DEVELOPMENT AND MARKETING OF BANKING SERVICES IN NIGERIA SINCE 1986 ECONOMIC REFORMS

By

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THIS PROJECT IS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILL MENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER DEGREE IN BUSINESS ADMINISTRATION (MBA)

DEPARTMENT OF BUSINESS ADMINISTRATION, FACULTY OF ADMINISTRATION, AHMADU BELLO UNIVERSITY, ZAIRA.

FEBRUARY, 1999

DECLARATION

I hereby declare that this work has been written by me and that it is the record of my own research work. It has not been previously presented in my application for a higher degree.

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CERTIFICATION

This Project entitled "Development and Marketing of Banking services in Nigeria" (since 1986 Economic reforms) by M. Abdullahi meets the regulation governing the award of the Degree of Masters of Business Administration of the Ahmadu Bello University and is approved for its contribution to knowledge and literary presentation.

A. B. AKPAN _____ 4/6/99

Name & Signature of Internal Examiner — Date

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Name & Signature of External Examiner — Date

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Head of Department, Business Administration — Date

_____ 12/07/03

Dean, Postgraduate School, ABU Zaria — Date

DIGITIZED

DEDICATION

To the memory of my late mother
Ramat Onyosuko

ACKNOWLEDGMENT

I am profoundly grateful to the Management of Central Bank of Nigeria for permitting me to embark on this study. I also want to thank the following people in the Bank; Chief E.O. Nwaocha, Mrs. L.S.J. Ahmed and Mr. P.K. Agwu. I enjoyed their tremendous kindness.

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ABSTRACT

This study is aimed at examining developments in the finaicial sector of the Nigerian economy especially since the introduction of some reform measures particularly, the Structural Adjustment Programme in 1986. In doing this, the statement of the problem, purpose of the study, justification of the study, the research methodology, source of the data and scope of the study were all stated in chapter one. Chapter two examines the historical evolution of Banks, marketing attitudes of the banks before 1986 and recent developments in the sector especially, the period following the structural adjustment Programme. Chapter three deals with the various definitions of Banking, their functions and provides a general appraisal of developments in the sector and the level of institutional response to the reforms.

Analysis of some selected Banks and the products introduced by these banks as a result of the competition engendered by changes in the sector have been provided in Chapter four. In chapter five, some recommendations were made. These recommendations are in the area of policy formulation on the part of the Government, autonomy for the CBN for efficient supervision and sound monetary/Banking policies and improvement in the existing services by the Banks themselves and the need for the creation of new products to enhance customer satisfaction.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

The Financial Sector is the 'engine' of development of any economy. Apart from its traditional roles of safe custody of cash and valuables, lender-borrower relationship and intermediation, it enhances the quality of life of any society by redistributing excess and idle funds to key productive sectors. However, in the almost one century of financial institutions operations in Nigeria, the sector was left dormant due largely to the upsurge in the flow of foreign exchange/capital in the wake of the discovery of oil.

With the euphoria of the oil boom of the 1960s and 1970s over and the realities of the Nation's frail and fragile economy starring dangerously, the hitherto role of the financial sector in resolving the economic crisis was soon to be recognised and brought to scrutiny.

The austerity measures of the Obasanjo and Shagari regimes in the '80s was an early realisation of the distress in the Nation's economy and the ensuing dangers. Unfortunately, the crisis was blamed mainly on over-spending and the almost total dependence on oil as a major source of foreign exchange earnings.

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Combating and containing the crisis was therefore conceived along the schemes of cutting down on public expenditure and reinvesting in and redirecting attention to Agriculture i.e. austerity measures and operation feed the nation/ green revolution respectively. No serious attempts were made to resolve the structural problems created by the over-bearing control of the key sectors of the economy by Government, the inefficiency in the civil service and Government companies, corruption, lack of proper planning and investment etc.

The structural adjustment programme of 1986 by the Babangida administration marked an epoch in the history of financial institutions operations in Nigeria. It was a formal realisation of the important role of the financial sector, particularly the banking institution as a catalyst for proper development. The deregulation of the sector and the liberal licencing of many new banks and non-banking institutions was deliberately to stimulate a high level of competition which would hopefully lead to the evolvement of creative and innovative customer friendly products and services. It also marked the beginning of the process of formal legislative engineering towards establishing proper banking ethics, effective bank examination/supervision and policies and laws guaranteeing protection of Depositor's funds and Interests.

The Bank and Other Financial Institutuons Decree (BOFID), NDIC decree, the deregulation of interest rates etc and recently, the liquidation fo 26 banks

were steps in this direction (Annexes II & III).

It is against this background that the generation of ideas, development and marketing of entirely new financial products by financial institutions become more relevant and imperative for growth and survival.

1.2 STATEMENT OF THE PROBLEM

In response to an increasingly competitive and deregulated environment in Nigeria, the major suppliers of financial services have been expanding their product range. This is because if products are not suitable for the market or not profitable then attempts to achieve corporate objectives will be jeopardised and the marketing function will be failing to fulfil its stated goals. Potentially profitable products must be developed and given sufficient support to be able to gain marketing opportunities. New products development dictates a careful formulation, rigorous selection and effective prosecution of a new idea. Hitherto, financial institutions products and services were narrowed down to the maintenance and operation of demand deposit and savings accounts of cheap and cost-free deposit mobilisation for investments into the highest yielding projects.

This backward situation in Nigeria necessitated the development and marketing of new financial products. Problems to be tackled in this study include the following:

(i) The dearth of financial products in the economy;

(ii) Lack of creativity and innovativeness in packaging and delivery of financial products to consumers.

(iii) The market penetration achieved by the various services and degree of success.

1.3 PURPOSE OF THE STUDY

Over the last 25 years, only few banking and other financial institutions' services have been discontinued. Many have been introduced or modified. These changes resulted from the institutions' response to the state of the Nation's economy or changing financial needs amongst their customers and from changes in the policies of the organisations regarding the types of customer needs for which they feel it right to cater. Many changes also emanated from the introduction of new government policies and directives.

The purpose of this study is to highlight the changes brought about by the economic crisis i.e. competition in the industry and to demonstrate the extent to which these changes have imposed some form of quality banking practice and service in the economy.

1.4 JUSTIFICATION OF THE STUDY

A business organisation carries out its business by matching its own resources with the needs of its customers. This is necessary not only for the continued survival and profitability of the organisation but also for coping with competition.

Political and economic changes have called for continued innovations in management and control of resources. For instance, the introduction of foreign exchange market, liberalisation of bank licensing by government, deregulation of interest rates, the frequent use of stabilisation securities by the Central bank of Nigeria to mop-up excess liquidity and the prudential guidelines by government to control the quality of loans and advances have all contributed to sending the financial institutions to the drawing boards to re-plan, innovate and develop new products to ensure their competitiveness and continued survival in the market (Annex III).

There has also been created, an absolute need for appraisal of existing services and considering possible new services while matching the changing needs of customers to available resources. The selection of methods of distribution appropriate to individual services is as imperative as selecting the appropriate methods of physically promoting and selling the services.

1.5 RESEARCH METHODOLOGY

The methodology adopted for this study shall be a familiar one. The use of primary and secondary data shall be employed in this research work. The case study and descriptive research methodology shall also be used to provide an in-depth investigation and explanation within the context of the scope of this study.

1.6 SOURCES OF DATA

Reliance shall mainly be made on internal sources of secondary data which shall include annual reports, newsletters, bulletins and pamphlets to trace the process, formation and development of new products. The external sources of data shall include mainly the media - Billboards, TV Commercials, Magazines and Newspapers to explain the marketing of financial products. The study will also rely on primary sources of data. This includes interviews

and/or discussions conducted with some of the officers and managers of the selected banks and other financial institutions whose identities shall not be disclosed by the researcher at their own request.

1.7 SCOPE OF THE STUDY

This study shall be restricted to the development and marketing of Bank products since the introduction of Structural Adjustment Programme (SAP). The research shall also dwell on selected merchant banks and commercial banks. Reference will also be made to some non-banking financial institutions to demonstrate the sensitivity of the sector to the new demands of the economy.

Selecting and sampling banks for demonstration has not been easy as most of them have been infected by this survival virus. However, the selection of these banking institutions is informed by the fact that they represent the groups of old and new generation of banks. Due to stiff competition and deregulations, the institutions have innovated and generated new financial products with different features and attractions in the market more than any other institutions, thus, making their selection very suitable for the purpose of this research.

The brief reference to non-bank financial institutions is because they provide creative distinct services from the conventional banking services. Through

these, they have been able to introduce new and acceptable products/services to their select target market successfully.

1.8 LIMITATIONS OF THE STUDY

A. Attitude of Respondents

The limitations were mainly the uncooperative attitude and secretive tendency of respondents caused by the desire for competition. Responding freely could mean giving up your company's products and marketing strategies to competitors. This greatly constrained the study.

B. Funds

The study was also constrained by lack of funds. Since most of the corporate headquarters of the Banks are still in Lagos, access to complete and detailed literature for the research was limited as the Researcher is based in Abuja and could not travel to Lagos as many times as necessary.

C. Time

This study could have been more elaborate if the Researcher was given enough time. The period given for the submission of the thesis after approval of the topic appears to be too short.

CHAPTER TWO

LITERATURE REVIEW

2.1 EVOLUTION OF BANKS AND FINANCIAL SERVICES IN NIGERIA

In 1882, the first bank, the African Banking Corporation was established in Nigeria. The period 1892 - 1952 was regarded as the free banking era. There was complete absence of any banking legislation. Anybody could set up a banking company provided he registered under the Companies Ordinance. During this period, there were five banks in operation; three banks namely: Bank of British West Africa Limited (BBWA), the Barclays Bank Dominion, colonial and overseas, and the British and French banks were foreign. The indigenous banks were the National Bank of Nigeria and the African Continental Bank Limited. These were mainly commercial banks.

In 1976, there were eighteen commercial banks with a total of 456 offices in the country. The poor quality of banking services featured prominently during this period. One has only to visit a bank office in Nigeria to notice the long queues and the struggle by customers to get served. It could take several hours to refer a cheque and in some cases, one is left with the impression that the counter staff took pride in the long queues and the number of people

seeking their services. The TV advert by Equitorial Trust Bank which showed a man going to the Bank with a mat to lie down on while waiting to be served paints this picture more succinctly. Mail transfers took as long as three to four weeks to reach their destinations within the country and almost as long again before beneficiary is finally paid in the case of cash payments. As a service industry, banking depends so much on information. During this period, the information may arrive too late to be useful, owing to communication difficulties. Communication is the energiser and appetiser in banking and is of paramount importance within a bank, between banks and with their customers.

Merchant banking in Nigeria is a development of the mid-1970s. Between 1960 and 1969, only two small merchant banks - Philip Hill (Nigeria) Limited and Nigerian Acceptances Limited - were in operation. They merged to form the Nigerian Acceptances Limited (NAL) in 1969. The merchant banks are wholesale bankers. Deposits are usually large and similarly loans are usually large. They provide term deposit facilities, usually tailored to depositors' requirements with flexible terms and rates within the Central Bank's regulations. They also specialise in providing short-term finance by means of acceptance credits, covering both exports and imports. They also offer bridging loans for short periods, extending from a few days to several months, usually for companies needing temporary finance, pending the

conclusion of funding arrangements. As authorised dealers, the merchant banks undertake, under certain conditions, the purchase and sale of foreign currencies for commercial and other purposes. On the whole, the merchant banks show dynamism in two areas of their services: one is the investment advice and management. Another area is corporate financing where the scope was considerably increased by the Nigerian Enterprises Promotion Decree 1977.

2.2 BANK MARKETING BEFORE 1986

In the past, the Banking Sector never bothered much about marketing and this could be traced to the level of development in that sector and the economy as a whole. About a decade ago, for instance, one could not readily count up to a dozen well known banks. Out of these few, some, especially the state-owned banks, were just trying to get by and the very few that bothered about profitability and market share had nothing to worry about since the market was theirs for the asking.

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Taking the elements of the marketing mix for instance, because of the dull competitive environment, there was no need cracking brains fashioning out new products or even selling and promoting the existing ones vigorously. Every bank offered the same products (savings, current and deposit accounts and foreign exchange transactions). Interest rate (price) and location (place) were controlled by the Central Bank. Banks could, thus, not compete on price and place, since it was a seller's market there was no compelling need to

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manipulate the remaining Ps. Banks just made some noise about quick services, placed some uninspiring adverts and kept announcing huge profits.

.3 RECENT DEVELOPMENTS

The picture painted above has, however, changed in the past few years. A series of developments related mostly to the Structural Adjustment Programme (SAP) and global financial developments have had immense repercussions on the banking sector and banks found out that even on the basis of survival alone, things have just got to change. The most easily identifiable and most prominent of these developments were proliferation of banks.

From 1952 up to 1987 there were only two instances of increases in the minimum paid up capital for both the indigenous and the expatriate banks. Since 1988, however, there have been four such increases. These increase can be said to be as a direct consequence of the introduction of the Structural Adjustment Programme (SAP) in July 1986, which brought in its wake a number of features that have rendered the banking industry unstable. The operating environment became so difficult and competitive that only the well managed banks could survive the resulting stress. The distress in the banking sector has become a topic of intense national discourse since the early 1990s, when it became glaring to the general public and the regulatory authorities

that some banks were in serious trouble.

The features of the operating environment since the introduction of SAP in 1986 are as follows:

1. Increased competition as reflected in the deregulation and licensing of new banks, which saw the number of banks operating in the country increased from 40 in 1985 to 121 in 1992, representing an over 200 per cent increase, in a period of just seven years.

2. The involvement of non-bank financial institutions, most notably finance companies, in banking activities, as a consequence of the deregulation.

3. Intense competition arising from the activities of the non-bank financial institutions and the licensing of specialised banks such as the People's Bank, Community Banks, Mortgage financial institutions, Urban Development Bank, etc.

4. Changes in the accounting and monetary policy procedures, especially the introduction of the Prudential Guidelines which required banks to maintain good quality loan portfolios, with significant effect on the lending activities of the banks, and increase in technological and product innovations in bank service delivery. (Annex III)

5. In order to curtail the level of distress in the finance industry, especially in the banking sub-sector, the regulatory authorities, mainly the CBN, had to take pragmatic actions to restore health to the industry and to avoid a run on the banks which could culminate in total confusion in the economy. Some of the actions taken by the regulatory authorities included, among others, the continuous upward review of the minimum paid-up capital of the banks since 1988, with the current rate put at N500m for both commercial and merchant banks, to address operational losses and capital inadequacy; the imposition of "holding actions" by the CBN on confirmed distressed banks; the appointment of Interim Management Boards (IMBs) for some distressed banks; the acquisition of some distressed banks for restructuring and possible resale to the public, the outright liquidation of some irredeemably distressed banks.

In March, 1990, Nigeria decided to join other countries in implementing the more stringent recommendations of the Basle Committee. From March 1990, Nigerian banks were required to maintain a minimum capital of 7.25% of risk weighted assets. As from January, 1992, this ratio was raised to 8%. The objectives of the Bank for International Settlement Basle Committee on Banking Regulations and Supervisory Practices in 1988 were, among others, to create the need: for a new framework that would serve to strengthen the

soundness and stability of the international banking system, and; to reduce the existing causes of competitive inequality among international banks. The overall objective of the government therefore in implementing the recommendations of the Basle Committee in Nigeria and for increasing the minimum paid up capital of the banks is the maintenance of confidence in the banking industry, which such stiff requirements engender. (Bank for International Settlement Basle Committee - 1988)

6. Other developments that positively influenced the market orientation of the banks were the abolition of all controls in interest rate because their effects have been more adverse than favourable in promoting the development of the financial system and in order to accelerate the attainment of the objectives of SAP. Banks were authorised to fix their own rates in obedience to market forces and in line with the minimum discount rate which would serve as a signal to the desired direction of interest rate changes. This was against the former practice of CBN determining the imposing rates on the banks. Even the 1991 budget that limited lending rates to 21 per cent still left room for each bank to use price as a marketing tool.

7) There was also the 1988 directive on banks to transfer all government and allied deposits to the coffers of the Central Bank with immediate effect and

these were funds which banks had come to regard as regular feature of their money market operations.

This created an acute scarcity of funds which had to be ameliorated and since it affected all banks an all out war ensued and the targets were the hitherto ignored customers.

Today, the campaign for the abolition of retail banking in CBN and the return of all government and allied deposits to commercial banks is a demonstration of how much the Banks enjoyed the cheap deposits.

8) The deregulation of the foreign exchange market whereby banks now determined exchange rate at bidding sessions monitored by the Central Bank.

9) Increased government trust and confidence on the banking sector which led to greater responsibilities and expectations.

10) Privatisation and commercialisation, debt equity swap - all bye-products of SAP.

11) Usage of deposit base criteria to allocate foreign exchange.

Thus, banks reacted to these developments by adopting the marketing approach in their operations. Deliberate efforts were made to manipulate the marketing mix and apply segmentation and targeting which are all key elements of marketing strategy. Some of these reactions resulted in the development of new products. For instance, the Diamond Bank paycard, the Electronic Purse that enables you to carry large amount of money on a plastic card. UBA moneygram, money in minutes worldwide; Equity Bank of Nigeria Ltd's Premium Deposits which provides different incentives. Triumph Merchant Bank Plc Gold Shield Investment with different incentives. Societe Generale Bank Guaranteed Education Trust Scheme which provide uninterrupted quality education guarantee, etc. (Annex I)

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CHAPTER THREE

BANKING OPERATIONS IN NIGERIA

3.1 DEFINITIONS

The term Bank or Banking has been variously defined. The task of finding the most suitable definition for the concept has over the years become increasingly difficult due to the widening of the horizon of the banking business itself. From the retail and consumer based activities of commercial banks to the sophisticated and rather complex activities of the merchant or investment banks and now to that of specialised banks such as the peoples bank, Federal Mortgage Finance etc.

One of the earliest definitions of a banker is that of J.W. Gilbert as given by Adekanye (1986) as "a dealer in capital, or more properly, a dealer in money. He is an intermediate party and lends to another"[1]. The importance of the definition lies in the emphasis it places on the time honoured functions of a bank, namely, deposit mobilisation from the surplus sectors and granting of loans and advances to the deficit sectors. The short-coming of this definition also lies in its strength. The business of a banker today far transcends just the

mobilisation and disbursement of funds. There is a lot more to it.

The English Bill of Exchange Act of 1882 defines a 'bank' or a "banker" as including a body of persons whether incorporated or not, who carry on the business of banking. The major limitation of this definition is that it only stated what a bank is in without explaining what that business really is. Another definition commonly used in banking texts is that of Dr. Hart which says, "A bank or a banker is a person or company carrying on the business of receiving monies, and collecting drafts, for customers, subject to the obligation of honouring cheques drawn upon them from time to time by the customers to the extent of the amount available on their current account"[2] From the foregone definitions of a "bank" or "banker" it is clear that the business is substantially that of receiving of money for credit of an account which the depositor may withdraw on demand or at an agreed future date. To this extent, all these definitions are deficient.

In Nigeria, the first banking legislation came into being in 1952 (1952 Ordinance) which restricted the establishment of banks and banking to companies holding valid licences. Before this enactment, banking business was treated as any other from of business. The Patton Commission of 1948 led to the enactment of the 1952 banking Ordinance. The Patton Commission defined banking as "the business of receiving from the public on current

account, money which is to be repayable on demand by cheque and of making advances to customers"[3]. With modifications in 1958 and 1962, this substantially remained the statutory definition of banking in Nigeria till the 1968 Banking Act which defined banking as "the business of receiving monies from outside sources as deposits, acceptance of credits or the purchase of bills and cheques or the purchase or sale of securities for the 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 publish in the Federal Gazette designated as banking business". By this definition of banking and in the Nigerian context, any person or entity carrying out banking business in line with the act is known as a bank. The use of the words "bank", "banker" and banking in this write-up shall be in the context of the 1969 Banking Act.

3.2 BANK SERVICES

Commercial Banks in Nigeria offer the following services.

* Acceptance and safe-keeping of deposits
* Provision of loans, advances and overdrafts to customers
* Money transmission on behalf of customers
* Providing services to importers and exporters
* Provision of foreign exchange facilities to travelers
* Provision of facilities for keeping of important documents and title deeds.
* Providing business status reports and references
* Acting as agents for the buying and selling of stocks and shares on behalf of their customers
* Provision of night safe facilities
* Providing advice to customers on insurance and investment matters.
* Provision of cash for bulk payment of non-customers' salaries and wages.[4]

(I) Acceptance and Safe-Keeping of Deposits

One of the primary functions of commercial banks is the mobilisation of savings and other forms of deposits. Intermediation and carried out

towards mobilising deposits and making these funds available for investment purposes by a process of granting credit facilities to desirous and deserving customers.

(ii) Provision of Loans, Advances and Overdrafts to Customers

Extension of credit facilities to desirous and deserving customers is another aspect of the financial inter-mediation performed by the banks. Through this primary function, production is increased, capital investments and expended and a higher standard of living is achieved.

(iii) Money Transmission of Behalf of Customers

This function is performed through the clearing system where banks collect cheque proceeds for and on behalf of their customers. Regular payments are also made for customers through standing orders or the Direct Debit System. Other methods include use of Demand Drafts, Mails/Telegraphic Transfers, etc.

(iv) Providing Services To Importers and Exporters

Commercial banks assist in establishing Letters of Credit on behalf of their customers for purposes of international business. International trade is financed through open account, collection, and documentary credit.

(v) Provision of Facilities For Safe-Keeping of Important Documents and Title Deeds

Bank strongrooms are one of the safest places to keep valuable articles, customers usually keep their stocks, share certificates, life assurance policies, certificates of occupancies, academic certificates, and jewllery in them for safety.

(vi) Providing Business Status Reports and References

This is a reciprocal service among banks. When a customer gives his bank's name to a supplier as another bank for reference purposes, a request is sent to the customer's bank for brief assessment of the customer's credit standing.

(vii) Providing Advice To Customers On Insurance And Investment Matters

This is aimed at assisting customers to develop their businesses well and build up their investments better.

3.2.2. MERCHANTS BANKS

Merchant Banks are investment wholesale banks serving the needs of corporate and institutional clients. Merchant Banks are governed by the same statutory and Central bank regulations like commercial banks.

The main services provided by merchant banks can be grouped into two categories:

(I) Banking

* Acceptance credits
* Documentary credits
* Short and medium term loans and advances
* Certificates of deposits
* Equipment leasing
* Project Finance
* Foreign credits and loans syndication.

(ii) Corporate Finance

* Financial advice on company securities floatation
* Private Placement
* Stock Exchange Quotation
* Mergers and acquisitions
* Capital reconstruction
* Trusteeship investment advisory services
* Portfolio Management
* Issuing of government bonds anc. loan stocks
* Issuing of equities
* Preference and debenture stocks

3.3 SOURCES OF FUNDS (BANK LIABILITIES)

There are two major sources of bank liabilities. These are capital and reserves on the one hand and deposits on the other. Capital and reserves otherwise known as shareholders' funds is a confidence booster.

The bigger the capital of a bank, the greater the public confidence in the stability of the bank and its ability to discharge its obligations. Bank capital and reserves also provide cushion against risks and invariably "determines the size of loans that can statutorily and prudently be made to a single client without risking all the eggs being in one basket"[5]. Bank capital also provides for fixed assets for bank operations and contingencies and future expansion plans. It is, therefor, evident that the size of bank capital has been a function of both the statutory requirements and the tempo of economic activity.

As at the end of 1990, the minimum share capital stipulated for a commercial bank and merchant bank were N10 million and N20 million respectively. It was later raised to N40 million andN30 million for both merchant and commercial banks respectively.

Between 1952 and 1979 banks were differentiated by functions, hence different minimum paid-up capital requirements were stipulated for commercial and merchant banks. In January, 1997, the minimum paid-up capital for commercial and merchant banks was brought to a uniform N500 million, representing percentage increases of 900 and 1,150 for commercial and merchant banks respectively over their 1991 levels.

Deposits liabilities are synonymous with working capital for banks. Customers' deposits provide the stock-in-trade for banks. In the same way that no business can flourish without adequate working capital, no bank can really operate without adequate deposits. Deposits are, therefore, the life-blood of commercial banks. Deposit taking by banks are also of historical importance as it is in the origin of modern banking. The early bankers started by taking deposits from the public which they undertook to repay on demand. This has continued to this day with some innovations. One of such innovations is the realisation from those early days, that only a small proportion of the deposits made by customers were demanded or claimed from the bank at any one point in time. So long as there was a small proportion of the deposits kept by customers to satisfy withdrawals and provided the banker continues to enjoy the depositors' confidence in his ability to honour his obligations, the banker feels free to lend the balance, "realising how important and profitable this innovation proved, the early banker rose from his 'arm chair' and went all out to attract deposits because the more deposits he attracted, the more business lending he did and the more profits he made"[6]. Deposit mobilisation, therefore, became very prominent among the banks. The development of various marketing approaches is an attempt to get as many deposits from the investing public as possible.

3.4 QUALITY AND MARKETING OF BANK SERVICES

Our banking system lacks the elements of marketing of services to the public. That is, letting the public know of the various ranges of services that the banking industry is capable of offering, how and where to obtain them. The marketing approach requires that bankers should go out and look for business, that is customers. According to Median[7] this involves:

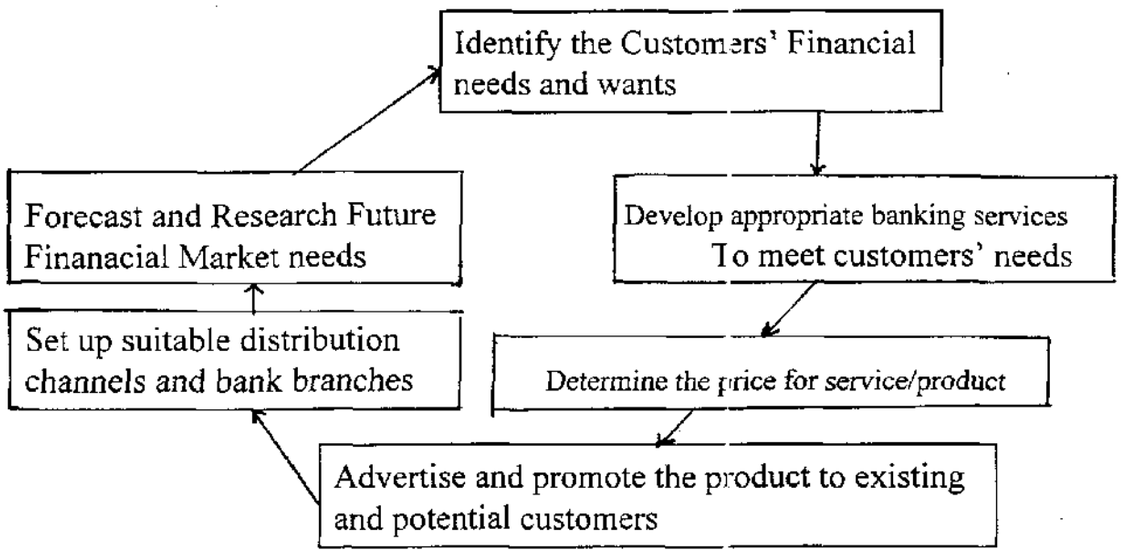
i) Research to determine customers' and prospects' financial requirements

ii) Design new products/services or innovate old ones according to findings

iii) Market services to the customers for whom they are designed (it includes promotion, pricing and distribution) at a profit

iv) And in doing so, satisfy the customers' financial needs.

This approach can be presented In a circular form. showing that it is a process.



Quality of Bank Services

Most Nigerian banks have been criticised for poor services and discriminatory practices. By bank services, we mean activities, benefits for satisfaction which are offered for sale either as such, or are provided in connection with the sale of goods[8]. Bank services in Nigeria are characterised by slow services. To obtain the simple service of cash withdrawals or deposit takes 57 minutes or more as against 15 minutes or less in countries like the United States of America, Britain and Japan for instance. In order to improve the quality of bank services, banks need to adopt the following measures:

a) Introduction of computers in banking transactions. Good thing that many of the banks have taken up the computer challenge.

b) Adequate training for bank personnel

c) Improving customers' awareness towards the services

d) Improving management policy of customer service

Distribution of Bank Services

Distribution of bank services in Nigeria needs to be improved. Banks should open more branches and cash offices. At present there is over concentration of Banks in the urban areas. Even though the number cannot be said to be sufficient, the gap between the cities and the rural areas in terms of bank distribution is very wide.

Promoting Services

The era of "Good wine needs no push" is gone. In modern business operations, management has to promote the services of their organisation. In promoting bank services, banks can adopt the following promotional elements:

i) Advertising

ii) Public relations/publicity

iii) Personal selling

iv) Sales promotions (communication).

It has been observed that many banks in Nigeria do not engage very much in promoting their services thereby neglecting the immense benefits accruable from promotions such as public awareness, bringing in more customers, developing corporate image, increasing profit margin and fighting competition.

Though every bank engages in advertising, their advert message and layout still need to be improved upon to achieve the expected benefits. These could be achieved through:

a) Reorganising the radio and television training

b) Making the present campaign more dynamic; and

c) Making them more educative in nature

Pricing Bank Services:

All activities of the bank to provide services have to be quantified in Naira and kobo. How much customers are paying for bank services include margins, premiums, and price policies.

3.5 GENERAL APPRAISAL AND THE NEED FOR INNOVATION

Following the liberal licencing of new banks and non-bank financial institution, the deregulation of interest rates, banks and other financial institutions were forced to abandon the hitherto 'arm chair' banking for a more dynamic customer-satisfaction approach to offering banking services. All bank directors and managers, down the ladder were forced out of their 'air-conditioned' offices into the streets to solicit and mobilizes deposits. The era of customers scouting for banks to deposit their money is gone. The current, saving and time deposit accounts which customers operated were fast losing their past attraction. The number of hours usually spent in a bank to cash cheques and negotiate other instruments were so irritating that customers were seriously yearning for a change. Response time on credit was so long that by the time approval is received, the client does not need the facility any more or very important variables would have changed, thus, rendering projections useless.

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As new banks obtained licences and began operations, it became crystal clear that for any bank or financial institutions to survive, it must not only innovate but adopt a more aggressive and entirely new marketing approach and service

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offerings to the customers. In addition to the introduction of new products, a lot of innovations and 'brandishing' were done to the existing products to make them look distinct from current services and, thus, were used to maintain and attract new customers to the organisation.

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CHAPTER FOUR

ANALYSIS OF SELECTED BANKS AND FINANCIAL INSTITUTIONS

4.1 INTRODUCTION

The banking and financial sectors hitherto, have never witnessed an attempt to product innovation, development and marketing as of recent times. Seldom would the customers have believed that a time would come when customer's interest will constitute a serious consideration in the formulation of corporate bank policy and marketing strategy. Thanks to SAP through its deregulation mechanism and the persistent issuance of stabilisation securities by the Central Bank of Nigeria (CBN), to mop up 'excess liquidity' in the economy. Additionally, the events that followed the reforms in the financial sectors were soon to further increase the level of competition to provide new offerings and contacts with a view to wooing new customers and retaining the old ones. The recent incidents of bank distress and the liquidation of banks created a situation of serious mistrust and increased customer reluctance to bank their hard earned money. Besides, the realities of the economy has taught people to look for the safest places to keep their money and where they can realise the full benefits from their patronage.

Having examined past and recent bank practices and the factors that facilitated the development and marketing of 'new products', the researcher would like to

present in this chapter the efforts of some selected banks in products development and marketing, viz:

Societe Generale Bank (Nig.) Ltd, Equity Bank of Nigeria Ltd, United Bank for Africa Plc (UBA), Triuph Bank Plc, Intercontinental Merchant Bank Plc.

In line with the methodology in chapter one, below is the data collected from each of the selected banks and how they develop and market their services to customers. An attempt shall also be made to distinguish the various products and their marketing techniques and to assess their level of performance and acceptability.

TABLE OF PRODUCTS & MARKETING TECHNIQUES.

	NAME OF FINANCIAL INSTITUTION	NO. OF PRODUCTS	NAME OF PRODUCTS	TARGET MARKET	MARKETING TECHNIQUES
1	EQUITY BANK OF NIG. LTE	2	1. Free Equity Express Card	Institutional Investors, Government Contractors and Individuals	Newspaper Adverts and Personal solicitation
2	SOCIETE GENERALE BANK (NIG) LTD	2	1. Guaranteed Education Trust Scheme	High Networth Customers, Individuals	Personal Solicitation and contacts. Newspapers Adverts.
			2. The Devcom Insurance Link Certificate (The Big DIL)	Pension and Trust Funds	TV Commercials
3	NIG. INTERCONTINENT AMERCHANT BANK LTD	3	1. IVY Account	Up-market Clientele	Distribution of Pamphlets, TV Commercials and Personal Solicitation
			2. Electronic Funds Transfer	As above	As above

			3. Intercontinental Dimond Funds (IDF)	Medium-Class Market	
4	EQUITORIAL TRUST BANK LTD	3	1. ETB Investment Certificate	High networth individuals and Institutional	
			2. EquiFund	As above	As above
			3. Equbills	As above	As above
5	RIUMPH MERCHANT BANK	2	1. Gold Shield Account	High Networth Individuals and Investors	Newspaper Adverts and Personal Solicitation & TV Commercials
			2. Triumph Discretionary Investment Fund		
6	UNIVERSAL TRUST BANK NIGERIA LTD	3	1. UTB Investment Certifcate Schme	Individual Small Savers and Institution	Distribution of pamphlets, TV Commercials and Personal Solicitation

			2. Electronic Fund Transfer	As above	As above
			3. Falcon Capital Enhancement Note	As above	As above

4.2.1. EQUITY BANK OF NIGERIA LTD

Equity Bank of Nigeria Ltd is one of the new generation Banks pioneering the challenge of commercial banking in Nigeria. The wave of deregulation and gradual growth of customer sophistication in banking had left no alternative for survival to Equity than to innovate and keep abreast of customer needs and satisfaction. To achieve this, Equity embarked on the development and introduction of new services to its customers. Prominent in the range of products developed are:

(i) EQUITY CAPITAL APPRECIATION NOTE & EQUITY EXPRESS CARD

This product is designed to guarantee attractive returns on investment and provide investors liquidity when needed.

Main Features:

- Minimum of investment of N200,000.00
- Minimum tenor of 90 days with roll-over option.
- Interest rate up to 15% p.a.
- Medical expenses covered by UNIC Insurance for up to N50,000.00

- Accidental death and permanent disability insurance cover by UNIC Insurance to a maximum of N1 million.
- Borrowing facilities of up to 75% the amount invested.
- Additional 1% p.a. inflation subsidy
- Another 1% p.a. utility subsidy for one year.
- Minimum of investment of N500,000.00 for one year Free Equity Express Card for cash withdrawal from Automated Teller Machines (ATM)

Market and Marketing:

EQUITY Capital Appreciation Note is designed to suit the following market segment:

- Trust and Pension Funds
- Insurance/Re-Insurance Companies
- The Federal, State and Local Governments
- Training Institutions
- Corporate Bodies
- Unions and Associations
- Contractors
- Transporters
- Professionals (Doctors, Lawyers, Architects, etc)
- Individuals.

Thus, all investors, private, corporate and institutional, can invest in Equity Capital Appreciation Note.

(ii) EQUITY PREMIUM NOTE

This is an invaluable high yield financial instrument for short-term investors. It is an Equity Promissory Note designed exlusively to satisfy the investment requirements of investors with preference for high-yield short-term funancial instruments.

Main Features:

- EPN is denominated as follows:
  - N500,000.00
  - N1.00 million
  - N5.00 million
- Tenor shall be for 365 days only
- Investment may be rolled over at maturity
- Flexible but higher yield than on conventional instruments
- It can be redeemed at Head Office or any of its area offices.
- Free Equity Express Carf for cash withdrawal from our automated teller machine.

Main Target Market:

- Individuals
- Professional Bodies (Accountants, Lawyers, Doctors, etc)
- Commercial Houses
- Financial Institutions
- Brokerage Houses
- Insurance Companies
- Super-Annuation and Pension Funds
- Bureaux de Change
- Government Parastatals/Agencies
- Manufacturing Companies, etc.

4.2.2. SOCIETE GENERAL BANK (NIG) LTD

Societe Generale Bank (Nig) Ltd is one of the solid Banks in the industry. Since it commenced operations, it has developed and inplemented strategies which have place the bank as one of the foremost, aggressive banks in the banking environment. The concept of banking in Societe Generale Bank (Nig) Ltd is the provision of corporate packages of banking and financial services among which is:

Guaranteed Educational Trust Scheme

This is a simple and convenient way for parents to pay their children's school fees.

Main Features

- Minimum Investment of N5,000 per child and subsequent monthly, bi-monthly, quarterly and annual deposits.
- Streams covered, Nursery, Primary, Secondary, Tertiary Education.
- Insurance cover by AIICO
- Insurance covers total expenses for the entire period of any selected stream.
- In case of death of parents, an older next of kin already stated will take charge of account till the child matures.
- Monthly statement of account.

Marketing Gets

All categories of investors are limited and it is developed to appeal to parents, guardians.

Benefits:

- Uninterrupted, quality education guranteed
- Eligibility for a scholarship under GETS
- Eligibility for a yearly book purchase subsidy
- SGBN gift materials - exercise books, special pencils and biros flashes, cups etc.
- Attractive Interest rate of at least 8-10% p.a.

Marketing:

Marketing has mainly been through personal efforts and distribution of pamphlets to potential investors. Newspaper adverts and short but sharp TV commercials are used as promotion techniques.

4.2.3 NIGERIA INTERCONTINENTAL MERCHANT BANK LTD

Nigeria Intercontinental Merchant Bank Ltd was established in 1989. The bank's leading position in the merchant banking sub-sector is clearly evident in the scale of their operations in terms of business volume, capital and asset base, innovation, and customer satisfaction as well as profitability.

Prominent among their innovative services are:

- INTERCONTINENTAL VALUE YIELD (IVY)

This is the bank's top-of-the range financial product, it is a comprehensive package tailored to the needs of the up-market clientale.

- MAIN FEATURES
  - Minimum of N1m investment
  - Minimum tenor of 365 days with roll over option
  - Negotiable floating rate
- BENEFITS
  - Free annual overseas holiday ticket
  - Free overseas medical insurance with a limit of $70,000
  - Free yearly comprehensive medical check-up in London
  - Free local medical check-up
  - Club subscription subsidy
  - IVY charge and
  - Exclusive personalised service
  - Option of nominating a beneficiary for any or all of the benefits.

MAIN TARGET MARKET

- Individuals
- Professional bodies

- High Networth customers
- Marketing is done basically through personalise solicitation and direct contact with customers by the management of the organisation.

INTERCONTINENTAL DIMOND FUND

This is a unique investment product introduced to the medium class market.

FEATURES

- Minimum investment N250,000.00
- Minimum term 90 days

BENEFITS

- Attractive interest rate
- Free household insurance cover against loss or destruction in the event of fire, flood or burglary.
- IDF scholarship scheme in which investor's children/ward are awarded N20,000.00 p.a. for the duration of their course in any Nigerian University.
- Free insurance cover of up to N1 million for accidental death or permanent disability.

- Free medical expenses in case of accidental injury up to a minimum of N20,000.00
- Usable as collateral for loans.

TARGET MARKET: is the medium class investors and marketing is basically through pamphlets, TV commercials and personal solicitation.

ELECTRONIC FUNDS TRANSFER

This is designed to ensure product and efficient cash management through the provision of avenues to move cash conviniently and promptly from one point to another.

FEATURES

- A nik-free service that gurantees the transfer of funds from one destination to another within the Intercontinental net-work of branches and associated international banks throughout the world.
- Provision of opportunity for treasury managers to pool funds together overnight.

4.2.4 EQUITORIAL TRUST BANK LTD

Equitorial Trust Bank Ltd (ETB) commenced commercial banking operations in 1990. Central to ETB's ethos is its policy on customer services that accord equal attention to the smallest and the biggest transactions. ETB is among the youngest of the new generation banks and is recognised as a leader in delivery of speedy, convenient and personalised services.

ETB has the following products today, developed to suit the needs of its customers. These products consist of mainly savings schemes:

(i) ETB Investment Certificate

This is a double-edged advantage package inviting a minimum of N50,000.00 fixed tenor investment with re-investment options.

Option A	Option B
N500,000.00 minimum investment	N50,000.00 minimum investment
High market rates	High market rates
Fixed tenor	Fixed tenor
Income payable upfront	Income payable upfront
Full pay-out	Full pay-out
Re-investment options	Re-investment options

Easy and fleible operations	Negotiable
Absolute confidentiality	Absolute confidentiality Encashable at any ETB branch

(ii) Equi Funds:

A hybrid portfolio guaranteeing higher dividends with the folowing features:

- N20,000.00 minimum contribution
- Further contribution in minimum of N10,000.00
- Pooled funds invested in high-yield instruments
- Group dividends distributed half yearly
- Higher yield than competitors

ETB's efforts to reach customers have mainly been through the use of ₩ commercials and the distribution of information booklets to customers. Savings Account customers, mainly in the middle class are the targetted market. Company and institution can also invest in any of the savings account packages.

4.2.5 TRIUMPH MERCHANT BANK

Triumph Merchant Bank is one of the post (SAP) banks in the country. It commenced operations in the late 1980s. Since then Triumph has developed and implemented strategies which have placed the bank amongst the foremost

aggressive and resourceful merchant Banks in the banking environment. The concept of banking in Triumph is to provide a complete package of banking and financial services tailored to suite individual clients' requirements. The follwing products are the high points of TMB products development and marketing.

i. Gold Shield Account GSA

The Gold Shield Account is a special financial package introduced by Triumph Merchant Bank Plc to meet the ever challenging demands of the banking public.

MAIN FEATURES

- Minimum Investment N1,000,000.00
- Minimum tenor 120 days
- Interest rate between 8% and 12% p.a.

BENEFITS

- Subsidised air travel ticket up to a maximum of N150,000.00 p.a.
- Free club subscription up to N15,00.00 p.a.
- Free medical check-up up to N70,000.00 p.a.
- Discount of up to N15,000.00 p.a. on bills incurred in a 5-star hotel.
- Household insurance cover up to a maximum of N5 m p.a.
- GSA card which guarantees a royal treatment at all branches of Triumph Merchant Bank.
- Nomination of beneficiary for specific or entire benefits.

MAIN TARGET MARKET

The GSA is targeted at individuals and corporate bodies who would not compromise on security and professinalism.

The Marketing of the product is mostly through hand bills, TV commercials, personal solicitation and Newspaper advert.

TRIUMPH DISCRETIONARY INVESTMENT FUND - TDIF

This is another special financial package introduced by Triumph Merchant Bank.

Features

Minimum investment of N50,000.00

Minimum tenor 90 days

Interest rate 5% to 8% p.a.

Benefits

- Education subsidy of up to a maximum of N20,000.00 p.a.
- Collateral for loan from TMB Plc
- Free Financial advisory services
- Discountable instrument if in need of fund before maturity
- Immediate Encashment of specific or entire benefits under the scheme
- Nomination of beneficiary of specific or entire benefits

Main Target Market

TDIF is targeted at individuals and corporate organisation with a desire for professional banking services, security and high returns in their investments. Marketing of the product is basically thorugh TV commercials, Newspaper adverts, personal solicitation, pamphlets.

4.2.6 UNIVERSAL TRUST BANK OF NIGERIA LIMITED (UTB)

Universal Trust Bank of Nigeria Limited has been able to develop a range of schemes marchable with any in the industry. UTB has of recent proved to be one of the most innovative int he provision of its various services to customers. It has developed and presently markets various products which include the following:

(i) UTB Investment Certificate Schmeme:

This is an innovative package professionally designed to provide flexibility and maximum profitability to investors. It has two options:

Option A	Option B
N500,000.00 minimum investment	N50,000.00 minimum investment
Highest market rates	Highest market rates
Fixed tenor	Fixed tenor

Income payable upfront	Income payable upfront
Full pay-out	Full pay-out
Re-investment options	Re-investment options
Easy and fleible operations	Negotiable
Absolute confidentiality	Absolute confidentiality
	Encashable at any UTB branch

Electronic Funds Transfer (EFT)

This is designed to ensure prudent and efficient cash management through the provision of avenue to move cash conveniently and promptly from one point to another.

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Features

- A risk-free service that guarantees the transfer of funds from one destination to another within the UTB network of branches.
- Provision of opportunity for treasury managers to pool funds together overnight in a designated account from various branches so that the funds can be managed more efficiently.

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The Falcon Capital Enhancement Note

This is another innovative product aimed at maximising the profitability of investments. It is a financial instrument issued by the Bank and sold to investors. Yield is calculated on a daily basis and added to the capital.

Features

- Minimum participation of N250,000.00
- Flexible tenor
- Yield compounded daily
- Encashable at any UTB branch
- Negotiable
- Roll-over options
- Absolute confidentiality assured

Target Market

- High networth individuals
- Business executives, professionals and traders
- Corporate organisations and cooperative societies
- Small/medium scale businesses
- Pension and Provident Funds
- Insurance companies and other financial institutions

General Assessment

The questionnaire sought to find out the factors responsible for the increase in the financial services provided by the banks studied. It also attempted to establish the level of success achieved by these institutions. Also, interesting was the effort at digging into the various sources of service ideas from where the main products were developed.

All the banks studied developed various products since the introduction of the Structural Adjustment Programme (SAP) in 1986. The merchant banks revealed that their motives for introducing new services were basically to offer new opportunities, improve the satisfaction of consumers and to fight competition more effectively. They also confided that the provision of liquidity and funds' stability are the main advantages baing derived from such new products. While most of the funds are short-term in nature, merchant banks would have preferred long-term funds for longer term investments. Over 80 per cent of their customers are institutional investors and high networth individuals. With deposit liabilities of over N100 million, the banks have seen their products as a great success in the market. Responsible for their success is the aggressive marketing efforts through personal calls and solicitations, advertisements and distribution of pamphlets and leaflets.

The commercial banks did fare well. With emphasis on all investors, small and big, their motives have been the broadening of their deposit base and stability of funds sourced. Their products have recorded tremendous success with over N100 million deposit liabilities. This was attributable to serious marketing which included personal calls, TV and radio jingles and distribution of pamphlets.

In all, the degree of customer satisfaction was good. It would have been better but for certain constraints which included legislations imposed by Government and the Central Bank of Nigeria (CBN), competition among financial institutions, highly speculative nature of the market, cultural and religious problems and the general economic down-turn.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 SUMMARY AND RECOMMENDATIONS

The financial sector will continue to play a dominant role in shaping the destiny of Nigerias' economy as both contributors to the Nation's Gross Domestic output and through the provision of credit to industrial and service sectors of the economy. Efforts have been made and are still being made by the Government through various financial policies and guidelines to ensure proper banking practice on one hand and through various styles of service offerings by the banking institutions to woo the economic surplus institutions to save for the purpose of investments which are channeled through the financial markets to the productive sectors of the economy.

The Structural Adjustment Programme (SAP) has tremenduosly affected the way of life of the banks. It has not only forced them to innovate, but it has also forced the banks to look inward and search for a survival strategy. This strategic development has resulted in the various services developed. Its effects also include the enhancement of banks deposit base (which has also been under constant reviews) and the increased awareness and development of banking habits in customers.

However, the gains are yet to be fully realized. Since the financial sector is a micro-component of the economy, the present performance of the national economy is obviously impacting negatively on developments in the financial sector. The momentum of growth in the sector has been stalled by distortions in the economy, corruption and indiscipline. While economic policies are still dictated by political exigencies and other considerations, corruption sharp practices still prevail in the financial sector despite failed bank decree and other measures put in place by the CBN and NDIC to regulate the conduct of banking in the country. Banks do not only violate regulatory guidelines at will, but still make cheap and irregular credit to favoured firms and individuals.

It is generally figured that since the degree of robustness of the financial sector in any economy is very much a function of a strong and vibrant economy, the only real prospects of growth in the sector appear to be contingent upon a return of the economy to a path of recovery and sustainable growth. Government will need to do away with corruption and bad investments and continue to implement fully the deregulation policy already started by the past three regimes (of Babangida, Shonekan and Abacha), to allow for free competition and elimination of distortions and structural weaknesses.

Similarly, the Central Bank of Nigeria should be given the tool and wherewithal to perform its statutory duties without any form of hindrance. Granting of full autonomy to the bank will enable it to play its proper role in the maintenance of price stability and sound economic management.

On the other hand, the banks will need to improve on the gains attained as a result of the reforms. With the growing need for deposit and investments, it is hoped that in future new products, other than the current ones associated with up-front interest payment, insurance linked investments, and other non-permanent feature instruments will give way to more sophisticated and computerized customer designed products. The economy is still largely cash oriented. The on-going computerization of banks and financial institutions operations should also aim at eliminating or reducing the use of cash in business transactions and encourage a more reliance on credit cards and other forms of electronic financial instruments which are considered to be safer, convenient and easier to manage.

The extension of banking hours on work days from 1.30 pm to 3.30 pm by most banks and the introduction of weekend banking by some banks are positive developments. It is also hoped that Night banking facilities will be made available in the near future by the banks.

CONCLUSION

The structural adjustment programme introduced in 1986 has left a mark on the Banking Industry in the country. The sector has been transformed through regulations and counter-regulations. These regulations have made both positive and negative impacts on the institutions themselves and the economy as a whole. On the positive side, it forced the banks to innovate and wake up to challenges of modern banking. It also led to increase in product range and customer awareness. Additionally, It impacted on the habit and characteristics of the markets. Both sellers and buyers in the market place have increased in sophistication and approach to the various offers and bids. On the other hand, the reform was unable to eliminate distortions in the economy, a situation which encouraged corruption and other sharp practices.

Pursuing restructuring along the path of the on-going privatization of public enterprises with all purpose and sincerity and eliminating all forms of distortions in the economy, over-coming corruption, entrenching strong bank supervision through granting of full autonomy to CBN and allowing it to carry out all its statutory mandates without any form of executive interference will improve the fortunes of the ailing economy and ensure a healthier banking practice.

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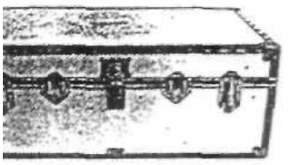
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PAYCARD is one of the numerous ways Diamond Bank is helping you live a better life.

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HOW PAYCARD WORKS



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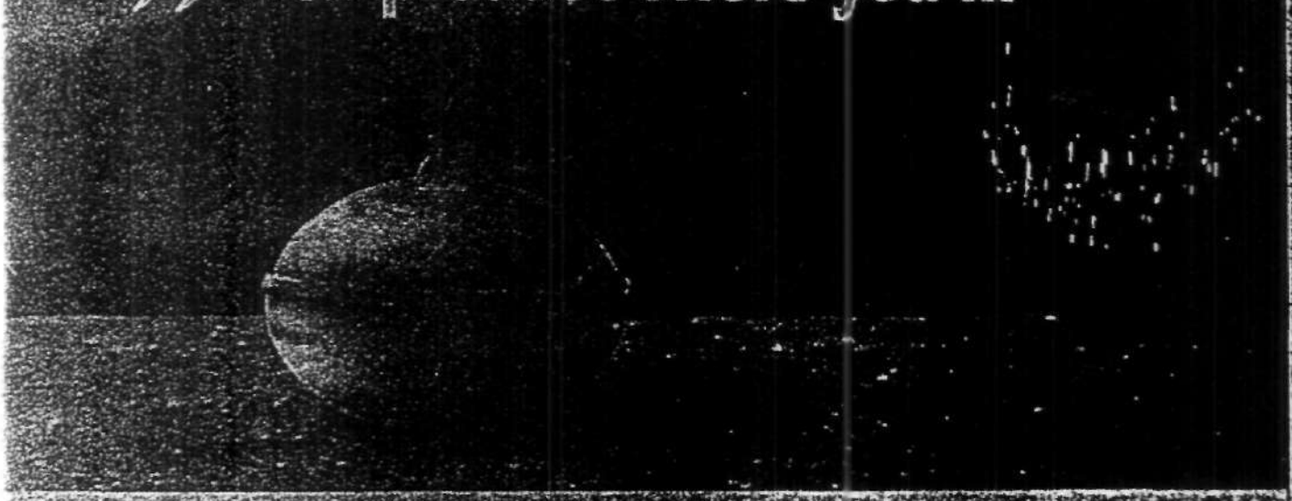
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THE PRODUCT



TRIUMPH DISCRETIONARY INVESTMENT FUND (TDIF)

The **Triumph Discretionary Investment Fund (TDIF)** is one of the special financial packages introduced by **Triumph Merchant Bank PLC (TMB). TDIF** is targeted at individuals and corporate organisations with a desire for professional banking services, security and high returns on their investments.

FEATURES

Minimum Investment - N50,000.00
Minimum Tenor - 90 days
Interest Rate - Between 5% and 8% P.A.

ADDITIONAL BENEFITS

EDUCATION SUBSIDY

An investment in TDIF guarantees the holder education subsidy up to a maximum of N20,000 P.A.

COLLATERAL FOR LOAN



Your TDIF account is a sure collateral for obtaining loan from TMB PLC.

FREE FINANCIAL ADVISORY SERVICES



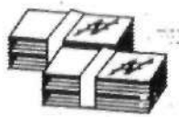
All investors in TDIF are entitled to free advisory services provided at all branches of TMB PLC

DISCOUNTABLE INVESTMENT



TDIF is a discountable investment. Holders of TDIF can discount their investment if in need of fund before maturity

IMMEDIATE ENCASHMENT



With your TDIF account, you can encash specific or entire benefits under the scheme.

NOMINATION OF BENEFICIARY



TDIF holders are free to nominate beneficiaries for specific or entire benefits.



GOLD SHIELD ACCOUNT

The Gold Shield Account (GSA) is a special financial package introduced by Triumph Merchant Bank PLC (TMB), to meet the ever-challenging demands of the Banking public. GSA is therefore targeted at individuals and corporate bodies who would not compromise on security, professionalism and also demand high returns on their investments. For you, GSA is a valuable investment which guarantees very attractive and valuable benefits.

FEATURES

Minimun Investment - N1,000,000
Minimum Tenor - 180 days
Interest Rate -Between 8% and 12% P.A

ADDITIONAL BENEFITS

- ***Subsidised Air Travel Ticket***
  An investment in GSA entitles the holder to subsidised Air Travel Ticket up to a maximum of N150,000.00 P.A

- ***Free Club Subscription***
  With the Gold Shield Account, you enjoy free Club subscription up to a maximum of N15,000 P.A.

- ***Free Medical Check-up***
  The Gold Shield Account affords you the opportunity to enjoy free comprehensive medical check up to the tune of N70,000 P.A.

- ***Discount on Bills***
  As a Gold Shield Account card holder, you are entitled to a discount of up to N15,000 P.A. on bills incurred at participating 5 - Star Hotels.

- ***Household Insurance Cover***
  This unique product gives you the privilege to enjoy Household Insurance cover up to a maximum of N5million P.A.

- ***Gold Shield Card***
  With your Gold Shield Card, you are guaranteed royal treatment by specially trained Managers at all branches of Triumph Merchant Bank PLC.

- ***Nomination of Beneficiary***
  A Gold Shield Account card holder can nominate beneficiaries for specific or entire benefits.

PAYING SCHOOLS FEES
IS AS EASY AS A.B.C.

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INTRODUCING THE GETS



GUARANTEED EDUCATION TRUST SCHEME

Every parent or guardian knows that paying school fees can cause sleepless nights.

But now, there's a simple and convenient way to make paying schools fees easier, thereby ensuring that your child or ward gets exactly the quality of education you desire for them.

The answer is the Guaranteed Education Trust Scheme, from Societe Generale Bank of Nigeria.

FEATURES

- Minimum investment of N5,000 per child, and subsequent monthly, bi-monthly, quarterly or annual deposits.
- Streams covered: Nursery, Primary, Secondary, Tertiary education.
- Insurance cover by AIICO.
- Insurance covers total expenses for the entire period of any selected stream.
- In case of death of parent, an older next of kin already stated will take charge of the account till the child matures.
- Monthly statement of account.

BENEFITS

- Uninterrupted, quality education guaranteed.
- Eligibility for a scholarship under the Guaranteed Education Trust Scheme (GETS).
- Eligibility for a yearly book purchase subsidy.
- SGBN gift materials – exercise books, special pencils and biros, flashes, cups etc.
- Attractive interest rate of [illegible] 10% p.a.

IVY ACCOUNT

The bank's top-of-the-range financial product, the Intercontinental Valuable Yield (IVY) Account is a comprehensive package tailored to the needs of the up-market clientele. For a minimum of N1 million for at least one year, the IVY Account holder is entitled to the following benefits:

- *Free annual overseas holiday ticket.*
- *Free overseas medical insurance with a limit of $70,000.00 (including free emergency evacuation to Europe)*
- *Free yearly comprehensive medical check-up in London.*
- *Free local medical check-up*
- *Competitive interest rate.*
- *Club subscription subsidy*
- *IVY charge card*
- *Exclusive personalised services*
- *Option of nominating a beneficiary for any or all of* the benefits.

For further enquiries, please call **01-2622994.**

INTERCONTINENTAL DIAMOND FUND (IDF)

The IDF is a unique investment product introduced to the medium-class market in 1992. For a minimum investment of N250,000 for a minimum tenor of 90 days, the IDF offers the following :

- *Attractive interest yield.*
- *Free householder insurance cover against loss or destruction in the event of fire, flood or burglary.*
- *IDF Scholarship Scheme, in which investors' children/wards are awarded N20,000 p.a. for the duration of their courses in any Nigerian university.*
- *Free insurance cover of up to N1 million for accidental death or permanent disability.*
- *Free medical expenses in case of accidental injury, up to a maximum of N20,000.00*
- *Usable as collateral for loans*

For further enquiries, please call **01-2622930**

Decree No. 25

[20*th June* 1991] Commencement.

THE FEDERAL MILITARY GOVERNMENT hereby decrees as follows--

PART I—BANKS

ESTABLISHMENT OF BANKS, ETC.

Functions, powers and duties of the Central Bank of Nigeria.

1.—(1) The Central Bank of Nigeria (hereafter in this Decree referred to as "the Bank") shall have all the functions and powers conferred and the duties imposed on it by this Decree.

(2) The Bank shall in addition to the functions and powers conferred on it by this Decree, have the functions and powers conferred and the duties imposed on the Bank by the Central Bank of Nigeria Decree 1991.

(3) The Bank may authorise or instruct any officer or employee of the Bank to perform any of the functions, exercise any powers, or discharge any of its duties under this Decree.

(4) The Bank may, either generally or in any particular case, appoint any person who is not an officer or employee of the Bank, to render such assistance as it may specify in the exercise of its powers, the performance of its functions, or the discharge of its duties under this Decree, or to exercise, perform or discharge the functions and duties on behalf of and in the name of the Bank.

(5) For the purposes of this Decree, a person shall be deemed to be receiving money as deposits--

(*a*) if the person accepts deposits from the general public as a feature of its business or if it issues an advertisement or solicits for such deposit ;

(*b*) notwithstanding that it receives moneys as deposits which are limited to fixed amounts or that certificates or other instruments are issued in respect of any such amounts providing for the repayment to the holder thereof either conditionally or unconditionally of the amount of the deposits at specified or unspecified dates or for the payment of interest or dividend on the amounts deposited at specified intervals or otherwise, or that such certificates are transferable.

(6) Notwithstanding anything contained in this section to the contrary, the receiving of moneys against any issue of shares and debentures offered to the public in accordance with any enactment in force within the Federation shall not be deemed to constitute receiving moneys as deposits for the purposes of this Decree.

Banking business.

2.—(1) No person shall carry on any banking business in Nigeria except it is a company duly incorporated in Nigeria and holds a valid banking licence issued under this Decree.

(2) Any person who transacts banking business without a valid licence under this Decree is guilty of an offence and liable on conviction to a term of imprisonment not exceeding 10 years or a fine not exceeding N500,000 or to both such imprisonment and fine.

Application for grant of licence.

3.—(1) Any person desiring to undertake banking business in Nigeria shall apply in writing to the Governor for the grant of a licence and shall accompany the application with the following--

(*a*) a feasibility report of the proposed bank ;

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(*b*) for the sale, disposal or transfer howsoever, of the whole or any part of the business of the bank ;

(*c*) for the amalgamation or merger of the bank with any other person ;

(*d*) for the reconstruction of the bank ;

(*e*) to employ a management agent or to transfer its business to any such agent.

Operation of foreign banks in Nigeria.

8.—(1) Except with the approval of the Bank, no foreign bank shall operate a representative office in Nigeria.

(2) Any person who contravenes subsection (1) of this section or section 7 of this Decree is guilty of an offence and liable on conviction to a fine of ₦1000,000 and in the case of a continuing offence to an additional fine of ₦10,000 for each day during which the offence continues.

Minimum paid-up share capital of banks and compliance with minimum paid-up share capital requirement.

9.—(1) The President on the recommendation of the Bank shall, from time to time, determine, as he may deem appropriate, the minimum paid-up share capital of each category of banks.

(2) Subject to subsection (1) of this section, the minimum paid-up share capital of a bank shall in respect of—

(*a*) a commercial bank, be ₦50,000,000 ;

(*b*) a profit and loss sharing bank, be ₦50,000,000 ;

(*c*) a merchant bank, be ₦40,000,000 ;

(*d*) a community bank, be ₦250,000.

(3) Any failure to comply with the provisions of this section within 12 months from the date of this Decree shall be a ground for the revocation of any licence issued pursuant to the provisions of this Decree or any other Act repealed by it.

Shareholder's voting rights to be proportional to shareholding. 1990 No. 1.

10. Notwithstanding the provisions of the Companies and Allied Matters Decree 1990 or any agreement or contract, the voting rights of every shareholder in a bank shall be proportional to his contribution to the paid-up share capital of the bank.

Restriction of legal proceedings in respect of shares held in the name of another.

11. Notwithstanding anything contained in any law or in any contract or instrument, no suit or other proceeding shall be maintained against any person registered as the holder of a share in a bank on the ground that the title to the said share vests in any person other than the registered holder :

Provided that nothing in this section shall bar a suit or other proceeding on behalf of a minor or person suffering from any mental illness on the ground that the registered holder holds the share on behalf of the minor or person suffering from the mental illness.

Revocation of licence.

12. The Governor may, with the approval of the President by notice published in the *Gazette*, revoke any licence granted under this Decree if a bank—

(*a*) ceases to carry on in Nigeria the type of banking business for which the licence was issued for any continuous period of 6 months or for any period aggregating 6 months during a continuous period of 12 months ;

(*b*) goes into liquidation or is wound up or otherwise dissolved ;

(*c*) not during the period of any deficiency, grant or permit increases in advances, loans or credit facilities to any person without the prior approval in writing of the Bank.

(5) Any bank which fails to comply with any of the provisions of subsection (4) of this section is guilty of an offence and liable on conviction to a fine of—

(*a*) in the case of paragraph (*a*) ₦50,000 for every day during which a default under that paragraph (*a*) exists ;

(*b*) in the case of paragraph (*b*), one *per cent* of the shortfall for each day during which the deficiency under that paragraph exists ;

(*c*) in the case of paragraph (*c*), ₦500,000 for every offence under that paragraph ;

and the Bank may also, during the period when the bank fails to comply with any of the requirements of subsection (4) as aforesaid, withdraw any privileges or facilities that are normally accorded to the bank.

(6) For the purposes of this section, specified liquid assets provided they are freely transferable and free from any lien or charge of any kind shall, without prejudice to the provisions of section 39 of the Central Bank of Nigeria Decree 1991, consist of all or any of the following, that is—

(*a*) currency notes and coins which are legal tender in Nigeria ;

(*b*) balances at the Bank ;

(*c*) net balances at any licensed bank (excluding uncleared effects) and money at call in Nigeria ;

(*d*) Treasury Bills and Treasury Certificates issued by the Federal Government ;

(*e*) inland bills of exchange and promissory notes rediscountable at the Bank. ;

(*f*) stocks issued by the Federal Goverment with such dates of maturity as may be approved by the Bank ;

(*g*) negotiable certificates of deposit approved by the Bank ; and

(*h*) such other negotiable instruments as may, from time to time, be approved by the Bank for the purpose this subsection.

DUTIES OF BANKS

Maintenance of reserve fund.

16.—(1) Every bank shall maintain a reserve fund and shall, out of its net profits for each year (after due provision made for taxation) and before any dividend is declared, where the amount of the reserve fund is—

(*a*) less than the paid-up share capital, transfer to the reserve fund a sum equal to not less than thirty *per cent* of the net profits ; or

(*b*) equal to or in excess of the paid-up share capital, transfer to the reserve fund a sum equal to not less than fifteen *per cent* of the net profit :

Provided that no transfer under this subsection shall be made until all identifiable losses have been made good.

(2) Any bank which fails to comply with the provisions of subsection (1) of this section is guilty of an offence and liable on conviction to a fine of ₦500,000.

(3) Notwithstanding paragraphs (*a*) and (*b*) of subsection (1) of this section, the Bank may, from time to time, specify a different proportion of the

(5) For the purpose of subsection (3) of this section, a general notice given to the board of directors of a bank by a director of such bank to the effect that he is—

(*a*) an officer or member holding five *per cent* or more of the shares of a company or firm specified in the notice ; and

(*b*) to be regarded as having personal interest in any advance, loan or credit facility which may after the date of the notice, be made to that company or firm,

shall be deemed to be a sufficient declaration of interest in relation to any such advance, loan or credit facility, if—

(*i*) the notice specifies the nature and extent of his interest in the company or firm ;

(*ii*) the interest is not different in nature to or greater in extent than the nature and extent specified in the notice at the time the advance, loan or credit facility is made ; and

(*iii*) the notice is given at the meeting of the board of directors or the director takes reasonable steps to ensure that it is brought up and read at the next meeting of the board of directors after it is given.

(6) Every director of a bank who holds any office or possesses any property whereby, whether directly or indirectly, duties or interests might be created in conflict with his duties or interest as a director of a bank, shall declare at a meeting of the board of directors of the bank, the fact and the nature, character and extent of the interest.

(7) The declaration referred to in subsection (6) of this section shall be made at the first meeting of the board of directors held—

(*a*) after he became a director of the bank ; or

(*b*) if already a director, after he came into possession of the property.

(8) The secretary of the bank shall cause to be brought up and read, any declaration made under subsection (3) or (6) of this section at the next meeting of the board of directors after it is made, and shall record any declaration made under this section in the minutes of the meeting at which it was made or at the meeting in which it was brought up and read.

(9) Any director who contravenes subsection (3) or (6) of this section is guilty of an offence under this section and liable on conviction to a fine of ₦100,000 or to imprisonment for 3 years or to both such fine and imprisonment.

Prohibition of employment of certain persons and inter-locking directorship, etc.

19.—(1) No bank shall—

(*a*) employ or continue the employment of any person who is or at any time has been adjudged bankrupt or has suspended payment to or has compounded with his creditors or who is or has been convicted by a court for an offence involving fraud or dishonesty, or professional misconduct ;

(*b*) be managed by a management agent except as may be approved by the Bank.

(2) Except with the approval of the Bank, no bank shall have as a director any person who is a director of—

(*a*) any other bank ;

(*b*) companies which among themselves are entitled to exercise voting rights in excess of ten *per cent* of the total voting rights of all the shareholders of the bank.

(3) No bank shall be managed by a person who is—

(*a*) a director of any other company not being a subsidiary of the bank ; or

and services of that bank or in the course of the satisfaction of debts due to it ; so however that nothing in this paragraph shall be construed as precluding a bank from undertaking equipment leasing business or debt factoring provided that the foregoing provisions of this paragraph shall not apply to a bank in the circumstances permitted under section 21 of this Decree ;

(*d*) without prejudice to the provisions of section 21 of this Decree, acquire or hold any part of the share capital of any financial or commercial or other undertaking, except—

(*i*) any shareholding approved by the Bank in any company set up for the purpose of promoting the development of the money market or capital market in Nigeria or of improving the financial machinery for financing economic development ;

(*ii*) any shareholding approved by the Bank pursuant to sub-paragraph (*i*) of this paragraph, the aggregate value of which does not at any time exceed twenty-five *per cent* of the sum of paid-up share capital and statutory reserves of that bank ;

(*iii*) all shareholding acquired by a merchant bank while managing an equity issue :

Provided that the aggregate value of such acquisition does not at any time exceed the sum of the paid-up share capital of that merchant bank or ten *per cent* of its total assets, excluding contract items, whichever is higher and that this paragraph shall not apply to any nominee company of a bank which deals in stock and shares for or on behalf of the bank's customers or clients or majority interest acquired by a merchant bank in a company while managing an equity issue

(*e*) remit, either in whole or in part, the debts owed to it by any of its directors or past directors ;

(*f*) purchase, acquire or lease real estate except as may be necessary for the purpose of conducting its business including provisions for foreseeable future expansion or housing of its staff or other exceptional circumstances, where the agreement of the Bank is obtained ;

(*g*) sell, dispose or lease out any real estate.

(3) Notwithstanding the foregoing provisions of this section, a bank may secure debt on any real or other property, and in default of repayment, may acquire such property and exercise any power of sale, as may be provided for in any instrument or, by law prescribed, immediately upon such default or soon thereafter as may be deemed proper.

(4) In paragraphs (*a*) and (*b*) of subsection (2) of this section, the expressions "unsecured advances and loans" or "unsecured credit facilities," mean advances, loans or credit facilities made without security, or, in respect of any advances, loans or credit facilities made with security, any part thereof which at any time exceeds the market value of the assets constituting the security, or where the bank is satisfied that there is no established market value, the value of the assets as determined on the basis of a valuation approved by the bank.

(5) In paragraphs (*a*) and (*e*) of subsection (2) of this section, the expression "director", includes director's wife, husband, father, mother brother, sister, son, daughter and their spouses.

(6) All the directors of a bank shall be liable jointly and severally to indemnify the bank against any loss arising from any unsecured advances, loans or

Provided that the provisions of this subsection shall not apply to profit and loss sharing banks.

(2) Any bank found in breach of any of the provisions of this section is guilty of an offence and liable on conviction to a fine of ₦1,000 for every day during which the offence continues.

BOOKS OF ACCOUNT

Proper books of account.

24.—(1) Every bank shall cause to be kept proper books of account with respect to all the transactions of the bank.

(2) For the purpose of subsection (1) of this section, proper books of account shall be deemed to be kept with respect to all transactions if such books as are necessary to explain such transactions and give a true and fair view of the state of affairs of a bank are kept by the bank and are in compliance with the accounting standard as may be prescribed for banks.

(3) The books of account shall be kept at the principal administrative office of a bank and at the branches of each bank in the English language or any other language approved by the Federal Government.

(4) Where the books of account, kept by a bank with respect to all its transactions, are prepared and kept in such a manner that, in the opinion of the Bank, have not been properly prepared and kept, or where a bank renders returns in accordance with the provisions of section 25 of this Decree, which in the opinion of the Bank are inaccurate, the Bank may appoint a firm of qualified accountants to prepare proper books of account or render accurate returns, as the case may be, for the bank and the cost of preparing the accounts and rendering the returns shall be borne by the bank.

(5) If any person being a director, manager or officer of a bank—

(*a*) fails to take all reasonable steps to secure compliance with any of the provisions of this section ;

(*b*) has by his wilful act been the cause of any default thereof by the bank, he is guilty of an offence and liable on conviction, in respect of paragraph (*a*) of this subsection, to a fine of ₦10,000 or to imprisonment for 5 years or to both such fine and imprisonment ; and, in respect of paragraph (b) of this section, to a fine of ₦50,000 or to imprisonment for a term not exceeding 10 years or to both such fine and imprisonment.

Returns by banks.

25.—(1) Every bank shall submit to the Bank not later than 28 days after the last day of each month or such other interval as the Bank may specify, a statement showing—

(*a*) the assets and liabilities of the bank ; and

(*b*) an analysis of advances and other assets, at its head office and branches in and outside Nigeria in such form as the Bank may specify, from time to time.

(2) Every bank shall submit such other information, documents, statistics or returns as the Bank may deem necessary for the proper understanding of the statements supplied under subsection (1) of this section.

(3) Any bank which fails to comply with any of the requirements of subsection (1) or (2) of this section is, in respect of each such failure,

and profit and loss account of the bank and every such report shall contain statements as to the matters and such other information as may be prescribed, from time to time, by the Bank.

(2) For the purpose of this section, the approved auditor shall be an auditor who is—

(*a*) a member of one of the professional bodies recognised in Nigeria ;

(*b*) approved by the Bank ;

(*c*) resident in Nigeria ; and

(*d*) carrying on in Nigeria professional practice as accountant and auditor.

(3) Any person—

(*a*) having any interest in a bank otherwise than as a depositor ; or

(*b*) who is a director, officer or agent of a bank ; or

(*c*) which is a firm in which a director of a bank has any interest as partner or director ; or

(*d*) who is indebted to a bank,

shall not be eligible for appointment as the approved auditor for any bank.

(3) and a person appointed as such auditor who subsequently—

(*i*) acquires such interest ; or

(*ii*) becomes a director, officer or agent of that bank ; or

(*iii*) becomes indebted to a partner in a firm in which a director of a bank is interested as partner or director,

shall cease to be such auditor.

(4) If any bank—

(*a*) fails to appoint an approved auditor under subsection (1) of this section ; or

(*b*) at any time, fails to fill a vacancy for such person,

the Bank shall appoint a suitable person for that purpose and shall fix the remuneration to be paid by the bank to such auditor.

(5) Every auditor of a bank shall have a right of access at all times to the books, accounts and vouchers of the bank, and shall be entitled to require from directors, managers and officers of the bank such information and explanation as he thinks necessary for the performance of his duties under this Decree.

(6) The report of the approved auditor shall be read together with the report of the board of directors at the annual general meeting of the shareholders of the bank and two copies of each report together with the auditor's analysis of bad and doubtful advances in a form specified, from time to time, by the Bank shall be sent to the Bank.

(7) If an auditor appointed under this section, in the course of his duties as an auditor of a bank, is satisfied that—

(*a*) there has been a contravention of this Decree, or that an offence under any other law has been committed by the bank or any other person ; or

(*b*) losses have been incurred by the bank which substantially reduce its capital funds ; or

(*c*) any irregularity which jeopardises the interest of depositors or creditors of the bank, or any other irregularity has occurred ; or

Routine examination and report thereon.

31.—(1) The Governor shall, in the case of routine examination, forward a copy of the report arising from the examination together with the recommendations of the Bank, to the bank concerned with instruction that it be placed before the meeting of the board of directors of the bank specially convened for the purpose of considering the report and the recommendations thereon.

(2) The bank shall within 2 weeks convey to the Governor the board of directors' reactions to the report and its proposals for implementing the recommendations of the Bank.

(3) Any bank which fails to comply with the provisions of subsection (1) or (2) of this section is guilty of an offence and liable on conviction to a fine of ₦500 for each day during which the offence continues and if the offence continues for more than 60 days, the Bank may in addition to the fine, withdraw any privilege or facility granted to that bank by the Bank.

Special examination.

32.—(1) The Governor shall have power to order a special examination or investigation of the books and affairs of a bank where he is satisfied that—

(*a*) it is in the public interest so to do ; or

(*b*) the bank has been carrying on its business in a manner detrimental to the interest of its depositors and creditors ; or

(*c*) the bank has "insufficient" assets to cover its liabilities to the public ; or

(*d*) the bank has been contravening the provisions of this Decree; or

(*e*) an application is made therefor by—

(*i*) a director or shareholder of the bank ; or

(*ii*) a depositor or creditor of the bank :

Provided that in the case of paragraph (*e*) of this subsection, the Governor may not order a special examination or investigation of the books and affairs of a bank if he is satified that it is not necessary to do so.

(2) For the purpose of subsection (1) of this section, the Governor shall have power to appoint one or more qualified persons other than the officers of the Bank to conduct special examination or investigation, under conditions of confidentiality, of the books and affairs of the bank.

(3) Nothing in this section or in any other section of this Decree shall be construed as precluding the Governor from appointing one or more officers of the Bank as examiner apart from those mentioned in section 30 of this Decree and ascribing to such officers such other designations as he deems fit, and from directing or requring all or any of the officers to exercise all or any of the powers of the Director of Banking Supervision under this Decree.

(4) The Governor shall have power to order that all expenses of or incidental to an examination or investigation be paid by the bank examined or investigated.

Failing bank.

33.—(1) Where a bank informs the Bank that—

(*a*) it is likely to become unable to meet its obligations under this Decree ; or

(*b*) it is about to suspend payment to any extent ; or

(*c*) it is insolvent ; or

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(3) Any bank which fails to comply with the provisions of subsection (2) of this section or with any requirements of the Bank or an appointed person under subsection (1) of this section, is guilty of an offence and liable on conviction to a fine of ₦50,000 and, in addition, to a fine not exceeding ₦500 for each day during which the default continues.

Management of failing bank.

35.—(1) Where the Bank or an appointed person has assumed control of the business of a bank in pursuance of section 34 of this Decree, the Bank or an appointed person shall remain in control of and continue to carry on the business of the bank in the name and on behalf of the bank until such time as—

(*a*) the Bank is satisfied that adequate provision has been made for the repayment of deposits ;

(*b*) in the opinion of the Bank, it is no longer necessary for the Bank to remain in control of the business of the bank.

(2) The cost and expenses of the Bank or the remuneration of an appointed person, as the case may be, shall be payable from the funds and properties of the bank as a first charge on the funds of the bank.

Power of the Bank to revoke licence or apply to the Court.

36. Notwithstanding anything contained in any law or memorandum and articles of association of a bank, where the Bank or an appointed person has, pursuant to an order under section 34 of this Decree, assumed control of a bank whose paid-up capital is lost or unrepresented by available assets, the Bank may, with the approval of the President—

(*a*) apply to the Federal High Court for an order for the Bank or a person nominated by the Bank to purchase or acquire the bank for a nominal fee for the purpose of its restructuring and subsequent sale;

(*b*) make an order revoking the bank's licence and requiring its business to be wound-up.

Duty to notify bank or person to be affected.

37.—(1) No order under sections 33 and 36 of this Decree shall be made unless the bank in respect of which the order is to be made, and in the case of an order under paragraph (*c*) or (*d*) of subsection (2) of section 33 of this Decree, the director, manager or officer who is to be removed from office, has been given a reasonable opportunity of making representations against or otherwise in respect of the proposed order.

(2) The Bank shall not make an order under subsection (1) of this section if in its opinion any delay would be detrimental to the interest of the bank, its depositors, creditors or the public generally.

(3) An order made in consequence of a representation may either be confirmed, modified, altered, varied or replaced by the President.

Application to the Federal High Court for winding-up.

38.—(1) Where the Governor makes an order revoking the licence of a bank and requiring the business of that bank to be wound up, the bank shall, within 14 days of the date of the order, apply to the Federal High Court for an order winding-up the affairs of that bank and the Federal High Court shall hear the application in priority to all other matters.

(2) If the bank fails to apply to the Federal High Court within the period specified in subsection (1) of this section, the Governor may apply to the Federal High Court for the winding-up of the bank.

PRUDENTIAL GUIDELINES FOR LICENSED BANKS

1.0 INTRODUCTION

Without prejudice to the requirements of the Statement of Accounting Standard on Accounting by Banks and Non-Bank Financial Institutions (Part 1) to be issued by the Nigerian Accounting Standards Board (NASB), in the near future, all licensed banks shall be required to adhere to the prudential guidelines enunciated in this circular for reviewing and reporting their performance, with immediate effect. In view of the international nature of banking, the guidelines are based on practices endorsed by reputable international financial institutions and regulatory authorities.

These guidelines should be regarded as minimum requirements and licensed banks which already have more stringent policies and practices in place are encouraged to continue with them.

2.0 CREDIT PORTFOLIO CLASSIFICATION SYSTEM

2.1 Licensed banks should review their credit portfolio continuously (at least once in a quarter) with a view to recognising any deterioration in credit quality. Such reviews should systematically and realistically

assify banks' credit exposures based on ıe perceived risks of default. In order to ıcilitate comparability of banks' assification of their credit portfolios, the ssessment of risk of default should be ısed on criteria which should include, but e not limited to, repayment performance, ɔrrower's repayment capacity on the basis current financial condition and net alisable value of collateral.

2 Credit facilities (which include loans, ivances, overdrafts, *commercial papers*, *ınkers acceptances*, bills discounted, ases, *guarantees*, and other loss ntingencies connected with a bank's credit sks) should be classified as either erforming" or "non-performing" as defined low:

) a credit facility is deemed to be rforming if payments of both principal ıd interest are up-to-date in accordance ıth the agreed terms;

) a credit facility should be deemed as ɔn-performing when any of the following nditions exists:

interest or principal is due and unpaid for 90 days or more;

) interest payments equal to 90 days interest or more have been capitalised,

rescheduled or rolled over into a loan (except where facilities have b reclassified as specified in 2.3 bel

2.3 The practice whereby some licer banks merely renew, reschedule or over non-performing credit facilities wit taking into consideration the repaym capacity of the borrower is objection and unacceptable. Consequently, befo credit facility already classified as "ı performing" can be reclassified "performing" the borrower must effect payment such that outstanding un interest does not exceed 90 days.

2.4 Non-performing credit facilities sh be classified into three categories nan sub-standard, doubtful or lost on the b of criteria specified below:

(a) Sub-Standard

The following objective and subje criteria should be used to identify standard credit facilities:

(i) Objective Criteria: facilities as def in 2.2(b) on which unpaid prin and/or interest remain outstan for more than 90 days but less 180 days.

(ii) Subjective Criteria: credit facil which display well defined weakne

which could affect the ability of borrowers to repay such as inadequate cash flow to service debt, undercapitalisation or insufficient working capital, absence of adequate financial information or collateral documentation, irregular payment of principal and/or interest, and inactive accounts where *withdrawals exceed repayments or where repayments can hardly cover interest charges.*

(b) Doubtful

The following objective and subjective criteria should be used to identify doubtful credit facilities:

(i) Objective Criteria: facilities on which unpaid principal and/or interest remain outstanding for at least 180 days but less than 360 days and are not secured by legal title to leased assets or perfected realisable collateral in the process of collection or realisation.

(ii) Subjective Criteria: facilities which, in addition to the weaknesses associated with sub-standard credit facilities, reflect that full repayment of the debt is not certain or that realisable collateral values will be insufficient to cover bank's exposure.

(c) Lost Credit Facilities

The following objective and subjecti criteria should be used to identify lost cre facilities:

(i) Objective Criteria: facilities on whi unpaid principal and/or intere remain outstanding for 360 days more and are not secured by legal ti to leased assets or perfected realisal collateral in the course of collection realisation.

(ii) Subjective Criteria: facilities which addition to the weaknesses associat with doubtful credit facilities, a considered *uncollectible and are of su little value* that continuation as bankable asset is unrealistic such facilities that have been abandon facilities secured with unmarketal and unrealisable securities a facilities extended to judgement debt with no means or foreclosable collate to settle debts.

2.5 Banks are required to adopt the crite specified in paragraphs 2.1 to 2.4 to class their credit portfolios in order to reflect t true accounting values of their cre facilities. Licensed banks should note th the Central Bank of Nigeria reserves t right to object to the classification of a

credit facility and to prescribe the classification it considers appropriate for such credit facility.

3.0 PROVISION FOR NON-PERFORMING FACILITIES

3.1 Licensed banks are required to make adequate provisions for perceived losses based on the credit portfolio classification system prescribed in paragraph 2 in order to reflect their true financial condition. Two types of provisions (that is specific and general) are considered adequate to achieve this objective. Specific provisions are made on the basis of perceived risk of default on specific credit facilities while general provisions are made in recognition of the fact that even performing credit facility harbours some risk of loss no matter how small. Consequently, all licensed banks shall be required to make specific provisions for non-performing credits as specified below:

(a) For facilities classified as Sub-Standard, Doubtful, or Lost:

(i) interest overdue by more than 90 days should be suspended and recognised on cash basis only.

(ii) principal repayments that are over due by more than 90 days should be fully provided for and recognised on cas basis only.

(b) For principal repayments not yet du on non-performing credit facilitie provision should be made as follows

(i) Sub-Standard Credit Facilities: *10%* the outstanding balance;

(ii) Doubtful Credit Facilities: *50%* of th outstanding balance;

(iii) Lost Credit Facilities: *100%* of th outstanding balance.

3.2 For prudential purpose, provisionir as prescribed in 3.1 should only tak cognisance of realisable tangible securit (with perfected legal title) in the course collection or realisation. Consequentl collateral values should be recognised o the following basis:

(a) For credit exposure where the principa repayment is in arrears by more than si months, *the outstanding unprovide principal should not exceed 50% of th estimated net realisable value of the collater security.*

(b) For credit exposure where the principa repayment is in arrears by more than on year, there should be no outstandin

unprovided portion of the credit facility irrespective of the estimated net realisable value of the security held.

(c) For a credit exposure secured by a floating charge or by an unperfected or equitable charge over tangible security, it should be treated as an unsecured credit and no account should be taken of such security held in determining the provision for loss to be made.

3.3 General Provisions

Each licensed bank is required to make a general provision of at least 1% of risk assets not specifically provided for.

4.0 CREDIT PORTFOLIO DISCLOSURE REQUIREMENT

(a) Each licensed bank is required to provide in its audited financial statements, an analysis of its credit portfolio into "performing" and "non-performing" as defined in paragraphs 2.2 and 2.4.

(b) The amount of provision for deterioration in credit quality (that is, losses) should be segregated between *principal* and *interest*.

(c) A maturity profile of credit facilities based on contracted repayment programme, should be provided along with the maturity profile of deposit liabilities in the financial statement.

5.0 INTEREST ACCRUAL

5.1 It is the responsibility of bank management to recognise revenues when they are earned or realised and make provision for all losses as soon as they can be reasonably estimated. However experience revealed a wide diversity amongst licensed banks on income recognition. While a few banks cease accruing interest on non-performing credit facilities after three months, some after six months or one year, some do not appreciate the need to suspend interest on such facilities.

5.2 In order to ensure the reliability of published operating results, the following criteria should be adopted by all licensed banks for the treatment of interest on non-performing credit facilities.

(a) All categories of non-performing credit facilities should automatically be placed on non-accrual status that is, interest due thereon should not be recognised as income.

(b) All interest previously accrued and uncollected but taken into revenue should be reversed and credited into suspense account specifically created for the purpose which should be called "interest in suspense

account" unless paid in cash by the borrower. Future interest charges should also be credited into same account until such facilities begin to perform.

(c) Once the facilities begin to perform, interest previously suspended and provisions previously made against principal debts should be recognised on cash basis only. Before a "non-performing facilities" can be re-classified as "performing," unpaid interest outstanding should not exceed 90 days.

6.0 CLASSIFICATION OF OTHER ASSETS

6.1 The term "Other Assets" relate to those asset items, not shown separately in the balance sheet of a bank. These items include, Impersonal Accounts (of various descriptions), Suspense Accounts such as *frauds* and *cashiers' shortages, Cheque Purchased, Uncleared Effects and Inter-branch Items.* More often than not, the accounts usually grouped together as "Other Assets" contain fictitious or intangible assets. The accounts could contain many long outstanding items, the origin of which had been long forgotten, untraceable as well as unreconcilable. In situations like these, the items if not material should be written off and where material (i.e. at least 10% of aggregate balance of Other Assets)

should be classified as below. It should b noted that items enumerated below are b no means exhaustive:

(a) Sub-Standard

(i) Cheques purchased and uncleare effects outstanding after th permissible clearing period.

(ii) Fraud cases of up to 6 months old ar under police investigation regardles of the likely outcome of the cases.

(iii) Inter-branch items of between months to 3 months.

(iv) All other intangible suspense accoun existing in the books for up to 3 month

A minimum provision of 10% shoul be made for "Other Assets" items classifie as sub-standard.

(b) Doubtful

The above listed features must hav been aggravated and are likely to result i losses higher than recommended for sub standard items. Items for doubtfu classification should include, but are no limited to the following:

(i) Cheques purchased of between 3 to months old but which had bee

withdrawn or cancelled and substituted with new ones. Similar treatment should be accorded to uncleared effects for which values had been given.

(ii) Outstanding fraud cases of 6 to 12 months old and with slim chances of full recoveries.

(iii) Inter-branch items outstanding for between 3 to 6 months.

(iv) All other intangible suspense accounts outstanding for between 6 months and 12 months.

A minimum of 50% provision should be made for "Other Assets" items classified as doubtful.

(c) Lost

Items for lost classification should include, but are not limited to the following:

(i) Cheques purchased and uncleared effects over 6 months old and for which values had been given.

(ii) Outstanding fraud cases over 12 months and involving protracted litigations.

(iii) Inter-branch items over 6 months old whether or not the origins are known.

iv) All other intangible suspense accou over 12 months old.

Full provision (i.e. 100%) should accorded to items classified lost.

7.0 OFF-BALANCE-SHEET ENGAGEMENTS

7.1 A proper appraisal of Off-Balan Sheet engagements should be undertak with a view to determining the extent of l a bank may likely sustain. *Off-Balance-Sh items include Letters of Credits, Bon Guarantees, Indemnities, Acceptances, a Pending* or *Protracted Litigations* (t outcome of which could not be eas determined).

7.2 The following factors should be tak into consideration in recognising losses Off-Balance-Sheet engagements:

(i) Date the liability was incurred.

(i) Expiry Date.

(iii) Security Pledge.

(iv) Performance of other facilities bei enjoyed by the customer, e.g. loan a advances.

(v) Perceived Risk.

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Full provisions must be made for any loss that may arise from Off-Balance-Sheet transactions.

7.3 Off-Balance-Sheet Engagements should not form part of balance sheet totals while their disclosure in note form should distinguish between:

(a) direct credit substitutes, such as guarantees, acceptances and standby letters of credit serving as guarantees;

(b) transaction related contingencies, such as bid bonds, performance guarantees and standby letters of credit related to particular transactions;

(c) short-term self liquidation trade related contingencies resulting from the movement of goods; and

(d) other contingencies.

SOURCE: Banking Supervision Department Circular Letter No. BSD/DO/23 Vol. 1/11 of 7th November, 1990.