the borrower to undertake the long-term investment planning for the application of the proceeds of the loan;

c) They should conform to avoid national objectives and identify fully with Nigerian aspiration by taking a more active part in the financing of the economic programmes of the national priority. As a corollary to this, their critical and sensitive position in the financial system necessitates that they be brought under Nigerian control in ownership and management;

d) Decision making in the main Commercial banking sector must be

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localized. This would remove the possibility of our major banking institution from being manipulated to the disadvantage of the Nigeria economy;

e) The banks should use a significant part of their profit to improve the quality of the services they offer.

These objectives constitute the main ends towards which commercial banking operators and activities in Nigeria should meet. The rural banking scheme and the indigenisation of commercial banks are examples of positive steps which the government has taken towards attaining these objectives. However, the banks too have their own objectives of which profitability is a crucial target.

#### **2.5. TYPES OF ACCOUNTS**

In order to benefit from all the numerous services provided by commercial banks in Nigeria, one is expected to open an account with the bank. The main types of account that can be operated in Nigeria are discussed below:-

##### **(i) CURRENT ACCOUNT**

Current accounts are opened so that cheques can be paid into them and drawn on. No notice is required before money can be

withdrawn from a current account. As such deposits in a current account are said to be repayable on demand deposit account.

Before a customer can open a current account he is required to provide proper references. Debit and credit entries are posted to the account on the day of the transactions, with the net balance shown at the close of business. The bank pay no interest on credit balance in current accounts.

The customer is expected to maintain credit balance in his account except where he has been granted overdraft facility, a 'limit' is usually set, up to which he can draw. Security may be required to support the overdraft and the customer is charged interest on such facilities. Besides, banks also charge fees for services rendered to current account holders, current account is "the principal and most popular account" in Nigeria.

#### (ii) DEPOSIT ACCOUNT

This account is operated by customer who want to earn interest on their money. The account holder can deposit and withdraw, funds at short notice by using standard deposit and withdrawal forms. Supplied by the bank. In practice, the bank does not insist on any notice before deposit or withdrawal can be made. It is relatively easy to open a deposit account since in reference and

cheque books are needed to operate the account. A fixed deposit account is often opened for 3 months, 6 months, 9 months or 1 year. The bank pays higher rates of interest on such deposits, but they are expected to be kept for the fixed period of time. Deposit accounts are also called time deposit. Unlike the current account, no overdrafts are allowed on time deposits.

(iii) SAVING ACCOUNT

Saving account is operated by means of a passbook in which credit or debit entries are entered in accordance with deposits and withdrawal respectively. Like the deposit account, no cheque book is required to operate a saving account. Funds can be deposited and withdrawn using standard deposit and withdrawal forms. Savings accounts attract interest at a fixed rate and funds can be withdrawn at any time the bank is open without notice.

**2.6. SERVICES PROVIDED BY COMMERCIAL BANKS IN NIGERIA**

Having discussed the types of account, a customer can operate before enjoying the service provided by commercial banks in Nigeria. It is pertinent, at this stage, to highlight such services.

The Nigerian Banking Act of 1969 describes a bank as any person who carries on banking business and includes a commercial bank, an acceptance house, discount house, and financial institutions.

The Banking Amendments Act No. 3 of 1970 further described banking business as:

"The business of receiving monies from outside sources as deposits irrespective of the payment of interest and granting of overdrafts and loans and acceptance of credit or the purchase and sale of securities for account of others or the incurring of the obligation to acquire claims in respect of loans prior to their maturity or the assumption of guarantees and other warranties for others or the effecting of transfers and clearing and such other transactions as the commissioner may, on the recommendation of the central bank, by order published in the federal Gazette designate as banking business".

From the above quotation, it becomes crystal clear that the banks perform a wide range of services to their customers. One curious thing is that the functions of banks are open-ended in the sense that more could be added with the approval of the Minister of Finance.

Adekanye F.A.(1986)<sup>3</sup> a seasoned banker, has aptly categorised services provided by commercial banks in Nigeria into two, namely, services to personal customers and services to business customers.

#### 2.6.1 SERVICES TO PERSONAL CUSTOMERS:

##### (a) open Credit for Cashing Credits:

A customer travelling to another town to stay for some time to conduct business transaction, can ask his bank to establish an open credit for him. The customer's bank can then arrange with the branch concerned to honor the customer's cheque up to a certain limit. The specimen signature of the customer will be sent to the branch concerned. This arrangement can also be made with a branch of another bank where it is not represented.

##### (b) Traveller's Cheque:

Travellers cheque are a form of travel currency giving the holder the security of a letter of credit and the conveniences of a local currency. Travellers cheques are probably the most universally accepted method of payment for overseas travellers and, indeed, for payment in the United Kingdom, the United States and other foreign countries.

In Nigeria, traveller's cheques are normally issued in dollar and pounds sterling. They are encashable at the correspondent of the issuing bank abroad. Also, they are usually acceptable at hotels., departmental stores etc. The holder of the cheques signs them on their issue. When they are to be cashed, the holder countersigns them in the presence of the cashier who checks the signatures before effecting payment. In the case of loss or theft, the issuing bank will arrange a refund or replacement provided the cheque were signed in the correct place at the time of issue.

(c) Foreign Currency:

Foreign currencies especially pounds sterling and U.S. dollars are available in limited quantities from all banks in Nigeria. These can be obtained to meet minor expenses like taxi or bus fares prior to encashing travellers cheques, when on a journey. Unused traveller's cheques and foreign notes can be cashed on return from foreign travel at the issuing bank. Nigeria stringent foreign currency and traveller's cheques that can be obtained.

(d) Safe Custody:

Commercial banks in Nigeria provide custody services for their customers valuables such as government, stocks, share

certificates, life assurance policies, certificates of occupancy (be official title of landed property), deeds of conveyance, wills and jewellery. Such property can either be deposited in sealed boxes or envelopes with the contents unknown to the bank official or made 'Open" when the articles are listed and signed for.

The relationship arising from safe custody is different from that between a banker and the customer. The transfer of goods to some one for a particular purpose, for example, for safe-keeping is a bailment and the bank in question is a bailee. The banker does not, for instance have any lien or right over the custody of the property in relation to a customer's overdrawn account.

A banker enters into a contract of bailment when items are received from customers for safe custody. If the banker, charges of the services he is a paid bailee. If not he becomes a gratuitous bailee. In law, the paid bailee is expected to show greater care in the handling of the safe custody of the items.

(e) Status Inquiries or Banker Opinion:

A customer can give his bank's name to a supplier or another bank for reference purpose. In such a case, a request is sent to the customer's bank for brief assessment of the customers' financial standing.

The benefit that customer's derive from this service is that the bank's view or assessment of another customer can assist the inquirer to arrive at a decision regarding the inquiries financial standing, behaviors and financial prudence. Such information are crucial when financial contracts and agreement based on trust are being made. This services can be provided in respect of both personal and business customer's.

#### **2.6.2. SERVICES TO BUSINESS CUSTOMERS**

##### **(a) Loans and Overdrafts:**

The loan facility is provided by commercial banks in Nigeria mainly, but not exclusively to sole traders, and individuals such as salary earners to help them over a difficult period or supplement the payment of school fees, medical bills and some unforeseen expenses. The amount granted us usually small and it is repayable at the shortest possible time.

Commercial banks in present day Nigeria base their lending business on the concept of the overdraft "which in itself arose from the development of the current account, the issuing of cheques, and the bank's money transfer system". Since commercial banks are more interested in short term lending, funds advanced on overdraft are in theory repayable on demand, while interest is payable on the outstanding balance on a daily basis.

To the banker, an overdraft has the advantage of being self-liquidating by the normal turn over of account. However, in practice, an account may not swing into credit for quite some time.

Over-draft facilities are generally granted to business customers, that is, large corporate concern and some medium/small scale enterprises. When a business enterprise is granted an overdraft of say N100,000.00, a separate account is opened. This facility enables the customer to overdraw his account up to a limit of N100,000. until a specific date or further notice.

Commercial banks in the country are constrained by the nature of their funds to provide only short term facilities on loans or overdraft to their customers which are usually repayable within one year. Thus, the bank provide mainly short-term facilities for working capital purposes. The advantage of overdraft facility to the customers is that interest is charged on a daily basis and thus, full credit is given for, payments into the account, this facility has remained the cheapest source of credit obtainable by customers from their banks.

(b) Performance Bond:

Commercial banks provide this services to customers in the building and contracting business where they are required to

supply a performance bond as a pre-requisite for contract bids. The bond is a guarantee that such business have adequate financial resources to execute the contract satisfactorily. When a banker gives such a guarantee, it usually takes a counter-indemnity which enables him to claim against the customer in the event of default.

(c) Guarantees and Indemnities:

If a shareholder loses his share certificate he can apply for a duplicate certificate. Before a company consents to such a request, it will want a banker to add his guarantee to the request to re-assure the company of its genuines. As in the case of performance bond, the banker covers himself against loss by taking a counter indemnity from his customer.

(d) Banker's Drafts:

A bank draft is a cheque drawn by a branch of a bank on another branch. It is issued on request to a customer who is complied to make payment to a payee who wants to ensure that the cheque will not bounce. Bank drafts are bought for when large payments are involved and when the payee has to part with valuable articles due to high incidence of bouncing cheques in this country.

(e) Bills for Collection:

Exporters can request their banks to help them collect bills from their overseas importer. In this regard the exporters draw a bill of exchange payable on a specified date on the importer. The Nigeria exporter then gives the bill to his Nigerian banker to collect the proceeds on his behalf. The bank sends the bill to its correspondent in the overseas country and requests that the bill be presented at the end of the term for payment. When the proceeds are received, the customer's account is credited with the Naira equivalent.

In some cases, the customer may forward the bill direct to the importer in the overseas country for acceptance after which the bill is referred to him. He then attaches the necessary documents to the bill when demanded, and passes it to his bankers who will forward it to the overseas country concerned for payment. A bill with documents attached to it is called a documentary bill. If no documents are attached, it is a clean bill. The customer is required to give clear instructions to the bank as to whether documents are to be released against acceptance or only against payment.

(f) Bills for Negotiation:

If the customer is in dear need for funds and want the proceeds of the bill immediately, he may request his banks to negotiate the bill. This means that he sells the bill to the bank. The bank pays the customer the face value of the bill minus a discount. However, such negotiation is done with the agreement that if the acceptor fails to pay the bank, the bank will claim from the customer. In such a situation, the bank may ask the customer for security. If it is a documentary bill the document will form part of the security.

(g) Standing Order:

A standing order is a written request from a customer to the bank to render a service of payment. Usually monthly or annually either for a limited period of time or until further notice. Such standing instruction might request the bank to make such payments as, and when due to insurance companies or business house, etc.

In respect of subscription of clubs, institutes and so on, the banker is under no obligation to make a payment unless the account is in credit, or within an agreed over-draft facility. Thus, sufficient funds must be kept in the account to absorb the debit on the due date.

(h) Business Advisory Service:

This service is primarily aimed at assisting small business customers to develop their businesses in such a way that can attract bank finance. Small scale traders are taught how to introduce simple record keeping and accounting into their operations.

(i) Night Safes:

The aim of this service is to enable customers to make deposits after normal banking hours.

The bank issues a night safe wallet which can be locked to the customer. The customer puts his paying in slip and the cash in the wallet, locks it and 'posts' it in the safe through the exterior wall of the bank, the wallet is decreed by the bank staff concerned in the morning and the customer's accounts duly credited. Shop-keepers wishing to bank their daily takings rather than leave them in the shop overnight or carry large amounts home find this service particularly helpful.

The list is in no way exhaustive. Being a dynamic industry new products/services are continually being added to the existing stocks of function. The research study intends to find out from

those who are beneficiaries of these services (the customers) whether the services rendered to them meet their expectation or not.

### 2.7. BANKER - CUSTOMER RELATIONSHIP

In his book, a dictionary of Banking, *Perry F.F. (1979)*<sup>4</sup> defined a bank as "an establishment which deals in money, receiving it on deposit from customers, honouring customer's drawings against such deposits on demand, collecting cheques for customers and lending or investing surplus deposit until they are required for payment.

In simple term, what we can deduce from the above definition of a bank is that it is a financial institution which accepts and safeguards deposits/money from customers and permits money to be withdrawn or transferred from one account to the other and invest or lend the surplus money deposited to customer who need it.

In his book on the practice of banking, *Doyle E.P. (1979)*<sup>5</sup> stated that the relationship between a banker and his customer is essentially contractual, but fundamentally, it is that of a debtor (the banker) and creditor (the customer and vice-versa) depending on who is owing the other.

In his own contribution to the question of banker and customers relationship, *Whiting D.P. (1985)*<sup>6</sup> stated that this relationship is governed by rules of agency, where appropriate, for example, where the banker acts as agent for his customer in collection or paying cheques on his behalf. He also added that the relationship is governed by the rules of bailor and bailee where appropriate, for example where the banker retains his customer's deeds and documents of title for safe keeping.

To *Olalusi F. (1978)*<sup>7</sup>, "there are two types of relationship between a banker and his customer; namely, human relations and legal relations"

This relationship arises when a person, society, firm or company and so on, makes an offer to become a customer, which the bank duly accepts. Acceptance may in fact be made subject to:

A condition precedent e.g. acceptance of the applicant's offer; conditionally, upon his providing satisfactory references; or a condition subsequent, e.g. agreement to open an account for the applicant immediately but the right retained to close the account forthwith if satisfactory references are not ultimately received.

What we can deduce from the facts above is that once a person, society, firm or company opens an account with a bank,

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he/she/they become their customer and the most important point of contact with the numerous customers are:-

The Cashier's

The Manager's point.

(i) THE CASHIER AND THE CUSTOMERS

The cashier, by virtue of his duties comes into contact with the public (customer and non-customers) more often than any employee of the bank. The numerous functions the cashier performs makes specialization a must so as to make transaction easier. The cashier must therefore possess the spirit of tolerance, must be accommodating and a keen observer so as to enable him/her recognise all instruments and understand the implications of his/her actions.

In addition to the possession of a tolerant spirit, to help customers when and if possible. He/She must be humble, show respect to customers and address them in "cultured manner". Self confidence is therefore essential, so as to enable the cashier represent his employers very well.

Finally, it is also necessary even though not compulsory to establish a relationship with the customer, but a neat and confident look of the cashier may repose confidence in the mind of the customers of the bank's ability to perform well. The cashier's appearance and his neatness is a letter of introduction of the management.

#### (ii) THE MANAGER AND CUSTOMER

The branch Manager is at the apex in the branch of a bank and also symbolises the management. He/She is the chief public relation officer of the branch. Therefore, he/she must be in the forefront in projecting the good image of the bank through his attitude to customers. His first task is to know the business environment, the basic occupation of the people, and how the bank can fit into the system. He must also know who the customers of the bank are as well as try to win more customers. He must also understand their problems, grant them audience and seek suggestions from them on how to improve on the services of the bank. He/She must make the customers feel welcome and spare time to ask after their business performance. This will give the customer the feeling that she/he is recognised.

Apart from verbal (face to face) discussion or mode of communication another channel of contact between a banker and

customer includes, telephone communication. Here, a pleasant voice, friendly conversation and prompt connection with the appropriate person is vital.

Similarly, letters are important means of communicating with customers, since letter and report writing are vehicles of thought and feeling, Letters of complaints, status enquiries, business transactions, etc. may be received from the public. The basic requirements for effective correspondence are simplicity in the use of language, avoiding monotony, vague expressions and mixing of tenses. The letter must be brief and precise.

#### **2.8. TYPES OF CUSTOMERS**

There is no specific legal or statutory definition of a bank customer. While, we have some who open account with the bank, there are others who visit the bank every day for other reasons and motive. While some people go to a bank to cash their personal cheques or cheques issued in their favour by third parties; others go to deposit cash or cheques into their accounts; or make inquiries of one sort or the other. All these categories of people mentioned above regard themselves as bank customers. The approach of the bank employees to them will solidify their relationship and encourage others to open account with them.

In his own contribution to our subject of discourse, *Adekanye F. A. (1983)*<sup>8</sup> wrote that "Banking services cut across various segments of people, viz, individual or personal both literate and illiterates, business or corporate organisations and government establishment who are usually represented by their agents". Individuals are bound to vary in their approach and sense of reasoning, there is need for the bankers to understand human behaviour as this will assist them in tackling difficult situations when they arise in dealing with customers.

(i) INDIVIDUALS

These categories of people fall within the class of salary earners or petty traders,, who make little of nothing in terms of revenue. If they have to consider the effort put into making ends meet, they would not have come to save the hard earned money, in the bank. For them to part away with their money they deserve to be given the best attention and prompt service by the bank employees.

(ii) CORPORATE ORGANISATIONS:

These are business organisations incorporated under the company Act of 1968. The trade in goods and service and their primary aim is to make profit. They open account in their business names

and have their representatives or agents transaction business on their behalf. The mode of operation of their account involves a wider scope as distinct from an individual. The idea of getting associated with big companies to some extent determines the level of importance of that bank in the society. Any good bank would want to be identified with trans-national economic giants like UAC, Leventis, etc. This is because their high profit margin is incomparable with other customers as it reflects directly on the earnings of such banks.

### (iii) GOVERNMENT

Some organs of government by their mode of operation, open account with banks and majority of their transactions sometimes call for urgent attention since the could be decisions taken by the government. Any lapses on the part of the bank could have serious effect on the organisation. No bank would want to be associated with failure.

When these customers come to the bank they request for the best services and the best the bank can do is to satisfy them. As human beings they have their shortcoming; it is the duty of the bank to study situations, identify their problems understand the problems and offer adequate solutions.

## 2.9. DUTIES AND RESPONSIBILITIES OF BANKERS

As we pointed out earlier, the relationship between a banker and customer is essentially contractual, but fundamentally, it is that of a debtor (the banker) and the creditor (the customer) and vice-versa depending on who is owing the other.

For all contracts, there are underlying rights and duties for the parties. To enable a banker enjoy the protection granted them by the provisions of the Nigerian Bill of Exchange Ordinance of 1964, *Adekanye F.A. (1983)*<sup>9</sup> posited that "the bank should perform the underlisted duties of a banker courteously, honestly efficiently and effectively:-

Receiving money on current or deposit account, collecting proceeds of cheques for its customers, to repay in whole or part of the debts owed its customers upon presentation of customers written order or cheque, maintaining secrecy in respect of customer's account and affairs (even when he has ceased to be their customer) except where disclosure is permissible".

To achieve the above, the bank has to handle the customer in these ways:-

Assisting illiterate customers in completing their pay-in-slip and also coming to the aid of others when the need arises.

Being polite is very important too, so as to create good impression of the bank in the mind of the customers. Likewise, attending to customers quickly is necessary so as to save their time and to enable them follow up their other business in good time.

It is also the duty of the bankers to pay their customers once there is sufficient fund in the account or when there is an agreement between them to overdraw his/her account or take loan. These bankers should not return's cheques without genuine reason, etc.

On the other hand, the responsibility of the bank to the environment includes:-

Opening of recreation centres to enable the community enjoy the benefit of such a bank and sponsorship of games and other social activities to project the image of such bank. Also organising seminars, workshops, etc. to enlighten the public about the things that matter to them.

The bankers (and the bank) responsibility to the government is to help implement the policies and objectives of the various strata of government. In this way, they should take the lead and also advise the government on matters relating to socio-economic policies and finally, they should also give financial banking to the public and private sector of the economy.

In the words of *Whiting D.P. (1985)*<sup>10</sup> "the relationship between a banker and customer is very confidential and the banker must not divulge or leak information concerning the accounts or affairs of customers without express consent".

In a similar vein, *Whiting D.P. (1985)*<sup>11</sup> and *Adekanye F.A. (1983)*<sup>12</sup> stated that, "a banker and his staff are expected to keep secret any information regarding the business and accounts of the customers and in this regard every member of a bank's staff is required to sign a declaration of secrecy as regards the business of the bank".

However, a banker in certain cases may be compelled to give information as evidence in court of law and may also be required to a copy of the entries in the book of the bank.

The duty of the banker towards his customer therefore not to disclose his affairs is a legal one arising out of a contract; the duty is not absolute but qualified. The qualifications of

the contractual duty of secrecy implied in the banker and customer can be classified under the headings:-

(a) Where disclosure is under compulsion of law, under the Banker Book (Evidence) Act 1879, a statute of general application in Nigeria, section 7 provides that "on the application of any party to a legal proceeding, a court or Judge may order that such party at Liberty to inspect and take copies of any entries in a banker's book for any of the purpose of such proceeding. An order under this section may be made either with or without summoning the bank or any other party, and shall be served on the bank three days before the same is to be obeyed unless the court or Judge otherwise directs. Any such order against a bank may be enforced as if the bank was a party to the proceedings.

The expression in the Act relating to Banker's Book has been defined to include ledgers, day books, cashbook, account books and other books used in the ordinary business of the bank. The word "Court" has been defined as the court Judge, arbitrator, person or persons before whom criminal proceedings are being taken. Any of the people mentioned above has the power to order that the prosecutor may inspect entries in the books of a bank which the defendant keep his account. Also, the "evidence Act" provides that secondary evidence may be the existence or contents of a document when the document is an order to enable a police

officer in the course of investigation to inspect and take copies of the ledger cards of customers or any such records, an application has to be made under the provision of the above mentioned laws and an order granted by a Magistrate or Judge.

(b) DISCLOSURE AS A PUBLIC DUTY

there is a public duty compelling the banker to disclose information concerning the account of his customer where the proceeds credited there are found fraudulent or stolen. In this context, the banker's duty to prevent fraud in the course of his operations. Supersedes the duty secrecy owed to the customer. Where this situation arises, he/she need not wait for any court order, as he has valid defence to an action for a breach of the duty at the instance for the customer.

(c) DISCLOSURE IN THE INTEREST OF THE BANK

The interest of the bank would require disclosure of information concerning the account of its customers where the bank makes a demand in writing for repayment of an overdraft or issue a write claiming payment of an loan or overdraft and stating on the face of the write the amount owed.

## (d) DISCLOSURE IN THE INTEREST OF THE CUSTOMER

There could be no action for a breach of duty in party to whom the duty is owed as consented to the breach. Therefore, in circumstance where the customer authorises a reference to his banker to give information concerning his credit worthiness, and this is done, the customer cannot successfully bring an action for breach of duty of secrecy.

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**CHAPTER THREE****RESEARCH METHODOLOGY**

In order to facilitate the execution of this project work, two types of data were utilised. These are:

- (i) Primary data and
- (ii) Secondary data.

**3.1. PRIMARY DATA**

Data may be expressly collected for a specific purpose. Such data are known as primary data. The collection of facts and figures relating to the population in the census provides primary data.

The main advantage of obtaining such data is that the exact information wanted is obtained. Terms are carefully defined so that as far as it is humanly possible, misunderstanding can be minimized though not completely avoided.

The primary data needed for this research study were collected through survey method of data collection.

### **3.1.0. THE SURVEY METHOD OF DATA COLLECTION**

This refers to the method of studying a given population by selecting and studying samples chosen from that population. Some authors regard this as 'sample survey'. The need for sampling becomes obvious because of the difficulties associated with studying the entire population. Hence samples are studied and inferences can be drawn about the population. The survey method of data collection is more than fact-finding exercise. Surveys do more than merely uncover data. They interpret, synthesize, and integrate these data and point to their implications and inter-relationships.

There are many types of surveys. These include personal interview, questionnaire, panel, telephone and observation. This research work made use of personal interview, questionnaire and observation in the collection of primary data.

#### **3.1.1. PERSONAL INTERVIEWS:**

An interview is a method of obtaining information on a particular subject. It enables the interviewer to get first hand information from those concerned. This system involves face to face dialogue, through which information is given and received.

The researcher interviewed senior and junior staff of Bank of the North Limited and First Bank PLC with the aim of finding out the types of services they render and the problems or complaints they usually receive from their customers. We also dealt with the question of the average number of accounts opened monthly, the average time a customer spends before being served, and so on.

To balance the equation the interview was also extended to the customers. Such questions include, whether they know the duties and responsibilities of the bank toward them and also if they know the legal relationship that exists between them, the problems they encounter in their business transaction with the bank, and so forth.

The aim of using this "face to face" technique in obtaining data is to enable the researcher draw conclusions and make recommendations on the research findings.

Like any method of data collection various problems have been encountered. These problem range from the fact that some of the people interviewed did not give straight forward answers and answers that were not even related to the questions asked were given. In any case most of the customers and staff sacrificed their time to answer questions put to them by the researcher.

One of the major advantages of this method is that information can be verified easily.

Secondly, valid and reliable information can easily be obtained.

Just like this system has advantages, it has disadvantages. For one, it leads to bias answers because of the presence of the interviewer.

Furthermore, this system is rather costly in terms of time and money. It is expensive when a large segment of the people are involved. While, when the researcher needs to see the top executives, it involves a lot of time.

Finally, like we did highlight, if not properly used, it leads to a lot of deviations on the part of the respondents.

### 3.1.2. THE QUESTIONNAIRE:

These are structural series of questions in written form meant to be answered by potential respondents. This method is aimed at collecting data about a particular subject using question forms which are to be either ticked or completed by those concerned.

The researcher issued questionnaires to both the staff, and customers of the bank and the purpose of this questionnaire is to find out whether the relationship between bankers and customers exist, if not, what are the reasons for its non-existence and where it does exist, it is satisfactory, and how efficient is the bank in rendering services to them?

The questionnaire for management and staff was set mainly to obtain information concerning the quality of services, the condition of service and what problems are encountered in transacting their business and also their relationship with the customers and their plans in improving customers service in the bank.

While, that of customers is to enable the researcher to know their view regarding the services rendered to them, their relationship with the bankers, how satisfied they are with the services generally and the problems they encounter in the bank under consideration and possible solutions they may have.

These questions were made simple for both staff and customers in order to make it effective and also simple language was used to avoid ambiguity.

The advantages inherent in this technique are:-

- (i) It helps those respondents that are not good in expressing themselves to tick from the answers given.
- (ii) It is easy for the researcher to analyse, since he/she framed the questions and answers her/himself.
- (iii) A lot of information can be obtained since the respondents are given the questionnaires to fill and return them at their convenient time.
- (iv) it is also cheaper compared to other methods of collecting data because many copies can be produced.
- (v) Finally, the system aids the research in reaching a wider and larger number of respondents.

The disadvantages of this system are:-

- (i) The questions are so restricted thereby preventing the respondents from expressing themselves very well.
- (ii) Lack of positive response is the major setback of this method because many of the questionnaires are not usually returned.
- (iii) The questionnaire does not permit the researcher to follow through on misunderstood questions or evasive answers.

**3.1.3. PERSONAL OBSERVATION:**

The researcher observed almost all the activities of the bank for more than three weeks. The researcher studied each staff as regards the way they attend to customers and the time spent doing this. This method helped in selecting from the data obtained those that deserve further and proper study. In like manner, it helped in assessing the quality, efficiency and speed of services rendered to the customers by the bank. Also, the courtesy bankers gave their customers were observed.

The advantages of this system are:-

(i) It is the most reliable method among the various techniques used in collecting data for this research, because it is used to verify the information obtained in other methods.

(ii) Also, since the researcher was there to observe all that happened, he had a vivid idea of what is involved in the banker/customer relationships.

(iii) It enables interaction between the researcher and the respondents which in turn helped in having more ideas about the topic of this research work.

The disadvantages are:-

(i) It is time consuming because the researcher has to observe how all the activities of the bank were performed and asked questions where necessary.

(ii) It may lead to bias especially where the research has pre-conceived idea about a particular issue.

### **3.2. SECONDARY DATA**

These are data collected for some other purpose but which can be used conveniently in the course of this research work. However, the researchers was cautious as far as the use of secondary data is concerned because such data may not give the right kind of information needed and they may not be in the most suitable form.

The main method of collecting secondary data for this work is through documentary investigation.

#### **3.2.1. DOCUMENTARY INVESTIGATION**

This is a method based on obtaining information from existing records. Thus, in examining the ways in which and how customers' document are treated, it is important to scout for guide books,

text books and relevant journals other than the official record itself.

The advantages of this method include:-

- (i) the fact that it is a fast way of collecting data and as such saves time and money.
- (ii) it affords the researcher an opportunity to get essential account of past events needed for this research work.
- (iii) it is through past information provided by documentary records that the researcher makes deductions that will help him reach conclusion.

The above methods are what the researcher used to collect the necessary data for the purpose of this research work.

However, these methods are by no means exhaustive but the researcher feels that they will serve the basic needs of this research.

**CHAPTER FOUR****DATA PRESENTATION AND ANALYSIS****4.1. INTRODUCTION:**

This chapter is specifically designed to present and analyse the data so collected from the methods described in chapter *three*. It is divided into three parts. The first part introduces the banks under study, (First Bank Nigeria PLC and Bank of the North Limited), and the presentation of raw data obtained from them by way of the services they render to their customers. Part two of this chapter deals with the analysis of data while part three focuses attention on the discussion of findings.

In order to know the true position of the services which the banks render to their customers and the extent of satisfaction desired by them (customers), two sets of questionnaires were administered one set is meant for the bank staff while the second set is for the bank customers.

Information collected is the result of general findings on both sets of the questionnaires and the follow-up interviews conducted by the researcher. Various questions put before the customers and staff of the banks include commence period of banking services, speed of services, efficiency and general satisfaction, courtesy, relationship between customers and the staff to mention

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but a few. Their co-operation was particularly willing to express their views on the services they receive from their banks. To the bankers, it was an avenue to refute many of the allegations often made against them and to state their own side of the case.

For the purpose of comparative analysis, the researcher selected 200 customers from First Bank Nigeria PLC and 100 customers from Bank of the North Limited, the selection was done on a random sampling basis. On the whole, 350 questionnaires were distributed out of which 300 were duly filled and returned.

Regarding the bank staff, a total of 70 bankers responded, with 40 and 30 of them from First Bank PLC and Bank of the North Limited respectively.

Before embarking on a detailed analysis of the data, it is necessary to first, present them (data) with a view to knowing how the selected banks in Kaduna Metropolis design and render their services to the customers.

#### **4.2. FIRST BANK NIGERIA PLC**

What is known as First Bank today was the then Bank of British West Africa, an off-shoot of Elder Dempster and Co. The Bank of British West Africa was registered in England as a Limited

Liability Company on March 31 1894. Its Head Office was in Liverpool and with a staff strength of only two.

The Colonial Government accounts were kept in the bank and it handled the import and export of mint coins until 1959 when the Central Bank of Nigeria was established. When it became apparent that the colonial relationship was coming to an end in West Africa, the bank changed its name to Bank of West Africa in 1957. Oddly enough, this name is said to have been proposed as far back as 1909 but for one reason or the other it did not materialize until 1957.

During the merger era of the 1960s, Bank of West Africa (BWA) was not left out. It merged with the Standard Bank, one of its shareholders since 1920 and became Standard Bank of West Africa in 1966. The history of Bank of West Africa came to end soon after this merger and in 1969 a separate company was incorporated in Nigeria under the name Standard Bank Nigeria Limited.

To reflect the majority shareholding and the fact that it was the 'pioneer' bank in the country, First Bank of Nigeria assumed its present name in 1977. This noteworthy evolution will not be complete if we fail to mention that in 1966, Bank of West Africa Limited absorbed the Lagos Branch of Cash Manhattan Bank of New York.

Today First Bank PLC is one of the largest banks in the country with 8 autonomous administrative divisions, 5 of which are regional in outlook to facilitate the administration of the branch network nationwide. It has well over 300 functional branches located in all the States of the federation.

#### 4.2.1. SERVICES OFFERED BY FIRST BANK NIGERIA PLC

Deposits:

A customer can maintain any of the following types of accounts with the bank.

(a) Savings Account:

No references are required when opening a savings account, but a customer may be required to open an account with a minimum of N100.

A customer can deposit into or withdraw money from his account upon presentation of his Passbook during banking hours at the branch where the account is held. Furthermore, customers cannot draw cheques on his savings account, but he can pay cheques into the account by special arrangement with the bank. No notice is

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required before withdrawals are made, but the condition stipulate date the back of the Passbook should be carefully read and understood.

A savings account presently earns customers interest of 14 percent per annum.

(b) Current Account:

To open a current account, an introduction and/or referees are required. Both cash and cheques can be paid into a current account. A customer can also pay postal order, money order and dividend warrants into the account.

A customer can only withdraw cash by cheques. A customer cannot overdraw his account without prior arrangement with his banker, he may not be permitted to draw against an uncleared cheque. For operating a current account, the bank normally charge commission -on-turnover (COT) monthly or quarterly. This charge will not be imposed if the customer maintain a minimum credit balance of ₦100 on his personal account throughout the particular period.

No charge so made for clearing cheques drawn and payable anywhere within Nigeria. Details of money, cheques coming in and going out of the customer's account are usually set out in form of

statement which will also show how much of money the customer has left in his account.

(c) Other Deposits:

A customer can arrange to deposit any amount with the bank for a fixed period. The terms of such deposit including interest payable thereon are subject to negotiation between the customer and the bank. The deposit can be renewed after maturity for a further fixed period.

(d) Loans and Overdrafts:

With the arrangement with the bank a customer can borrow money by:-

- (a) Overdrawing his current account
- (b) Direct loan

Conditions for enjoying bank loan or Overdraft vary from Bank to Bank.

Overdraft is repayable on demand at the banks discretion but loans are repayable over a fixed period. Any customer, small, medium, large individual or corporate clients can borrow as long as the bank's conditions are met.

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The rate of interest chargeable on loans and overdraft is 21 per cent per annum. The effective rate of interest on customer borrowing should not exceed the maximum rate of interest of 21 per cent.

The bank may request from a customer to offer some kind of collateral security such as share certificates, life insurance policy, title deeds to property as cover for the loan/overdraft. Interest on overdrawn and loan accounts is usually calculated on the overdrawn or loan balance.

#### Miscellaneous Services:

##### (i) Providing Banker's Reference:

The bank on request can provide the customer with reference which may be required by a business concern or trade supplier willing to grant the customer credit. Such references will provide information about the customer financial position.

##### (ii) Local Travel

As it is not safe to carry too much money when travelling within the country, a customer can make money available either by making credit arrangement which enables him to draw money at specified

branches of bank in the areas to which he is travelling or by purchasing bank-draft, at the nearest branch of the bank in the place where a customer is visiting.

(iii) Safe-Keeping of Valuable Items:

By arrangement with the bank, a customer can deposit his items of value such as document of title, share certificate, jewels etc. It is necessary to obtain an official receipt for items so deposited.

(iv) The Bankers order:

For the periodic payments, such as insurance premiums, hire purchase installments; a customer can use banker's order. The bank will make payments on the customer's behalf provided he has money on his account at the date of payment. The bank charges a commission of N15.00 per standing order.

(v) Foreign Transaction:

All licensed banks are authorized dealers in foreign exchange transactions. First Bank of Nigeria Plc deals in all foreign currencies.

(vi) Transfer of Money Abroad:

First Bank of Nigeria Plc assists customers to send money abroad after such customer has complied with the exchange control regulations, and obtain the necessary approval to make the remittance. The rate of exchange are exhibited daily at the Central Bank, and can be obtained for any specific date on request. Currently, the rate is fixed at N21.990 to US\$1.

(vii) Traveller's Cheque:

When a customer travels abroad, the bank can provide the desired foreign currency by selling traveller's cheque or bank drafts to customer or by making a mail or telegraphic transfer on the customer's behalf, within the ruling currency rates and exchange control regulations.

Other Services of Interest to Businessmen:

On request, First Bank of Nigeria Plc can help to contact business organisations Overseas with who to establish relations.

First Bank of Nigeria can open Letters of Credit, enter into bonds, guarantees and indemnity in respect of import. First Bank of Nigeria advice the customers on investment opportunities in

Nigeria. The bank also offer useful information such as current regulations on Foreign Exchange, conversion rate of local Currency vis-a-vis foreign currency etc these information are provided free of charge.

#### 4.3. BANK OF THE NORTH

Bank of the North Limited was incorporated on September 17, 1959. The bank commenced business in January 1960 at its branches located in Kano and Kaduna.

It was first owned by the Northern Region. But with the creation of States, it was owned by the Northern States. The Bank is presently owned by the sixteen Northern State Governments and the Northern Nigeria Investments Limited, a wholly owned subsidiary of the New Nigeria Development Company Limited (NNDC). The latter is also owned by the sixteen Northern governments.

The Bank has made a steady progress since its share capital of 12,500 pounds. By 1970, the issued share capital of the Bank has risen to N27 million.

The second decade of the Bank's operation (1971-1980) was also marked by rapid progress, growth and profitability. The

Authorised share capital rose to N30 million of which N14.7 million was fully paid up.

While its total assets stood at N30 million with loans and advances amounting to N17 million in the 1970s, its total assets in 1980 came to N900 million and, for the first time, in 1980 the after tax profit exceeded the N10 million mark.

By the close of the third decade, the bank had witnessed substantial growth in all areas. Loans and advances grow from N400 million at the beginning of the decade to N990 million by December 1989. The total deposits went up from N780 million at the end of 1980 to N1.8 billion in 1988, coming down to N1.3 billion in 1989 due to the withdrawal of government deposits from commercial banks. Statutory and general Reserves rose from N25 million in 1980 to N100 million in 1988. Over the same period, shareholder's funds grew from N40 million to N162 million. Whereas the shareholders fund fell slightly to N157,545 million in 1991, loans and advances grew to N1.093 billion while deposits increased to N2.325 billion.

The bank's assets now stand at N2.950 billion with an authorised share capital of N100 million, N57,431 million fully paid-up.

The bank which started with two branches in 1960, had by 1970's

twelve branches with an establishment size of over 44 with staff strength or more than 2,000. The bank currently operates 100 branches in 22 States of the Federation and the federal Capital Territory, Abuja. There are plans to cover the remaining States. Its staff strength has also risen to over 4,000.

#### 4.3.1. SERVICES OFFERED BY BANK OF THE NORTH LIMITED

Bank of the North Limited, like any other typical commercial bank, renders the following services for their customers.

##### (i) provision of deposit facilities

Bank of the North Limited accepts deposits on two principal types of account. One is current account and the other is deposit account. Deposits on current account are repayable on demand, that is, without notice. This is why current account deposit are also called demand deposit. The current account has the following merits.

(a) It earns minimal interest

(b) Current account deposit are repayable on demand.

This makes them as liquid as cash.

(c) Current account offers access to overdraft and loan facilities.

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(d) current account holder can issue standing orders or instructions to their banks for periodic payment.

The Bank also accepts deposits on deposit account. Interest is paid on these accounts by the bank but withdrawals are subject to some period of notice. This is why they are called time deposit, in contrast to demand deposit. The time required for notice before withdrawal can be made ranges from 7 to 14 days as the case may be.

(ii) Provision of Credit Facilities:

Lending to customers can take any of the following forms:

(a) granting of Loan:

(b) granting of bank overdraft.

(c) discounting bills of exchange. The essence of a bill of exchange is that payment is due at future date. If the holder can afford to wait until the maturity of the bill, he may obtain payment but if he cannot wait, he may obtain a loan with it from the bank. He then takes it to the bank for discounting. When a bank discount a bill, it in effect buys the bill at a discount. Just like any other buyer it pays for the purchase by crediting the account of the seller and debiting a "bills receivable account". The commission is credit to the Discount Commission Account.

(iii) Intermediary between lenders and borrowers. When commercial banks accept deposits from the public, they are in essence borrowing from those who have funds surplus to their immediate needs, and when they grant loans, they are lending to those who are short of funds for their requirements. The banks therefore act as agents between lenders and borrowers. Bank of the North is no exception. It assists in the mobilisation and allocation of financial resources. This particular function is very crucial to the economic development of any Nation. The bank borrows from the surplus sectors of the economy and channel the funds so acquired to the deficit and productive sectors of the economy for investment purposes. This is why the bank industry has always been described as the life-blood of the economy. Bank of the North serves as a catalyst in which speeds up economic development.

(iv) Financing of agricultural production. Bank of the North finances agricultural production by providing farmers with credit facilities. The development of agricultural sector is important for the growth of other sectors of the economy. This becomes apparent if we appreciate the fact that many of our industries are agro-based, that is, they depend on agriculture for their raw materials. The bank has agricultural extension officers who provide farmers (customers), with technical advice.

Other services of Bank of the North are:-

- investment management
- buying and selling of shares and stocks on account of customers
- provision of foreign exchange services
- giving of status enquire or trade references
- safe-keeping of valuables
- provision of night safe facilities
- fund transfers
- provision of business advisory services and so forth.

Having examined the services of the selected banks under study, it is now expedient to analyse the data collected from them. The tools of analysis include simple percentages and arithmetic summations. This is to facilitate the necessary comparisons of the data collected from both banks.

#### **4.4. PRODUCTION/SERVICE DESIGN AND PACKAGING**

With respect to products/services design and packaging, the two banks perform the following services: Provision of loans and overdrafts, business advisory services, guarantees and indemnities, collection of bills, safe custody of valuables, status inquiries or bankers opinion and provision of foreign

exchange facilities. They also provide deposit facilities in form of savings current and deposit accounts. Given all these services rendered by the respondent banks to the public, only few of the services are patronised by the respondent customers, as the table below shows.

Table 1

## 4.4.1. Bank Services Patronised by Customers:

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Current account	55	55	120	60
Deposit account	5	5	10	5
Savings account	30	30	70	35
Both current & Savings	<u>10</u>	<u>10</u>	<u>10</u>	<u>5</u>
<u>Total</u>	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>

From the table above, 55% of the respondents operates current account with Bank of the North, while 60% maintain same with First Bank. Savings account ranks next, with 30% and 35% of respondents of Bank of the North and First Bank respectively, claiming to operate the account. It is therefore apparent from

these statistics that current account and savings account are the most popular of all the account, and services provided by commercial banks. This is partly due to the fact that majority of the customers are not aware of the range of services offered by their banks as the following table indicates.

Table 2

## 4.4.2. Level of Awareness developed

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
High	20	20	60	30
Low	<u>80</u>	<u>80</u>	<u>140</u>	<u>70</u>
<u>Total</u>	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>

The table above shows that the level of awareness of the available services is very low. The banks should enlighten their customers about the stock of products/services they have for their customers.

Table 3

Length of time spent for Banking Transaction.

<u>Factors</u>	<u>Responses</u>			
	<u>Bank of the North</u>		<u>First Bank</u>	
	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Below 15 minutes	4	4	10	5
Below 30 minutes	6	6	30	15
Below 1 hour	10	10	20	10
<u>1 hour and above</u>	<u>80</u>	<u>80</u>	<u>140</u>	<u>70</u>
<u>Total</u>	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>

The above table is in respect of time spent in making withdrawal.

A total of 80 out of 100 respondents claimed they spend more than 1 hour to withdrawal their money (Bank of the North); 140 customers of First Bank also maintained that they spend more than 1 hour. From their responses, it is crystal clear that majority of the customers spend more than an hour to withdraw their money.

From the interviewing, some customers maintained that they used to spend two hours or more. Some customers stated that when the situation becomes unbearable, they would leave their cheques and passbooks (withdrawal forms), and go for other business only to return much later. However, more time is pent when withdrawing money than when making deposit. Any measure to quicken the services will go along way in enhancing the satisfaction of customers in the banking industry.

Table 4

Perception of customers regarding the efficiency of bank services

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Very efficient	-	-	-	-
Fairly efficient	25	25	60	30
<u>Not efficient</u>	<u>75</u>	<u>75</u>	<u>140</u>	<u>70</u>
<u>Total</u>	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>

The issue of efficiency is central to customers' satisfaction. The level of satisfaction the customers derive is a function of the efficiency of service. 75% of the respondent customers in Bank of the North and 70% of those of First Bank described the services of the banks under study as being inefficient. Provision of fast or prompt services would constitute an efficient service. In the preceding analysis, the respondents has already indicated the banks for slow services as they used to experience delays in the banks. Therefore, it is not surprising that the respondents have given the verdict of 'not efficient'.

Table 5

## Nature of credit facilities provided by the banks

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Long-term	-	-	-	-
Medium-term	5	5	20	10
Short-term	35	35	70	35
<u>None of the above</u>	<u>60</u>	<u>60</u>	<u>110</u>	<u>55</u>
<u>Total</u>	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>

The table above shows that 60 respondents representing 60% derived ever taking loans (Bank of the North), while 55% (110 customers), maintained same in First Bank. The record shows that majority of the customers have no access to credit facilities. Some people Bank with the hope of obtaining financial assistance. The more loans the banks can grant to their customers the more satisfied they (customers), would be.

It can also be observed that short-term loans constitute the bulk of the loans and or advances of commercial banks. This is as a result of the liquid nature (short-term), of their deposit.

Table 6

4.4.3. Assessment of the bank in terms of services, attitude to customers and customers' satisfaction.

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Very satisfactory	-	-	10	5
Fair	10	10	30	15
<u>Not satisfactory</u>	<u>90</u>	<u>90</u>	<u>160</u>	<u>80</u>
<u>Total</u>	<u>100</u>	<u>100</u>	<u>200</u>	<u>100</u>

From the table above, 90 out of 100 customers are not satisfied with the services they received from the bank (Bank of the North), while 160 out of 200 customers representing 80% maintained the same position in First Bank. The customers in both banks have given their verdict. They have expressed their dissatisfaction with the services of their banks. Some of the reasons given are presented in the following table.

#### 4.4.4. Common areas of customers' complaint

<u>Factors</u>	<u>Responses</u>	
	<u>No</u>	<u>%</u>
Long delay in the banking hall	300	100
Irregularity and inaccuracy of monthly statement of account	- 180	60
Delay in cheque clearing	- 195	65
Shoddy treatment by bank staff	- 210	70
Centralization of foreign exchange services	150	50
<u>Lack of adequate space in the banking hall</u>	<u>300</u>	<u>100</u>

This table indicates some of the barriers to effective service delivery system. Other factors include bureaucratic procedures of the banks, preferential treatment, communication gap, inadequacy of infrastructural facilities, laziness on the part of the staff to mention but just a few. These factors and many more

others combine to make customers' satisfaction in the banking industry difficult if not impossible. This result in more money being left out of the economy (approximately 30%) with its negative effects on capital formation which in turn retards economic development.

#### 4.4.5. Market Segmentation

The two banks under study agreed that they group their customers into distinct categories to enable them (banks), enhance their services or serve their customers effectively as table 8 below shows.

Table 8

Need for grouping customers into distinct categories

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Yes	30	100	40	100
No	-	-	-	-
<b>Total</b>	<b><u>30</u></b>	<b><u>100</u></b>	<b><u>40</u></b>	<b><u>100</u></b>

The banks affirm the need to segment their customers into sub-groups based on the level of income, education, occupation and age. The banks provided certain services to each of the segments based on their needs. This, the banks claimed, is to ensure the satisfaction of their customers wants or needs. As a consumer oriented activity, it can blend well with the marketing concept. However, the following table indicate the contrary.

Table 9

4.4.6. Recognition of the place of the marketing concept in the banks.

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Yes	6	20	10	25
<u>No</u>	<u>24</u>	<u>80</u>	<u>30</u>	<u>75</u>
<u>Total</u>	<u>30</u>	<u>100</u>	<u>40</u>	<u>100</u>

It is apparent from the table above that there is lack of knowledge of the marketing concept as 80% of the respondents are unaware of the concept (Bank of the North), while 75% maintain

the same position in First Bank. The 'marketing gimmick' of customers always being right should be inculcated in the minds of the bankers to change the way they treat customers. This will help in ensuring customer satisfaction in the banking industry. Adoption of the marketing concept is central to satisfying the needs of the customers.

Table 10

**4.4.7 Level of experience of bank staff**

	Responses			
	Bank of the North		First Bank	
<u>Factors</u>	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
1-5 years	6	20	4	10
5-10 years	7	23	10	25
<u>10 years and above</u>	<u>17</u>	<u>57</u>	<u>26</u>	<u>65</u>
<u>Total</u>	<u>30</u>	<u>100</u>	<u>40</u>	<u>100</u>

This statistic shows that 57% of the staff of Bank of the North have put in 10 years of service or more. 65% of the staff of First bank maintained the same the more experienced the staff the more efficient the services that they will render to their customers.

Table 11

## Bankers perception of their conditions of service

Factors	Responses			
	Bank of the North		First Bank	
	No	%	No	%
Satisfactory	24	80	30	75
Not Satisfactory	3	10	4	10
Needs improvement	3	10	6	15
<b>Total</b>	<b>30</b>	<b>100</b>	<b>40</b>	<b>100</b>

A total of 24 out of 30 staff of Bank of the North are satisfied with the conditions of service obtaining in their bank while 30 respondents in First Bank are satisfied. It could be adduced from these figures that majority of the staff of the bank under study are satisfied with their conditions of service although a little improvement will do no harm. It is therefore expected that since they are satisfied they would render efficient services to their customers which will no doubt lead to customers' satisfaction. If the bankers are actually satisfied, what then are the causes of inefficiency observed in the banking industry? Some of the factors are highlighted in the table below.

Table 12

Causes of inefficiency in the banking industry.

<u>Factors</u>	<u>Responses</u>	
	<u>No</u>	<u>%</u>
Official bottleneck	70	100
Lack of necessary tools	21	30
Inadequate staff	35	50
Staff's laziness	7	10
Lack of motivation by management	35	50

We can clearly see from this table some of the causes of poor customers services of which administrative bottleneck or bureaucracy ranks high (100%), followed by shortage of staff and lack of proper motivation on the part of management of the banks, 50% each. The above five variables together with those identified by the customers (Table 7), account for the poor banking services the customers receive. This information is a useful due to the banks to wake up to their responsibilities and correct what needs to be corrected if they have to satisfy the needs of their customers.

Table 13

Assessment of bankers' relationship with the customers.

<u>Factors</u>	<u>Responses</u>			
	<u>Bank of the North</u>		<u>First Bank</u>	
	<u>No</u>	<u>%</u>	<u>No</u>	<u>%</u>
Very friendly	6	20	10	25
Cordial	21	70	24	60
Hostile	3	10	6	15

As the above responses indicate, the level of friendship between the bankers and their customers in both banks is low, 20% and 25% respectively in Bank of the North and First Bank. Although the relationships have been described as cordial as depicted by 70% response by Bank of the North and 60% by first Bank, there are still some element of hostility between the two parties. The banks must do everything within their reach to eliminate any form of hostility in order to ensure their customers' satisfaction.

Table 14

## Five-year Financial Summary of First Bank PLC (1988-1992)

	1992	1991	1990	1989	1988
	NM	NM	NM	NM	NM
Cash and Bank					
Balances	11,316	7,114	4,550	3,955	3,287
Investments	93	83	86	84	89
Loan & Advances	2,379	1,635	1,652	2,403	2,253
Fixed Assets	671	562	376	294	205
<u>Other Assets</u>	<u>2,527</u>	<u>1,925</u>	<u>1,818</u>	<u>1,756</u>	<u>1,238</u>
<u>Total Assets</u>	<u>16,986</u>	<u>11,319</u>	<u>8,482</u>	<u>8,492</u>	<u>7,072</u>
LIABILITIES					
Deposits	11,965	8,287	6,585	5,785	5,646
Taxation	33	5	45	66	79
Dividend	69	-	4	20	18
<u>Other liabilities</u>	<u>3,964</u>	<u>2,570</u>	<u>1,548</u>	<u>2,087</u>	<u>894</u>
<u>Total</u>	<u>16,031</u>	<u>10,862</u>	<u>8,182</u>	<u>7,958</u>	<u>6,637</u>

Share holder's Funds	<u>955</u>	<u>457</u>	<u>300</u>	<u>534</u>	<u>435</u>
	<u>16,986</u>	<u>11,319</u>	<u>8,482</u>	<u>8,492</u>	<u>7,072</u>
Gross earnings	2,689	1,575	1,433	1,151	860
Profit/(Loss) before taxation	366	(31)	(205)	163	124
Profit/(Loss) after taxation	335	(31)	(205)	106	74
Ordinary shares	65	-	4	24	22
Preference shares	2	-	2	2	2
Return on share-holders' funds	35%	-	-	20%	17
Earnings per share	207k	-	-	64.24k	44.60
Dividend per share	40k	-	2.50k	15k	13.50

SOURCE: First bank of Nigeria PLC, 1992 Annual Report and Accounts.

#### 4.5. DISCUSSION OF FINDINGS

(i) Customers' responses:

The responses tabulated in table 3 indicates that 80 out of 100 respondents in Bank of the North spend 1 hour or more to make withdrawals; 140 out of 200 respondent customers of First Bank claimed the same thing. 15% of First Bank respondents also claimed to transact their business (withdrawing their money) in less than 30 minutes. This is facilitated by the 'quick service' system introduced by First Bank whereby customers withdrawing N500 or less are paid instantly without their cheques or withdrawal forms going through the normal checking process. Apart from this, the general consensus among the majority of the customers as revealed by table 3 is that they waste alot of time in the bank. Given this situation, customers' satisfaction will continue to be low as indicated by table 6 except something is done to improve the situation.

In table 4 the customers ranked the banks in terms of efficiency of service. 75% of the customer of Bank of the North regarded the services of their bank as inefficient. The same position is maintained by 70% of the respondent customers in First Bank. The rest respondents only regarded the services as being fair.

Inefficient services and customers' satisfaction are mutually exclusive. Unless the issue of inefficient services in our banks is properly addressed, customers satisfaction will continue to be an illusion.

Table 5 examines yet another important service but most often neglected by the banks - provision of credit facilities. 55-60% of the customers of the banks under study have no access to loans. The able also indicate that where loans are given, they are of short - term nature. For any meaningful economic development to take place the entrepreneurs (customers), need at least medium - term loans. We are not calling on banks to grant long-term loan because of the liquid nature of their deposit but they (banks), can conveniently grant medium-term loans.

Table 6 assesses the banks in terms of services, attitude to customers and customers' satisfaction. This table inditates that 90% of the respondents of Bank of the North and 80% of those of First Bank are dissatisfied with the services of their banks. These percentages represent majority of the customers of these banks. The findings from this table confirm the customers' allegation about the poor performances of banks. Through intensive interviewing, this study also revealed that the customers had long been dissatisfied with the services they received from the banks. The research study also found that this

lack of satisfaction by the customers has far reaching effects. Most of the customers interviewed maintained that they keep 30-35% of their money at home where they have direct access to the money. The above represents the money outside the banking system (idle funds). Its effect will be fully discussed when we analyse table 14. Apart from this 'keep-under-the-pillow' syndrome, the dissatisfied customers inform their friends of their ordeal with the banks. This discourages prospective customers and contributes in no small measure to the poor banking habit of the people. It result in low capital formation which hinders rapid economic development.

The responses in table 7 identifies some of the causes of poor customers' services as delay in the banking hall, irregularity and inaccuracy of monthly statement of account, delay in check clearing, centralization of foreign exchange services. Other factors include inadequacy of infrastructural facilities, preferential treatment, communication gap, laziness on the part of the staff. These factors and many others as identified by the staff of both banks in table 12 combine to cause dissatisfaction in the customers. The customers satisfaction can be improved if these factors are eliminated or at least minimized.

(ii) Management's Responses.

The information we have in table 8 reveals that the two banks recognise the need for market segmentation. All the 70 staff of the banks representing 100% maintain that their banks do group customers into distinct categories. The basis of segmentation are level of income, occupation, age, to mention but a few. The essence of segmenting the customers the banks claim, is to serve them (customers), effectively. Whether the banks actually serve them effectively leaves much to be desired as table 9 shows.

With respect to the level of awareness of the marketing concept, table 9 indicates that this is very low. 80% of the staff of Bank of the North are unaware of the concept while 75% of those of First Bank maintain same. Any organisation that intends to serve its customer effectively must as a matter of necessity adopt the marketing concept which places much premium on the importance of the customers.

It is apparent from table 11 that the staff of both banks under study are satisfied with the conditions of service., 75-80% of the staff maintains that the conditions of service are satisfactor. The implication of this is that since they are satisfied they should be able to render efficient services which will guarantee the satisfaction of their customers. This is not

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so as the analysis of tables 4 through 6 indicate. The staff of both banks pointed out some of the factor militating against efficient banking services in table 12 which were fully discussed in addition to those factors identified by the customers in table 7. If many of these factors are eliminated, more efficient services could be rendered and hence customers would be more satisfied.

#### 4.6. EFFECTS OF POOR CUSTOMERS SERVICES

From the analysis carried out so far, this research study has been able to establish the fact that the customers had long been dissatisfied with the types of services they receive from the banks. We will here, try to examine the effects or implications of poor banking services on the customers, the banks and the overall economy.

To the customer it is frustrating. he goes home disappointed. He broadcasts his ordeal to his friends. The prospective customers are discouraged. The result is poor banking habit which greatly hamper capital formation process. Economic growth and development would be slow as a result of lack of capital. Furthermore, through intensive interview with over 200 customers, the research study has been able to establish that at least 30% of the income of the customers is kept at home as a result of

poor services they receive from the banks. This represent idle money outside the banking system.

The effect of dissatisfaction of the customers are very devastating on the deposits as well as the profit level of the banks. Table 14 shows the balance sheet or financial statement of First Bank Nigeria PLC from 1988 to 1992. The table shows that the bank's total deposit for 1992 is N11,965 million. If the 30% of the income withheld by the customers due to poor banking services is added to this amount, the total deposit would have been N15,564.5 million (i.e. 30% greater than what it was). This means that the rewards of poor banking services to the bank is the N3,599.5 million which the bank could not mobilise in 1992 alone. This finding indicates that about N3.6 billion cannot be mobilised by First Bank yearly due to customers dissatisfaction with poor banking services.

The effects of dissatisfaction of customers go along way to affect the overall profit of the bank. The gross earnings of the First Bank Nigeria PLC between 1988 and 1992 are N680 million (1988), N1,151 million (1989), N1,433 million (1990), N1,575 million (1991), and N2,689 million (1992). Although these figures are increasing but it is also at an increasing inflationary rate. The profit/loss after taxation gives us a clearer picture if the bank's performance in terms of

profitability. Although an inflationary oriented profit increase of N32 million was achieved between 1988 and 1989, the bank slumped into a loss of N205 million in 1990 and N31 million in 1991. Customers dissatisfaction which leads to withholding of 30% from the bank is a prominent factor in this loss.

In this study the findings prove that there is a lot of millions of Naira left outside the production sectors of the economy due to customers non-satisfaction, which if they have been invested in the economy, a lot of development would have been recorded. But where cash are under-employed or unemployed as the case may be, even though growth may be recorded, development in the real sense would remain an illusion.

CHAPTER FIVESUMMARY, CONCLUSION AND RECOMMENDATIONS5.1. SUMMARY

This study centered on an investigation of commercial banking services and customers' satisfaction. The provision of banking services was started in its crude form by the goldsmiths and this has undergone a lot of transformation. The first modern bank was established in 1171. It was named the Bank of Venice.

However, the banking business in Nigeria started in the year 1892 with the establishment of the African Banking Corporation but was taken over by British Bank of West Africa. Its main task was the distribution of notes and coins of Bank of England in the English speaking West African countries. Services rendered by banks to their customers in the society are so vital that much emphasis needs not be placed for any one to place real value on them.

The data used in this thesis are based on the researcher's discussions with the staff of both banks and customers' opinions through interview, observations and questionnaires.

The banking industry is a service industry. The services provided include receiving money on deposit, lending money,

honoring drawings and collecting cheques for customers, safekeeping of their customers' valuables. Other services rendered are, transfer of funds, provision of foreign exchange and above all, useful advice on investments to mention but a few.

Although there are a lot of controversies among banking experts, it is generally accepted that the banking industry is not satisfying the ever increasing challenges in the provision of services to their customers.

The quality of service to the customers is poor and time consuming on the part of the customers. The tedious procedures involved in opening accounts entail not only making unnecessary trips to the banks but the unco-operative and non-challant attitude of the bank staff makes the idea of the provision of efficient banking services to the customers a mockery of the concept of customer satisfaction.

The difficulties associated with granting of loan and advances are so much that many customers do not want to ask for these facilities as they are sure they will not be granted. In fact, it is a common saying that you need to know somebody in the bank before a loan can be granted to you. Customers are also bitter about the high interest rates charged by these banks which ignore the stipulated maximum lending rate of 21%.

The bank clearing system is far from being efficient as proceeds of local cheques take more than the four days normally set as the maximum days by banks.

Advice on financial matters offered to the customers come too late to the customers that no meaningful and gainful use of the knowledge can be made.

The problem of employing unqualified staff is real. Rather than employing on merit, staff are recruited on the basis of 'man know man'. The Central Bank of Nigeria (CBN) had to wade in and ordered that banks should employ professional bankers when the case became too apparent.

One can safely argue that it is the fault of the banking management that they have failed after so many years of operation to evolve and inculcate a habit which goes beyond quick profit but aimed at all times at rendering efficient and prompt services to their customers.

Finally, the major short-comings of the Nigerian banks which make their services inefficient are irregularity and inaccuracy of monthly statement of account, delay in clearing deposited cheques, long delay in the banking hall, shoddy treatment by the banks receptionist, leakage of confidential information, poor

loan supervision, centralization of foreign exchange services, lack of adequate space in the banking hall and above all unco-operative, unfriendly, self-centered bank staff. the shortcomings bring about strained relationship between bankers and their customers.

#### 5.2. CONCLUSION:

In view of the foregoing, the researcher wishes to conclude that majority of the customers are not satisfied with the services rendered by the banks. This assertion is even confirmed by the staff of the two banks who pointed out their short-comings earlier on in this thesis and how to improve on them. The research has no alternative but to sincerely accept the criticisms of poor customers services that is always levelled against the banks.

Banking services can be efficient if and only if the customers does not have to go through great pains to obtain the services. They can be efficient only if the customer does not have to travel along distance to find a banking facility; they cannot also be said to be efficient if the customer has to suffer humiliation of having to wait in long queues to deposit or withdraw his own money, buy the favour of clerks or officers of the bank to obtain some financial services.

A bank which produces and renders good services efficiently will enjoy the patronage of the public. Where a bank produces good services but renders them poorly, it will not have anything that will appeal to the customers. For instance if it takes a bank six months to approve or reject an overdraft or loan applications after a customer had met all the requirements, the bank surely is not performing its duties efficiently.

The banking industry is highly competitive. To survive in business there is a great need to aggressive marketing of banking services. The need to identify the wants of the customers cannot be overemphasized. It is not only the banking industry that is dynamic, the growing awareness of the rights of consumers or customers poses a challenge to the banking industry. To be able to cope with the increasing demand of the customers and infact the general public, the banks should reassess their products/services and ensure that they meet the taste of the customers. They must as a matter of necessity innovates and improve on the services rendered and their mode of operations. They should move with time and be able to introduce recent technologies which will alleviate some of the problems encountered by numerous customers.

### 5.3. RECOMMENDATIONS

In the study the findings confirm the customers' allegation about the poor performances of banks in terms of services rendered to their customers.

Through the interview and questionnaire,s this study showed that, the customers had long been dissatisfied with the types of services they received from the banks. The researcher was able to find out that the poor services breed strained relationship between the bankers and their customers. In line with these findings the researcher wishes to make the following recommendations, which hopefully, will solve some of the problems discovered in the course of this research work.

Adequate and continuous training should be given to the bank staff at all levels to enable them improve their efficiency as regards services rendered to the customers and the general public. Some of the staff interviewed complained that their training has been erratic and takes a long period of interval between one training and another.

The need to train the staff is better known to the bank than any person, hence there should be standing arrangements to train

staff within the bank training system and outside the country for improved efficiency. Banks should invest in human resources in order to produce qualified and efficient staff.

The banks should try to employ intelligent and qualified staff. The banking industry is not supposed to be a sector where placing of 'square pegs in round holes' is to be even mentioned. There is a great need for the banks to recruit professionals to give the banking professions a face-lift. Intensive supervision should be undertaken on the existing staff because some are under-utilized while others have much to do and find it difficult to cope within a set period.

The bank could adopt a system to create separate cashier's cage far away from banking hall so that customers drawing huge sums of money can be paid secretly instead of snapping customers that draw large sum of money in the presence of all the customers in the banking hall. This is a risk and can scare big customers drawing large sum of money.

There should be close co-operation so as to maintain the traditional integrity of the banking profession. Investment in customers' enlightenment programme will be helpful in this case. The banks should be able to provide their customers with leaflets and brochures which the customers can read and understand.

There is the need for variation of banking hours. Banking hours are in conflict with the working hours of most enterprises. In view of this, banks should consider opening late in the evenings once or twice a week. Saturday banking will also be of great convenience to customers who are very busy throughout week days.

Concerted efforts should be made to improve banker/customers relationship. Bold posters should be placed in conspicuous areas of the bank to authorize the customers to report rude staff for appropriate disciplinary action. Suggestion box can be introduced as a medium of communication between the customers and the banks so that useful suggestions can be made by the customers.

The need for computerization of banking activities need not be emphasised. All banks should strive hard to computerize their banking activities. This, no doubt, will quicken the services that are rendered to the customers.

Majority of the banking customers patronise the banks with the hope of receiving financial assistance and promote their business. Banks on the other hand thrive on the interest and other charges derived from loans and advances granted to their customers. It is to their mutual benefit therefore, if the process of granting and obtaining loans is smooth and prompt.

Other recommendations include the following:

- (i) More information should be given to customers on their transactions with the banks.
- (ii) Accounting practices, procedures, codes and classifications in the bank should be standardised.
- (iii) The clearance of cheques should be considerably accelerated. Quick service cashiers should be introduced. The number of reference clerks should also be increased in order to make the verification and payment of cheques easier and quicker.
- (iv) Statements of account should be accurate and should be sent to customers much more frequently.
- (v) Interest on savings account should be credited to customers' accounts promptly.

If the above recommendations are implemented, there will be a remarkable improvement in the delivery of bank services:

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APPENDIX

TABLE 1

## DISTRIBUTION OF BANKS IN NIGERIA BY TYPE

YEAR	COMMERCIAL	MERCHANT	TOTAL
1980	20	6	26
1981	22	6	28
1982	24	9	33
1983	26	10	36
1984	27	12	39
1985	28	12	40
1986	28	12	40
1987	33	16	49
1988	42	24	66
1989	48	33	81
1990	59	43	102
1991	65	54	119
1992	66	54	120

## NUMBER OF BRANCHES/OFFICES

1988	1965	46	1701
1989	1844	60	2171
1991	2070	101	2171

\* SOURCE FIRST BANK BUSINESS & ECONOMIC REPORT - APRIL 1991.

**QUESTIONNAIRE**

TOPIC: Evaluation of Customers' Satisfaction in the Banking Industry.

This questionnaire attempts to evaluate the services of commercial banks and their customers satisfaction. This research work is purely for academic purpose. Any data provided will be treated as confidential. I would be grateful if you could answer the following questions.

**FOR CUSTOMERS ONLY**

1. How long have you been banking with this bank?

- (a) 1-2 years
- (b) 2-5 years
- (c) 5-9 years
- (d) 10 years and above

2. What category of customer are you?

- (a) Current account.
- (b) Deposit account
- (c) Saving account
- (d) Both current and savings

3. Are interest being credited to your account accordingly?

- (a) Yes
- (b) No

4. If no, why?

- (a) multiple withdrawal
- (b) back of time
- (c) Forgetfulness
- (d) others.

5. How long do you stay in the bank when you come to withdraw money?

- (a) Below 15 minutes
- (b) Below 30 minutes
- (c) Below 1 hour
- (d) One hour and above.

6. How long do you stay when you come to deposit money?

- (a) Below 15 minutes
- (b) Below 30 minutes
- (c) Below 1 hour
- (d) One hour and above.

7. Do you often experience delay in the bank?

- (a) Yes
- (b) No.

8. What do you think account for this delay

- (a) Inadequate skilled manpower
- (b) Inefficient staff
- (c) Poor counter services
- (d) All of the above.

9. How efficient would you describe the service of this bank?

- (a) Very efficient
- (b) Fairly efficient
- (c) Not efficient

10. What is the general reception at the bank?

- (a) Courteous
- (b) Indifferent
- (c) Rude

11. Is there any difference in the way services are rendered to various customers, income or personality wise?

- (a) Yes
- (b) No

12. How do you describe the relationship between you and the employees of this bank?

- (a) Friendly
- (b) Cordial
- (c) Hostile
- (d) Unco-operative

13. What type of loan have you ever taken from the bank?

- (a) Long term
- (b) Medium term
- (c) Short term
- (d) None of the above

14. How long does it take to process a loan for approval?

- (a) Few days
- (b) Below 3 weeks
- (c) 1 Month
- (d) Two months and above

15. Have you ever benefitted from overdraft?

- (a) Yes
- (b) No

16. Do you have account with any other bank?

- (a) Yes
- (b) No

17. If you have, do you see them as the same?

- (a) Yes
- (b) No

18. Enumerate some of the problems you encounter in transacting business with the bank.

- (a) .....
- (b) .....
- (c) .....
- (d) .....

19. The general banker - customer relations is:-

- (a) Very satisfactory
- (b) Fairly satisfactory
- (c) Not satisfactory

20. Are you satisfied with the services rendered by the bank?

- (a) Yes
- (b) No

21. In what ways can you encourage the management of the bank to improve their services?

- (a) .....
- (b) .....
- (c) .....
- (d) .....

**KASHIM IBRAHIM L.**

TOPIC: EVALUATION OF CUSTOMERS' SATISFACTION IN THE BANKING INDUSTRY.

This questionnaire attempts to evaluate the services of Commercial Banks and their Customers' satisfaction. This research work is purely for academic purpose. Any data provided will be treated as confidential. I would be grateful if you could answer the following questions.

FOR BANK STAFF ONLY

1. My employment with the is based on
  - (a) probation
  - (b) Temporary
  - (c) Contract
  - (d) Permanent
  
2. How long have you been with this bank?
  - (a) Less than 1 year
  - (b) 1-3 years
  - (c) 3-5- years
  - (d) 5 years and above
  
3. What is you qualification on entre to the bank service?
  - (a) University graduate
  - (b) Polytechnic graduate

- (c) GCE or its equivalent
- (d) Primary School Certificate

4. Does the bank provide all the tools necessary to carry out your work effectively?

- (a) Yes
- (b) No

5. Are you satisfied with the set up of the branch departments?

- (a) Yes
- (b) No

6. Are you satisfied with the conditions of service?

- (a) Yes
- (b) No

7. Are the departments in the branch standard?

- (a) Yes
- (b) No

8. What department are you attached to?

- (a) Current account
- (b) Savings account
- (c) Loans and Advances
- (d) Clearing
- (e) Others

9. How regular to you come in contact with the customers?

- (a) Very regular
- (b) Not regular
- (c) Rarely
- (d) Not at all

10. Do the Customers Co-operate with you in the course of performing your duties?

- (a) Yes
- (b) Not always
- (c) No Comment.

11. How do you describe your relationship with the Customers?

- (a) Very friendly
- (b) Cordial
- (c) Hostile

12. In my opinion the bank renders the services required to the customer

- (a) yes
- (b) Average
- (c) No Comment

13. Do you agree that a customer is always right?

- (a) Yes
- (b) No

14. Do you know that your behaviour can enhance customers high patronage of your bank?

- (a) Yes
- (b) No

15. Do you know that hostile handling of the customers can drive them away to their banks?

- (a) Yes
- (b) No

16. What is the range of time a customer can spend for any transaction in the branch?

- (a) Within 10 minutes
- (b) Less than 30 minutes
- (c) 1 hour
- (d) 2 hours

17. Do customers complain of time wasted in the bank?

- (a) Yes
- (b) No

18. Do you think some customers enjoy preferential treatment?

(a) yes

(b) No

19. Do you agree that special treatment should be given to some customers?

(a) Yes

(b) No.

20. Do you think you bank need to improve in the areas of the present services rendered to the customers?

(a) Yes

(b) No

21. What reasons can you attribute to the delay in the bank?

(a) Staff laziness

(b) Official bottleneck

(c) Lack of necessary tools

(d) Customers' unco-operative attitude

22. Briefly write out some major problems of your bank which need urgent solution.

.....  
.....  
.....  
.....

23. Is your branch computerized?

- (a) Yes
- (b) No

24. What is your general opinion about bankers and customers relationship in your bank?

- (a) Very satisfactory
- (b) Fair
- (c) Satisfactory
- (d) Needs improvement

25. What suggestions (s) can you make to improve banker customer relationship?

.....  
.....  
.....

26. To what extent are customers satisfied with your services?

- (a) Very satisfied
- (b) Satisfied
- (c) Dissatisfied
- (d) Highly dissatisfied.

27. How do you monitor degree of customers satisfaction?

- (a) Questionnaire
- (b) Customers interview
- (c) Suggestion boxes
- (d) Any other (specify).....

28. Do you think it is useful for banks to group their customers into distinct categories?

- (a) yes
- (b) No

29. Which of the following categories does your bank group its customers?

- (a) Level of annual income
- (b) Education
- (c) Occupation
- (d) Any other (Specify).....