I

THE ROLE OF MERCHANT BANKS IN NIGERIA'S ECONOMIC DEVELOPMENT

BY

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D E C L A R A T I O N

I hereby declare that this project report has been written by me, and that it is a record of my own research work. All sources of information and where applicable other writers' views have been duly acknowledged in forms of footnotes.

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C E R T I F I C A T I O N

This project entitled: THE ROLE OF MERCHANT BANKS IN THE NIGERIA'S ECONOMIC DEVELOPMENT, by AYOFE M. AIEBIYI meets the regulations governing the award of the degree of Master of Business Administration (MBA) of Ahmadu Bello University, Zaria, and is approved fot its contribution to knowledge and literary presentation.

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D E D I C A T I O N

This project is specially dedicated to Mr. Isiaka Olatubosun Yusuff (Chairman/Chief Executive, Tubby Investment Nigeria Limited, Lagos), Mr. Sikiru Lawal (Chairman/Chief Executive, Siklaw Nigeria Limited, Lagos) and Alhaji Bisket Yemi Ayofe (Business Tycoon, Saudi Arabia).

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A B S T R A C T

The language of business is money, and money is the business of financial institutions. The most developed segment of the Nigerian Financial Structure is the banking industry. Thus, it is quite noticeable that despite the depressed state of our economy, there has been a continuous increase in the number of banks day in day out and most especially that of Merchant Bank.

For many years, but most especially since the Structural Adjustment Programme became the fad, banks did more than keeping people's money. The banks became traders, dealers in foreign exchange raking in millions of naira in profit. Despite SAP, the banking industry became the institution with the midas touch.

The sudden upsurge in Merchant Banks should not come as a surprise. With the structure of the Nigerian economy changing so rapidly, and with the pace of industrialization gathering breath-taking momentum, there is the inevitable need for wholesale banking, venture capital, tax financing, equipment leasing and for medium and long term financing activities that are outside the traditional domain of commercial banking. However, this development brought about other problems such as using these banks for money laudering, 419 scandalous transactions, dubious transfer of poor Nigerians' hardly-earned money to oversea accounts of

operators of these banks for self-enrichment and unprofessional hanling of financing activities without necessary security and gurrantee. These and others are determinant factors in the success and failure of Merchant Banks in Nigerian economy.

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CHAPTER ONE

INTRODUCTION:

The banking industry in Nigeria has developed along the lines of the economic situation in the country in the last six decades. It could be recalled that the history of the First Bank of Nigeria could be traced to 1894 when BBWA-Bank of British West Africa started operation.

Bank intermediate funds between savers and investors, they act as catalyst in the process of capital formation which many economists emphasise as the major factor governing the rate of economic growth and self-reliance.

As development proceeds and the structure and organisation of the economy become increasingly complex, the role of banks also assumes increased complexity. For instance, the Nigerian banking scene witnessed some radical changes following the establishment of the Central Bank of Nigeria. The introduction of money and capital market instruments such as the development stocks, treasury bills, and the Central Bank of Nigeria operated call-money scheme, witnessed radical changes in the portfolio management of the banks. The process of transformation was further deepened with the introduction of treasury certificates and certificates of deposits.

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From 1964, banks became a major vehicle for the implementation of the then rudimentary monetary and external reserve management policies of the Central Bank of Nigeria. This role became increasingly important as the need for the implementation of more sophisticated and complex monetary, credit and external reserve policies emerged in the wake of the civil war in 1967. The advent of the war, for example, led to increased fiscal deficits, substantial increase in money supply and bank liquidity with concomitant inflationary pressures. In addition, the ensuring shortage of external reserves led to the enforcement of exchange controls. Towards the end of the war, the anticipation of severe post war inflationary pressures arising from part-up demand and excess liquidity led to the introduction of direct credit control measures by the Central Bank of Nigeria in July, 1969.

The roles of Nigerian banks have also been influenced by the changing views of the monetary authorities about what should be the proper roles of banks in the society. A significant milestone in this regard is the report of the Financial Review Committee (1976). Some of the

recommendations accepted by government in the white paper on the roles of Nigerian Banks include the following:-

i) that the banks should actively facilitate the transformation of rural environment by promoting the rapid expansion of banking facilities and services and banking habit in the rural and near rural communities.

ii) that banks should conform to avowed national objectives and identify fully with Nigerian aspirations by taking a more active part in the financial of the economic programmes of national priority;

iii) that the banks should use a significant part of the profits to improve the quality of service they offer.

Some of the changes in the role of banks brought about by the above views of the monetary authorities include the introduction of the Rural Banking Expansion Programme; the requirement that banks should allocate specific loans to their rural branch customers; and the change in the ownership structure of banks.

The most recent development which has dictated further changes in the roles of banks in Nigeria is the adoption of the Structural Adjustment Programme (SAP). The programme saw Nigeria change from a rigorously economy involving large government intervention to a virtually decontrolled economy and a regime of free enterprise. Of particular interest in the Post-SAP era is the enormously increased emphasis and responsibility that has devolved on the banks in the era of interest rate and exchange rate determination and foreign exchange and external debt management.

Merchant banking (a section of the banking industry) which we are concerned with is an activity which has existed for over 30 years. The justification of the entry of the Merchant banks into the Nigerian banking market is to fill a gap in the term structure of credit. Commercial banks tend largely to give short term loans to borrowers. These Merchant banks among other functions as mention in this work specialise in the provision of both medium and long-term loans are responsible for debt factoring, equipment leasing, investment management, issue and acceptance of bills and management of unit trusts.

1.2 STATEMENT OF THE PROBLEM:

Many observers have argued that wholesale banks (Merchant banks) need to embark on some enlightment missions to educate laymen (potential customers) on the types of services rendered by Merchant banks.

There is also the question of political stability especially as the pattern of alternating rules between the usually firm armed forces and the rather more carefree civilians continues. This may continue to bring about inconsistency in policy.

Events at the international scene also have repercussion within Nigeria. For one thing, the economy is import dependent and so can suffer from transferred inflation. Crude oil is the main signle export earnings, it has created balance of payment problems. All these have adverse effect on the activities within the banking sector some positive, some negative.

1.3 OBJECTIVE/PURPOSE OF THE STUDY:

This work is to show the relationship of the establishment of Merchant banks in Nigeria and the economic development.

First, the services rendered by Merchant Banks in Nigeria signifies the increasing participation of the investment banks in the long term development objectives of the economy.

Second, Merchant Banks participate in the government drive to stimulate the private sector especially going by the bulk of the increase in lending. It is thus logical to say that the more numbers of Merchant Banks, the better improvement of these performance records.

Third, the jumbo renumerations, given by these banks serves as an incentive scheme to motivate workers towards working harder to provide quality services offered by the bank.

1.4 RESEARCH METHODOLOGY:

The data for this study is derived from secondary data of sources such as Central Bank of Nigeria annual report and statement of accounts, Central Bank of Nigeria publication Bullion, Annual report and statement of accounts of concerned Merchant Banks, Business digest of Merchant Banks, Nigerian Banking Finance and Commerce publication, Paper presentations and write-ups of scholars at various Seminars, National Dailies, Journals Business Times, Business Concord, Financial Punch etc. The data will be analysed in relation to trends of development, operations, services etc. of Merchant Banks over the past years, using relative measures. Principal text books on Merchant Banks in Nigeria are also included.

1.5 SIGNIFICANCE OF THE STUDY:

The importance of the role of Merchant Banks to the economic development cannot be overemphasised. A healthy economy is vitally dependent on efficient transfers of funds from savers to firms and individuals who need capital. The continued increase in the number of Merchant Banks and the huge profit declared with a short period of

operation despite the dwindling nature of our economy, while other business ventures continue to collapse. Attempt will be made therefore to see whether Merchant Banks can contribute to the economy or not.

The study of Merchant Banks and economic development is of paramount importance because there is no doubt that the growth expansion and changing nature of Merchant banking activities in Nigeria within the past years have been a reflection of development within the economy itself VIZ-a-VIZ post war reconstruction boom (1970-1977), the indigenisation Acts enunciated by the Nigerian enterprise promotion decree (1972-1979), the various fiscal and monetary policies pursued in the 1980's,the effect of expansion of Nigeria's International Trade, the increasing participation of the private sector in the development process engendered by the various development plans; expansion medication and other infrastructural facilities have not only served to increase public expectations in terms of banking services, but also enables new interpretations of the role of Merchant Banks as mobilizer, the purveyors of funds in the development process.

The study of Merchant Banks is also justifiable because of the important role it plays in revenue generation for the government and its supportive role to given percentage of population by offering them employment opportunities.

Moreover, it also enable us to know some interactions of Merchant Banks as a source of capital in relation to Central Bank and other financial institutions.

Furthermore, the findings will provide a framework of reference to the government, financial analyst, investors etc. and hopefully too, it shall povide a basis for further research in this or similar fields.

1.6 DELIMITATIONS:

Due to the fact that Merchant Banking roles are virtually the same and since it is impossible to sample all the Merchant Banks in Nigeria, the concentration of this work will be on selected Merchant Banks.

CHAPTER TWO

LITERATURE REVIEW:

2.1 EVOLUTION AND DEVELOPMENT OF MERCHANT BANKING INDUSTRY:

Merchant banking developed frist in Britain in the late eighteenth century. This type of business began when Merchants agreed for a consideration to lend their reputation to accept the bills of others there by guaranteeing that the accepted bills would be met on maturity. However, although Merchant Banks were closely associated with the early development of Merchant banking (i.e. accepting bills of exchange) this does not appear to be an important feature today.

Merchants are the people that are responsible for providing short term finance so as to make the wheels of trade run smoothly. But in contemporary world, this definition is no longer tenable as there are lots and lots of controversies on what Merchant banks is or is not.

The way these institutions have evolved over the past two centuries can be said to be the major reason for the lack of working definition. At the begining, today's legends of the Merchant banking industry started off as pure merchants. For instance, the firm of

Arbuthnot and Latham, (the predecessor of today's Merchant Bank - Arbuthnot Latham and company limited) which was established in 1833 was engaged in the chartering of ships for voyage to and from India and in the sale of Indian Merchandise in London.[1] It was not until 1890 that its Merchant banking business started and this involved the financing of commodities it traded-in including tea, coffee, rubber and sugar. The same can be said of Baring Brothers and Company Limited which is generally acknowledged as the oldest of the existing Merchant Banks with a history dating back to 1763; and of Brown shipley and company limited, a firm that was established by Alexander Brown, a Belfast line Merchant who in 1798 emigrated to Baltimore in the United States and engaged in a successful import/export business and many others.[2] It is worthy of note that not all of today's Merchant Banks were originally Merchants. And this is one of the sources of the enormous varieties in Merchant Banking Institutions of today. For example, Henry Ansbacher and company limited started as a firm of stock brokers in 1894 and became authorised bank in 1961.[3] In recent years there also came

into the industry Merchant Banks of the London clearing Banks. Barclays Merchant Bank Limited, which was established as a whole sale money market operation in 1967 and which moved into Merchant Banking in 1972, is a case in point.[4]

The process and period from Merchanting to banking differed from the various banks. In general however, the process started with the Merchants engaging entirely in international trade whereby they purchased goods, mainly in Europe - the main factory of the world for most of the century - and shipped these to the developing parts of the world particularly the Americas, Asia and Africa. Once the goods were sold in these markets the proceeds were used to purchase raw materials and commodities used to feed the factories in Europe.

In the early part of these trades, the exchange was done on pure barter basis. These trading activities enabled the Merchants to developed business relationship that waxed stronger as time went on. First, the local traders asked their overseas Merchant/Customers to hold and/or invest part of the proceeds of their commodities for them in the U.K. Thus, these Merchants

became the bankers and financial adviser of their Overseas clients, looking after their investments. These basic trading contact enabled the Merchant to acquire comprehensive and respectable knowledge of Overseas business conditions and of the developing countries in general. Because "most of them have special connections with particulars/areas of the world... they have special knowledge of credit conditions Overseas."[5] In turn, this knowledge was put into use in two ways which led to the Merchants becoming active bankers. For the early development infrastructures, in particular, in Overseas countries, money was needed from the U.K. which had become an international trade and financial centre as a result of the activities of these Merchants. Money raised through the efforts of the 'Merchant Banks poured out of Britain into the Americas, the British Empire, European and Asian Countries. Another sphere in which the emerging Merchant Bank knowledge connections and reputation were to become useful was in the development of the bill of exchange as a model means of payment in

international trade. British exporters therefore rely or the acquired and acknowledge attributes of Merchant bankers to finance exports through bills of exchange,-eligible paper-Treasury bills and also the lowest rate of discount.

Given the history of the development of Merchant banking as noted above, it could rightly be said that their role to economic development will include the following:

i) Offering banking services such as advancing loans and advances, leasing of equipment and plants etc;

ii) Corporate finance services-acting as issures and managers of long-term debts for overseas governments and public institutions, mergers and acquisitions, reconstructions and take overs; advice and support issuing houses;

iii) Other services; advicers in the organisation of employees' benefits schemes for corporate institutions as well as provide advice and financial resources for project financing.

2.2 THE HISTORY OF MERCHANT BANKS IN NIGERIA:

Merchant Bank originally was regarded as an institution designed to facilitate international banking and trading activities of the multilateral corporations and government. Today, this initial conception is no longer tenable because of the expertise acquired in Overseas trade which extended into servicing the needs of the modern capitalist economy domestically and internationally.

The history of Merchant Banking in Nigeria goes back to 1960 when the first Merchant Bank in the country was established. The two institutions that commenced Merchant banking business in Nigeria were both registered in 1960. The Nigerian Acceptances Limited (NAL) was registered on 25th November, 1960 whilst Philip Hill Nigeria Limited was registered on 14th September, 1960.

The two firms were, prior to merger in 1969, engaged in identical set of activities. These included:-

a) Acceptance of deposits from institutions,

b) Financing of commodity exports by granting credits to the marketing boards;

c) Provisions of loans and advances;

d) Lending monies to businessmen and businesses;

e) Acting as an issuing house.

Between 1969 and 1973, the NAL Merchant Bank Limited remained the only licensed Merchant Bank operating in the country. In August 1973, NAL was joined by UDT Bank (Nigeria) Limited now Nigerian Merchant Bank which was reconstituted (it was formerly United Dominion Corporation engaged in hire purchase business) to perform Merchant Banking functions. Four new institutions were also granted licences to function as Merchant Banks between 1974 and 1975, thereby bringing the total number to six. These include first National City Bank of New York (Nigeria) Limited, First National Bank of Chicago (Nigeria) Limited (now) International Merchant Bank (Nig.) Limited, and Chase Merchant Bank Limited Now Continental Merchant Bank (Nig.) Limited. In 1975, Nigeria Industrial Development Bank in partnership with Morgan Morgan Guarranty Trust Company of New York, Baring Brothers of London, and National Insurance Corporation of Nigeria transformed ICON Securities Limited into

ICON Limited (Merchant Bankers) whose business is that of Merchant Banking.

No new Merchant Bank was established in 1976 nor indeed during the next few years. It was until 1979, that there occured another entry into the Nigerian Merchant Banking arena, that is the Birth of Nigerian American Merchant Bank Limited, owned by another reputable American Bank-the Bank of Boston and private Nigerians. This entry is significant because, this is the first Nigerian Merchant Bank organised by private Nigerian Investors in collaboration with foreign banking interests.

During 1982, also four new Merchant Banks were granted licences. These banks are Merchant Bank of Africa(Nigeria) Limited, First City Merchant Bank Limited, ABC Merchant Bank Limited and Grindlays Merchant Bank of Nigeria Limited.

Merchant Banking at this time was characterised by a rather loose regulations by the Central Bank of Nigeria, operation in a highly liquid economy and a high degree of partibipation in international trade

and exchange. Ironically, during the recessionary era; both existing and new Merchant Banks experienced an unprecedented growth in both size and profits as economic deregulation of interest rates gave them enormous opportunities to reap fortunes from a regulated economy. Today, there are 54 Merchant Banks operating in the country with 113 branches nationwide.

The reason behind the influx of Merchant banks during 1970s and 1980s can be accountable to "the changing structure of the economy towards increased industrialization which requires the type of services that Merchant Banks provide such 95 wholesale banking, medium and long-term financing, equipment leasing, debt factoring etc. The availability of such services has become more desirable in the wake of the indigenisation policy of the government under which Nigerians came to acquire certain business enterprises hitherto owned and managed by expartriates."[6] This reason advanced by the Central Bank in 1974 remain valid till today. Even though the indigenisation exercise has been substantially completed; industrialization process

proceeds; the need for the specialized, tailor made services of Merchant Banks including loan syndication, project finance, financial advice on mergers; reconstruction and reorganisation, new issues and funds management will increase.

2.3 THE CHARACTERISTICS OF MERCHANT BANKS:

Today after all these developments, the Merchant banks have come to be associated with certain characteristics. The hallmarks of Merchant banking would include among others, high-level, specialised expertise, imagination, adaptability, integrity, innovativeness, manoeuvrability, flexibility and individuality. In the main and in particular two of these characteristics distinguish the merchant banks. They are:

a) Their entrepreneurial instinct, which is borne out in many ways - at one time by their merchanting activities and their handling of government loans which in the early days they would take on to their own banks in full before placing them with the public, usually at a large profit; and

B) Their adaptability, borne out not only by the catholic nature of their present day activities but by their ability to adjust to changing circumstances over the years. The perfect example is their invention of the Euro-dollar (or euro-currency) the making of a market which enabled the principal currencies to be used outside their countries of origin."[8]

In other words some characteristic traits usually identified with a Merchant Bank can be stated thus:-

a) A high percentage of decision makers in its staff;

b) Close contact with its environment;

c) Dependence on fee and commission income

d) High density of information

e) Sophisticated service both national and international;

f) A substantial size of both human and financial resources;

g) High liquidity ratio;

h) Innovative as against repetitive operations;

i) Concentrate on medium and long term engagements.

Hence, where money is needed to consumate a business transaction, "the characteristic function of an acceptance house is to use its name to mobilise funds of other institutions for the benefit of its customer."[9]

2.4 DISTINCTION BETWEEN MERCHANT BANK AND COMMERCIAL BANK:

The main distinguishing features between Merchant banks and Commerical bank are as follows:-

1. Merchant bank are wholesale bankers who see to mobilisation, acceptance of deposits and lending in large amounts mainly from to institutional investors and firms. Deal with a relatively small number of large accounts whilst a commercial bank on the other hand act primarily as a retail banking that mobilise, accept deposits and lend in both small and large amounts from/to individuals and firms. Deal with a relatively large number of small accounts.

2. Merchant Banks have their deposits usually fixed and interest bearing, but those of commercial banks may be fixed or on demand with or without interest.

3. The loans of the Merchant banks are less of the overdraft type, more of term loan or long term basis while those of the Commercial Banks are more of overdraft or on short-term basis.

4. In terms of cash reserves, Merchant banks are less concerned with liquidity, because of matching principle application as they rely more on loan of large numbers, but in the case of Commercial banks, they are greatly in need for cash and liquidity, little application of matching principle as they rely more on loan of large numbers.

5. Merchant banks operate through a few number of branches and representatives offices in large Urban/industrial and commercial centres, where the "big" corporate and individual clients can be

found whilst Commercial bank operate through a wide network of branches. This partially explains the relative obscurity of merchant.

6. As it is clear from development of the concept of merchant banking, the institutions have traditionally employed their expertise and ingenuity in providing mainly fee rewarded services rather than operate as pure financial intermediaries like the commercial banks. Revell makes this important point very succingtly in stating that: "Whereas a depost bank lives on its deposits and branches; an accepting houses lives on its name and wits."[10]

7. Merchant banks customers are special and concentrated and as such there is less need for a lot of branches whilst commercial bank customers are of various types and widespread, as such there is greater need for their presence through branch network.

8. Merchant Banks provide specialised services to special customers in the areas of international banking and finance areas whilst the services of the Commercial banks are of varied nature to meet the need of different types of customers, mainly in the domestic banking and finance areas.

9. Merchant banks general operation are relatively more flexible and dynamic but that of commercial bank are relatively more conservative and less Mynamic in nature.

In contrast with commercial banks, therefore Merchant banks remain small organisations, offering wholesale banking, concentrating on business involving large sums and the use of expertise, leaving the small transactions, retail banking and the subsequent routine clerical work involved to the commercial banks.

However, despite the broad generalisation above, Merchant banks are now faced with growing competition from commercial banks and other financial institutions in their traditional areas of activities. so insearch for more business, they now engage in a greater number of financial operation.[11]

2.5 MERCHANT BANKS IN ECONOMIC DEVELOPMENT:

Merchant bank is a recent development in Nigeria financial system. In view of this very little has been written on it.

Okigbo (1980) in his book 'Nigeria's financial system-structure and growth' devoted a chapter to the treatment of the activities of merchant banks in Nigeria between 1970-1978. Though he asserted that not much can be said about merchant banking business in the country prior to 1975 but the period after, ushered in due recognition of Merchant bank operations and the functions they performed hitherto in economic development of the country. He also examine the impact of the bank decree 1969 and he concluded with the nation that the decree impair the efficiency operation of Merchant banking industry in Nigeria.

Nwankwo (1981) in the Nigeria Financial System talked a bit on the activities of Merchant banks in Nigeria. He traced a brief history, development and operation of Merchant banks in Nigeria and how they

have measured below federal government guidelines serves as a good foundation for assessing their impact in financing industries in Nigeria.

Samuel A. Onwutalu (1988) in "profitability of Merchant Bank in Nigeria (1984-1988)"[12] gave a meaningful definition of what a Merchant bank is; examine the various criticisms levelled against their function of mobilising savings for investment purposes vis-a-vis the profits they intend to make, liquidity problem of concentrating on long-term lending with short-term funds available despite the present economic recession and slumping in business activity. He also went further to trace the development of Merchant bank in Nigeria, role of the Merchant banks in economy interms of banking services such as granting of loans, leasing, syndication, perform documentary and clear credits, documentary and clean collections, remittances of foreign exchange, bonds, guarantees and indemnities (ii) Corporate finance-public issue of equity and debt and also the private placement of shares and debentures; and (iii) specialised roles in agricultural credits;

export trade and finance. He came with laudable recommendations worthy of notice - (i) Need for Merchant banks to concentrate more on specialised services like equipment leasing, acceptance/issuing house business and investment advice (ii) Need on the part of Merchant banks to direct their loans and advances to more productive channels over and above the present proportion etc.

J.K. Onoh (1982) in his book "Money and Banking in Africa"[13] gave a brief definition of what a Merchant banks is but concentrated much more on the reasons for late development of Merchant bank in Nigeria. The factors militating against the development of Merchant banks in Nigeria are as follows:- (i) the socio-economic system adopted does not encourage the development of private sector especially in the sphere of international trade as state trading agencies undertake much of the importing of consumer and capital goods required in the economy; (i) Such agencies do not require merchant bank financing; (ii) Merchant banks have lost their exclusive position as financers of foreign trade as commercial bank perform similar functions today as they are more accessible than Merchant banks;

(iii) the use of bills of exchange accepted and vouched for by Merchant banks for settling both domestic and international trade has been largely replaced by the use of irrevocable and confirmed letters of credit which assures a foreign supplier of payment for his goods (within a defined and agreed time limit e.g. 30 days, 60 days, or 90 days or more) on presentation of the shipping documents certifying that the goods in question had left their port of origin and were consigned 'clean' to the importer; (iv) the money and discount markets in Nigeria are highly underdeveloped. Developed money and discount market are essentially for the negotiation of bills of exchange; (v) the desire of Nigeria to develop rapidly and to attain a higher level of employment, output and standard of living has led government to give more encouragement to those financial institutions which are concerned with financing industries rather than trade. He summed up the chapter by highlighting the problem facing banking industry in Nigeria as (i) subsistence economic base;

(ii) Banking density to limited cities and Commercial centres only;

(iii) Manpower problem as banking is a technical matter and demands special skills coupled with stiff competition between banks and industry for the limited qualified manpower;

(iv) Poor bank attitudes as little or no attention is given to small saver and more interest is given to big depositors like firms and the government; and

(v) rigid loan conditions based on the criteria of character, capacity, capital, or the ability to pledge collateral securities.

Dr. Adewumi Wole (1985) in his book written titled "25 years of Merchant banking in Nigeria"[14] laud the contribution of Merchant banks. It was a good endeavour on the part of the author to show what Merchant banks are and what they do to the understanding of the confused majority.

Merchant banks are defined as banks because they accept deposits and own liquid assets. There are some classical differences between merchant banks and Commercial banks. The functions of a typical Merchant banks are numerous, but are broadly classified into Banking Services and Corporate Finance Services.

Olalusi (1989) in the lecture titled "Role of Banks in Economic Development" says that Merchant banks has played a credible role in financial and social responsibilities to their staff, their customers and the society. The banks offer financing services by providing medium or long term finance, for purchase of industrial machinery or plant, or export financing, provide bridging finance repayable from a known source for a few days or several months; provide instalmental credit and leasing for example, the equipment Leasing Association of Nigeria Comprising mainly Merchant banks play a prominent role in both financial and operating leasing in Nigeria; played the role of financial intermediator for lending - borrowing process wherever there is generation and

exchange of debt instrument. Thus, the Merchant banks have contributed immensely to expansion of productivity in Nigeria particularly in agriculture, and industrial finance.

In the final analysis, in the thirty-four years of Merchant banking in Nigeria, the industry has dramatically developed the economy through their operations and the credit-worthy services rendered.

2.6 1993 MONETARY AND FISCAL POLICY:

EFFECTS ON MERCHANT BANKS

The specific objectives are:

- The moderation of the rate of inflation
- Reduction of pressures on the external sector so as to achieve a sustainable balance of payments position; and
- Stabilising the exchange rate of the Naira.

The 1993 monetary policy guidelines appear to be genuinely consistent with the phased implementation of an indirect or market oriented approach to monetary and credit control. Indeed, the 1993 guidelines go as far as suggesting that open market operations could constitute

the major instrument for achieving monetary policy objectives and targets. The envisaged reliance on open market operations can only work if, interalia, the following pre-conditions are met:-

i) Affected federal government debt instruments will be priced properly i.e. treasury bills, treasury certificates and development stocks have to provide competitive yields and

ii) Budgetary targets will be adhered to and so there will be no recourse to massive deficit spending of a magnitude that would exceed the absorptive capacity of the money and/or capital market.

If condition (ii) above is voilated then, the Central Bank will probably have to resort to the issuance of stabilisation securities as a "fallback position" or as a "partial stop-gap measure." condition (i) above would have been a lot easier to fulfil if the 1993 budget had included a provision for changing the tax laws to grant partial or total tax exemption on the income accruing to an investor who purchases and holds federal government debt instruments. Unfortunately, the 1993

budget did not offer any such support from the finance ministry, besides the reduction in Personal Income Taxes. This notwithstanding, large scale open market operation might lead to the following consequences:-

a) Private sector companies might have to offer to borrow at higher interest rates unless they wish to be exposed to the full brunt of the 'crowding out effect' associated with more competitive pricing of federal government debt instruments; and

b) The federal government debt instruments would have to be priced at such a high nominal rate that the interest cost associated with an attempt at serving a significant portion of the domestic debt stock could, by itself, trigger a massive budget deficit in 1993.

Inspite of (a) and (b) above, it is important that the Central Bank does everything within its power to encourage the successful commencement of open market

operations. This is because the continued reliance on the compulsory issuance of stabilisation securities to Merchant Banks (i.e. the fallback position) causes the following distortions in the economy:-

i) Wild and unforeseen swings in the overall liquidity position of the economy and the accompanying interest rate volatility introduces a considerable element of panic and uncertainty. The associated, whilst fuelling short term speculative behaviour;

ii) The number of banks supplying overnight funds in the interbank market shrinks to a point where the market becomes so imperfect that monopoly pricing techniques becomes prevalent, thereby leading to a shocking escalation of interbank rates. High interbank rates, in turn, constitute and upward pull or prime lending rates. It is important to emphasise that the real problem here is not so much interest rates moving inaccordance with the forces of supply and demand, but the arbitrariness associated with monopoly pricing techniques, such pricing

techniques do not generate optimal prices for the economy andtherefore exhibit a tendency towards sending wrong and/or misleading signals to investors. depositors etc.

iii) The lowyields (currently in the region of 21.75% per annum) earned by the banks on stabilisation securities effectively erode their profitability and therefore their equity. This raises very serious income distribution issues especially for the Merchant banks, whose costs of funds are significantly higher than those of the commercial banks. In effect, stabilisations securities introduce income distribution distortions which penalise wholesale banking institutions. The solution to this problem is not the often repeated one that every bank should therefore become a retail bank nor can we simply cite the example of a few Merchant banks who manage to succeed on account of extreme ingenuity as a reason for admonishing all the other Merchant banksin the country as being 'Lazy in their deposit mobilisation efforts'

In the year 1994, Open Market Operations (OMO) will continue to be the major instrument of monetary management and will be conducted largely in government securities, a large proportion of which is currently held by the Central Bank of Nigeria. Open Market Operations (OMO), as usual, will be co-ordinated with discount window and reserve requirement policies to ensure the attainment of monetary policy objectives and targets.

Secondly, under reserve requirement we have

- Cash Reserve Requirement.

As a complementary measure to OMO, cash reserve requirement (i.e. ratio of commercial and Merchant bank cash deposits with CBN to total demand, savings and time deposit liabilities) shall continue to be prescribed in 1994. The ratio of 6 percent (on a daily average basis for each two-week maintenance period) prescribed for 1993 will be retained in fiscal 1994.

- Liquidity Ratio.

The minimum liquidity ratio currently fixed at 30 percent for both Commercial and Merchant Banks will be retained in 1994. Also, in view of the continued surge in domestic liquidity, the requirement that the component of treasury bills and treasury certificates in each bank's

liquid assets shall be at a minimum of 10 percent of each bank's deposit liabilities shall be retained. However, this requirement may be reviewed during the year in the light of developments in the monetary aggregates. The placement (net) of a bank with the Discount Houses shall continued to count as part of a bank's liquid assets. Compulsory deposits with the Central Bank in respect of excess credit by banks that had not met the stipulated requirement for the extension of new credit, shortfalls of loans to Agriculture, manufacturing and small scale enterprises as well as short falls in Merchant banks' asset structure, and cash deposits to meet cash reserve requirements, shall not qualify for inclusion in computing the liquid ratio.

- Interest Rates.

Interest rates rose to unprecedented high levels in 1993. Some of the identified causes of the high interest rates which prevented during theyear were as follows:

a) The huge fiscal deficit and consequent crowding out of the private sector in credit allocation;

b) Deregulation of interest rates and the undue discretion it conferred on key market players in pricing their funds as well as the arbitraging activities of market speculators;

c) Teahnical insolvency and serious cashflow problems on the part of some weak banks resulting in distress borrowing (at all cost) in order to stay afloat, and pervasive default in the money market with consequent increase in the role premium and penal rates.

Other problems with the interest rate regime which prevailed in 1993 were the widening margin between the savings and lending rates, and the wide disparity in the rates charged by different banks for savings and deposits. Moreover, the interbank rate had become distorted and highly volatile. Average interbank call rates which closed at 46.0%(percent) in December 1992, fluctuated widely between 60 and 120 per cent in the course of 1993. Saving deposit rates ranged from 13.5 to 25 percent, while prime lending rates ranged from 42 to 80 percent, for Merchant banks. Such high rates are bound to discourage investment, especially in the directly productive sectors of the country. While volatile interbank rates are not

conducive to the use of open-market operations and genuine stability in the financial system.

- Improving Banking Policy Environment.

a) Merchant Banks wishing to undertake commercial banking will continue to be free to seek necessary approval of the Central Bank of Nigeria in 1994;

b) In order to ensure more level playing field in the banking industry, the minimum deposit which Merchant Banks can receive is further reduced from ₦25,000 to ₦10,000, with effect from January 1994. Furthermore, the Central Bank of Nigeria (CBN) will review some of the regulations on Merchant Banking business with a view to addressing the adverse macro-economic factors constraining this category of banks as wholesale factors.

- Expansion of Bank Credit.

As has been the case since September 1992, only banks which meet CBN guidelines on cash reserve, liquidity ratio, prudential guidelines, minimum paid-up capital, capital adequacy ratio and sound management, will be allowed to expand credit in 1994.

- Sectoral Allocation of Credit.

In the sectoral allocation of Bank Credit in 1994, increased priority will be given to Agricultural and Industrial production. A new impetus will also be given to export. Thus, the sectoral percentage distribution of Merchant bank credit in 1994 shall be stated below:-

SECTOR	PERCENTAGE ALLOCATION	
A- Priority Sectors		
a) Agricultural Production	(13)	
b) Manufacturing Enterprises	(45)	58
c) Exports		12
B- Other Sectors		30
TOTAL (A) + (B)		100

1. Banks are to regard allocation targets in A(a)(b)and (c) as minimum and that of B as maximum.
2. This sub-sector does not include mining, quarrying and construction which were classified under this sector up till 1986.

- Maturity Structure of Merchant Banks' Assets.

In 1994, the structure of merchant banks portfolio of financial assets shall be as follow:-

i) A minimum of 20 per cent of total credit shall be of medium and long term nature with a maturity of not less than 3 years; and

ii) A maximum of 20 per cent of total credit outstanding shall be of short-term nature, i.e. maturing within 12 months.

- Loans to Small-Scale Enterprises.

For the purpose of sustained promotion of small scale enterprises, the share of Merchant Banks' total credit outstanding allocated to small-scale enterprises, excluding activities in general commerce, shall remain at a minimum of 20 per cent for this purpose, a small scale enterprise is defined as an enterprise whose total cost, excluding cost of land but including working capital, is above ₦1.0 million but does not exceed ₦10 million.

CHAPTER TWO

FOOTNOTES

1. Ladner, B. (1978) "Merchant Banks Rebuild Their Image" The Banker, May P. 145.
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3. Ladner op. cit.
4. Ladner op. cit.
5. Grant A.T.K. (1967) "A Study of the Captial Market in Britain from 1919 - 1936" (London Frank Cass & co... Limited) P. 154.
6. Perry, E. F. "The Elements of Banking" (London Mentheun and Co. Ltd., 1977), P.66.
7. Central Bank of Nigeria Annual Report and Account 1974 P.41.
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10. Revall, Jack (1975), "The British Financial System" (London: The Macmillan Press Ltd), P.25.
11. Ibid, p. 251.
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13. Onoh J.K. (1982) "Money and Banking in Africa".
14. Adewumi, W. "25 years of Merchant Banking in Nigeria". Lagos University Press, Akoka, 1985 P.9.
15. CBN Monetary, Credit, Foreign Trade and Exchange Policy Guidelines for 1994 fiscal year.

CHAPTER THREE

PROFILE OF THE SELECTED MERCHANT BANKS:

3.1 OVERVIEW OF THE NIGERIAN ECONOMY:

The Nigerian economy has undergone a lot of transformation since the country became independent 32 years ago. In the 1950s and early 1960s, agriculture was the mainstay of the Nigerian economy. The sector was the main employer of labour and the most important source of the nation's foreign exchange and government revenue. Nigerian then had the pride of place among the producers/ exporters of such agricultural commodities as palm oil, groundnuts, cocoa and cotton to mention the most important. ones. In the early 1960s, Nigeria was the world's leading exporter of groundnut, palm kernels and palm oil and the second largest exporter of cocoa.

During the period, the nation's was self sufficient in food and agriculture performed the critical funtion of providing marketable surplus of food that the rest of the economy needed for their sustanance. The sector also provided raw materials for the nation's budding textile mills, soap and detergent factories and food processing industries. However, the situation began to change during the mid-1960s and dramatically so after 1970 with the increasing dominance of crude petroleum in the nation's economy.

Crude oil exports, which was insignificant at the time of Nigeria's independence in 1960, represented 58% of the country's total exports in 1970. From 1981 to date it accounted for about 96% of our visible expat trade. By implication, the contribution of non-oil exports declined rapidly from 42% in 1970 to just 4% of total merchandise exports from 1981 to date. Infact, cocoa and rubber are the only significant items remaining in the nation's traditional agricultural exports since groundnuts, palm oil, raw cotton, etc. have disappeared from the export list. The phenomenal growth in oil earnings was however, not fully internalised within the system to induce broad production base with forward and backward linkages for various sectors of the economy. Huge foreign exchange earnings backed by inappropriate macro-economic policies led to a consumption production pattern which was largely import-oriented.

Unlike the early '50s and '60s when most of the local manufacturing industries were resource based, the oil boom of the 1970s and the over valued naira encouraged the proliferation of highly import dependent manufacturing industries. In 1981, the nation's import bills reached a

record high of $22 billion before crashing to $6 billion in 1986, as a result of the dwindling foreign exchange receipts caused by the collapse of the world oil market.

The oil euphoria also made it possible for the government to embark on prestigeous projects and to dabble into economic enterprises which they would not normally have dreamt of going into. Starting from the doctrine that government should control the commanding heights of the economy, they went much further to set up many manufacturing and trading activities in direct competition with erstwhile private enterprises and also acquired majority shares in oil companies, banking institutions, insurance companies and newspapers. In financial terms, the federal government used to earn less than 3% returns on its ₦23billion investment in public enterprises and these were mainly dividends from the banks and oil companies.

The inability or reluctance to rationalise on importation even when the oil boom disappeared as a result of the slump in the world oil market, led to the depletion of external reserves and the eventual emergence of trade arrears. A growing debt burden also surfaced in the early

1980s as a result of jumbo loans contracted in the late 1970s from the International Capital Market at non-concessional rates. External debt outstanding shot up drastically from US$593.6million in 1976 to $2.2billion in 1978 and to $18.6 billion in 1986. By 1988, it had climbed to $27.3 billion reaching $33.3 billion at the end of 1991. It declined however to $26.7billion (N492.8 billion) as at June, 1992. The pursuit of an overvalued exchange rate policy, the subsequent relegation of the agricultural sector to the background, heavy public sector spending and the huge debt over hang all combined to create distortions in the production, consumption and payments patterns. The precipitous decline in oil earnings in the 1980s and the refusal of foreign creditors to open new lines of credit, necessitated a policy re-direction aimed at re-aligning the domestic production and consumption patterns with the local resource base. It also became imperative to review the macro-economic policy framework.

Consequently, the Structural Adjustment Programme (SAP) was launched in July, 1986, as a fiscal and monetary policy tool of government for restorating internal as well

as external macro-economic balance. The major features of SAP include the realignment of the naira exchange rate to reflect the interplay of market forces, trade liberalisation, privatisation and commercialisation of government-owned enterprises, diversification of exports and promotion of non-oil exports, the promotion of locally sourced raw materials and general deregulation of the economy.

Since the introduction of SAP, the performance of the economy has been mixed. While growth and output has somewhat been sustained, the inability of the monetary authorities to maintain stable growth of money supply because of the volatility of the external sector, the perennial and relatively large fiscal deficit of government have put constant pressure on the naira exchange rate with attendant adverse effect on inflation rate. The overall effect is a severe constraint on internal and external balance. The performance of the real sector of the economy, though much improved since SAP has not maintained a momentum high enough to include the desired rates and levels in macro-economic

aggregates. The fiscal deficit for instance, widened to a record size of ₦35.3 billion or 12.4 per cent of GDP in 1991. During the first half of 1992, the fiscal deficit at ₦14.8 billion was still quite high (though lower than what obtained in thecomparative period of 1991). The deficit was financed by the Central Bank of Nigeria through ways and means advances which amounted to ₦15.6 billion by the end of June, 1992.

Although Nigeria's debt stock reduced from ₦33.36 billion at the end 1991 to $26.70 billion by end of June, 1992, mainly as a result of the agreement reached with the London Club early in the year, the naira further depreciated as a result of the harmonisation on March 5, 1992, of the official rate with that of the parallel market and the Bureau de change. Moreover, the Central Bank of Nigeria discountinued the practice of allocating foreign exchange on pre-determined quota to banks, while it became an active participant in foreign exchange transactions with licensed dealers.

The further deregulation of the naira exchange rate removed substantially the inherent distortions in

the foreign exchange market and reduced the parallel market premium from over 80 per cent as at 4th March, 1992 to 5.6 per cent by end of June, 1992. An off shoot of this however was the sharp rise in interbank rates. Measures to mop up excess liquidity in the system by the Central Bank of Nigeria through the issuance of stabilisation securities further accentuated the pressure on domestic rates of interest. The high rate of interest, among other things, slowed down growth in the real sector especially manufacturing as average capacity utilization rates continued to hover around 40 per cent. Growth in agricultural output also declined from 5.5% in 1991 to 2.3% in the first half of 1992, due to unfavourable weather conditions. On the whole, the economy has moved forward but not at the rates anticipated for it either in the 3 years rolling plans or in the annual budgets.

3.2 STRUCTURAL PROFILE OF THE FOUR SELECTED MERCHANT BANKS:

The four selected Merchant banks are (1) Nigerian American Merchant Bank Limited (NAMBL), (2) NAL Merchant Bank PLC, (3) International Merchant Bank PLC, (4) ICON Limited (Merchant Bankers).

STRUCTURE OF THE INDUSTRY:

An attempt will be made in this section to consider the structure of the industry in relation to their year of licensing, commencement of business, ownership structure (shareholders), the branching network and main sources of income available to the banks as shown in the table (3.1)

As Table (3.1) shows, the four banks were owned largely by individuals, companies and Nigerian Institutional investors. Similarly, some of the banks have direct or indirect financial links with the big names in the U.K. and American.

The number of the Merchant banks grew from 48 in 1990 to 54 in 1994 while their branches also increased from 74 in 1990 to 113 in 1994, from the table (3.1) therefore we can see that the four Merchant banks under

study has up to 20 branches which is 17.67% of the overall branch total.

Moreover, from the look of things, Merchant banks main source of income are from interest and discount, lease, foreign exchange, fees for services rendered, commission, investment and others.

D. MERCHANT BANKS

YEAR OF COMMENCEMENT	SHAREHOLDER	HOLDING %	BRANCHES	% OF TOTAL	SOURCE OF INCOME
1979	Individual/ Companies Group Employees Shares Trust Overseas/Non-Resident.	56.61	4		Interest Income, Leasing Income, Foreign Exchange Income, Commission Income, Other Income.
1960	National Insurance Corporation of Nigeria(NICON) New Nigeria Dev. Company John Holt Group Nal Staff and other Nigerian Citizen Nigerian Public AMEX Foreign: John Holt Group	26.8 10.3 10.0 N.A. N.A. 26.0 10.0	5	Fee	Fees, Foreign Exch. Earnings, Commissions, Realised Revaluation gain, Rents Received, Other Income.
1974	NIGERIAN	100	5		Interest and discount income, Foreign exch. Income, Commission income, Income from equipment on lease to customers, other income.

STRUCTURAL PROFILE OF THE FOUR SELECTED MERCHANT BANKS

ME OF BANKS	ADDRESS	YEAR OF LICENCING	YEAR OF COMMENCEMENT	SHAREHOLDER	HOLDING %	BRANCHES	% OF TOTAL	SOURCE OF INCOME
erian-American chant Bank Ltd.	Boston House 10/12, Macarthy Street, P.M.B. 12759, Lagos.	1979	1979	Individual/ Companies roup Employees Shares Trust Overseas/Non Resident.	96.61	4		Interest Income, Leasing Income, Foreign Exchange Incom Commission Income, Other Income.
erchant Bank	NAL Towers, 20, Marina PMB 12735 Lagos.	1960	1960	National Insurance Corporation of Nigeria(NICON) New Nigeria Dev. Company John Holt Group Nal Staff and other Nigerian Citizen Nigerian Public AMEX Foreign: John Holt Group	26.8 10.3 10.0 N.A. N.A. 26.0 10.0	5	Fee	Fees, Foreign Exch. Earnings, Commissions, Realised Revaluation gain, Rents Received, Other Income.
rnaltional	1, Akin Adesola St. Victoria Island, P.M.B. 12028, Lagos.	1974	1974	NIGERIAN	100	5		Interest and discount income, Foreign exch. Income, Commission income, Income from equipment on lease to customers, other income.

	ICON Limited (Merchant Bankers)	ICON House, Plot 999F, Idejo Street, Off Adeola Odeku Street, V/Island, Lagos.	1974	1974	Nigeria Industrial Development Bank National Insurance Corporation of Nig, Staff/SPF Institutional Investor	60 30 5 35	6	Interest and discount Income, Leasing Income, Fees for Services rendered Income, Foreign Exchange Income Commission Income, Income from Investments, Other Income.

OURCE: NAMBL NAL, IMB (MERCHANT BANKS) ANNUAL REPORTS AND ACCOUNTS 1993
ICON LIMITED (MERCHANT BANKERS) ANNUAL REPORTS AND ACCOUNTS 1991
NIGERIA BANKING, FINANCE AND COMMERCE 1992/93 PUBLICATION (NBFC).

3.3 OPERATIONS:

Here, Analysis of the operations of the four selected Merchant Banks from (1989 to 1993) will be brought under focus with the exception of ICON Limited (Merchant Bankers) where the analysis will cover the year (1989 - 1991) all interms of them Assets/Liabilities, Deposits, Loans and Advance, Equipment on Lease, Investments, gross earnings, Capital Funds, Money and capital Market, Sources and applications of funds and profitability.

TABLE (3.2.1)

OPERATIONS

NAMBL	1993 ₦M	1992 ₦M	1991 ₦M	1990 ₦M	1989 ₦M
Total Assets	1,431.13	1,257,40	852.34	741.18	788.23
Total Deposits	530.64	489.72	336.91	426.30	311.50
Total Shareholder's Funds	191.05	125.70	88.98	62.81	43.28
Gross Earnings	500.36	267.58	200.19	201.43	159.56
Profit Before Tax	131.34	72.72	60.17	44.20	40.26
Profit After Tax	85.34	53.72	41.17	30.52	23.97
Loans and Advances	200.39	177.86	273.70	257.28	217.50
Net Investment In					
Finance Leases	16.19	54.71	-	-	-
Equipment on Lease	53.34	97.26	130.51	126.73	102.10
Dividend Propose	20.00	17.00	15.00	11.00	11.00

SOURCE: NAMBL ANNUAL REPORT AND ACCOUNTS 1993

TABLE (3.3.2)

OPERATIONS ₦'000

NAL	1993	1992	1991	1990	1989
Total Assets	2942145	2457970	1628814	1456450	1404306
Total Liab.	2339267	1954454	1309954	1124174	1085596
Loans and Advance	359401	378116	355348	296422	366109
Shareholders Fund	602878	463486	318858	243470	216161
Profit After Tax	104066	82618	29821	36813	33940
Gross Earninge	518291	356318	302689	22931	17265
Investment	23492	26043	2250	77750	88000
Capital Fund	539878	400486	287358	332276	318710
Acceptances	172056	79089	43084	106588	129545
Equipment Lease	123382	79888	86775	90481	83113

BOURCE: NAL MERCHANT BANK PLC ANNUAL REPORT AND ACCOUNT (1993)

TABLE (3.2.3)

OPERATIONS ₦'000

IMB

	2,179,688	2,169,081	1,968,641	2,212,286	1,953,986
Total Deposit	1,532,501	1,429,312	1,182,455	1,008,362	909,338
Gross Earnings	852,914	627,684	521,924	473,841	333,746
Profit Before Tax	77,311	55,559	30,477	33,387	50,769
Profit after Tax	65,767	42,553	24,506	19,880	35,012
Loan and Advances	256,414	245,878	345,895	563,305	558,282
Equipment on Lease	220,441	137,493	174,622	189,418	127,949

SOURCE: IMB ANNUAL REPORTS AND ACCOUNTS 1993

TABLE (3.2.4)

OPERATIONS ₦'000

ICON	1991	1990	1989
Total Assets	2,889,033	2,394,798	2,393,830
Deposit and C/Accounts	2,021,860	1,183,793	742,199
Total Shareholder Fund	2,889,033	2,394,798	2,393,830
Gross Earnings	546,661	594,139	-
Profit Before Tax	8,015	17,781	19,184
Profit After Tax	5,045	12,493	14,685
Loans and Advances	536,413	748,511	847,833
Equipment on Lease	317,413	241,209	-

SOUCRE: ICON LIMITED (MERCHANT BANKERS) ANNUAL REPORT & ACCOUNTS 1991.

NIGERIAN AMERICAN MERCHANT BANK LIMITED (NAMBL):

FINANCIAL HIGHLIGHTS USING TABLE (3.2.1)

Despite growing competition and a more difficult environment, NAMBL operations has been in progress because the total assets has been increasing from ₦787.23m in 1989 to ₦1,431.13m in 1993. While there was a little hitch in 1989 when the total asset decreased to ₦741.18 million in 1990. In case of total deposits, there is an increament from ₦311.50 million in 1989 to ₦530.64 million 1993 with the exception of 1991 where there was a fall from ₦426.30 million in 1990 to ₦336.91 million in 1991. Looking at Net Investment in finance leases, equipment on lease and loans and advances, it has been on the decrease throughout. Despite some of the adverse changes in the economy and the financial services industry in particular, NAMBL can said to perform creditably well over the years under review.

Moreso, Gross Income Increased significantly from ₦159.56 million in 1989 to ₦508.36 million in 1993.

However, due to the high cost of funds arising from the historic liquidity crisis of 1989, profit Before Tax increased marginally from ₦40.26 million in 1989 to ₦131.34 million in 1993. Profit after tax also increased from ₦23.97 million in 1989 to ₦85.34 million in 1993. The shareholders funds changed from ₦43.28 million in 1989 to ₦191.05 million in 1993. Without mincing words, NAMBL successful operations over years has been due to qualified competent, dedicated, loyal, resourceful staff and effective management.

NAL MERCHANT BANK PLC.

NAL: (Using 3.2.2)

Keeping in view of the economic development over years, NAL has been a force to be recknoned with in the midst of other Merchant banks especially when viewed from the record of operations. Despite growing competition and more difficult business environment, NAL has been trying to keep its head above water by maintaining its leading position in Merchant banking industry as shown in the table. As from 1989, NAL has been performing creditably well in terms of total Assets, total liabilities, profit

after tax, gross earnings, capital funds, acceptances and equipment leasing which has been on the increase despite all the problems being faced with some Merchant Banks. In investment, there was a decreased in 1989 till 1993, it only picked in 1992 and dropped in 1993.

In 1993, the bank achieved distinctively, improved results compares to 1992.

1. Profit After Tax reached an all time high of ₦104,066,000 compared with ₦82,618,000 in 1992 an increase of 26.0 percent;
2. Profit Before Tax increased from ₦110,108,000 in 1992 to ₦127,929,000 in 1993 an increase of 16.2 per cent.
3. Gross earnings increased from ₦356,318 in 1992 to ₦518,291 in 1993 forming an increase of 45.5 percent.
4. Shareholders funds increased from ₦463,486,000 to ₦602,878,000, a 30.1% increase.

IMB (Using Table 3.2.3)

Inspite of the greatest uncertainties in the operating environment and faced with tough challenges, IMB responded with highest level of profit so far in 1993 since it opened its doors to the general public over 20 years ago.

As from 1989, IMB has been performing creditably well interms of total assets, total deposits, profit after tax, equipment on lease etc.

In 1993, the bank achieved distinctively compared to 1992.

1. Profit after tax increased from ₦42,553,000 in 1992 to ₦65,767,000 in 1993.
2. Profit before tax increased from ₦55,559,000 in 1992 to ₦77,311,000 in 1993.
3. Gross earnings also increased from ₦627,684,000 in 1992 to ₦852,914,000 in 1993.

ICON: (Using Table 3.2.4)

ICON operation has been in progress going by the table. Taking from 1989, ICON has been performing well interms of deposits and current accounts, total assets, shareholders fund, equipment on lease etc.

In 1991, the bank achieved distinctively compared to 1990.

1. Equipment on lease increased from ₦241,209,000 in 1990 to ₦317,413,000 in 1991.
2. Total shareholders fund increased from ₦2,394,798 million in 1990 to ₦2,889,033 million in 1991.
3. Likewise deposit and current account which increase from ₦1,183,793 million in 1990 to ₦2,021,860 million in 1991.

(Table 3.3.1)

NAMBL SHARE CAPITAL:	1993	1992
Authorised		
Ordinary shares of ₦1 each	100,000,000	50,000,000
- Value	₦100,000,000	₦50,000,000
Issued and fully paid		
Ordinary shares of ₦1 each	40,000,000	40,000,000
- Value	₦40,000,000	₦40,000,000

The authorised share capital was increased to ₦100,000,000 while the issued share capital remained constant. The statement of sources and uses of fund of NAMBL Merchant Bank will be shown in the Table ( ) below.

TABLE (3.3.2)

FOR THE YEAR ENDED 31ST DECEMBER, 1993.

	1993	1992
SOURCE OF FUNDS		
Profit before taxation	131,342,885	72,722,421
Adjustment for Items not Involving the funds Movement:		
Depreciation of fixed assets	3,228,029	3,170,096
Depreciation of equip.on lease	47,719,502	53,950,695
Profit on Transfer of Leased Assets	(48,916)	-
Profit on disposal of fixed Assets	(135,815)	(2,599)
Total generated from operations	182,105,685	129,840,613
OTHER SOURCES OF FUNDS		
Proceeds on termination of Finance lease	14,797,875	-
Proceeds on sale of fixed Assets	218,346	150,465
Total Sources	197,121,906	129,991,078
USE OF FUNDS		
Purchase of Investment	439,090,522	129,994,871
Purchase of Equip. Leased	27,644,975	90,683,588
Capital Expenditure	5,049,836	5,201,985
Income tax paid	17,831,390	15,842,160

	1993	1992
	₦	₦
Dividends paid	16,466,210	15,000,000
Total Uses	506,082,933	256,722,604
Net outflow of funds	(308,961,027)	(126,731,526)
REPRESENTED BY MOVEMENT IN WORKING CAPITAL		
Loans and advances	13,438,836	(103,076,368)
Other assets	(11,364,052)	18,622,237)
Other liabilities	(69,279,640)	(218,595,642)
Movement in net liquid Funds:		
Cash and bank balances	(200,832,373)	329,132,381
Deposits	(40,923,798)	(152,814,134
	(308,961,027)	(126,731,526)

SOURCE: ANNUAL REPORT AND ACCOUNTS 1993 (NAMBL)

Table 3.3.2 analyses the sources and the application of funds of NAMBL Merchant Bank during 1992-1993.

In the table above, we can see an increase in profit before taxation, from ₦72,722,421 in 1992 to ₦131,342,885 in 1993 but depreciation on leased equipment decreases from ₦53,950,695 in 1992 to ₦47,719,502 in 1993. There is also a considerable decrease in customers deposits as shown in the table and that is why the fund generated in 1992 shows an outflow of funds to the tune of (₦126,731,526) while in 1993 shows that funds generated amounted to (₦308,961,027).

Looking from another angle that is application of funds we can see increased spendings in terms of loans and advances and other items to the tune of (₦308,961,027) in 1993 when compared with 1992 figure ₦126,731,526).

TABLE 3.3.3 - NAL SHARE CAPITAL (₦'000)

Authorised: 200,000,000	1993	1992
Ordinary shares at 50k each	100,000	100,000
Called-up and fully paid		
126,000,000 Ordinary Shares of 50k each.	63,000	63,000

The authorised share capital and the issued share capital remained constant looking at the above table.

TABLE 3.3.4 - NAL SOURCES AND APPLICATION OF FUNDS

	1993	1992
	N'000	N'000
SOURCE OF FUNDS		
Profit Before Taxation	127,929	110,108
ADJUSTMENTS FOR ITEMS NOT INVOLVING THE MOVEMENT OF FUNDS		
Depreciation	12,721	12,594
Net book amount of fixed assets disposed	690	1,171
Net Increase in Revaluation Reserve	-85,726	166,351
TOTAL GENERATED FROM OPERATIONS	227,066	290,224
FUNDS FROM OTHER SOURCES		
Deposits and other Accounts	330,222	205,923
Other Liabilities	(3,823)	351,896
	553,465	848,043
APPLICATION OF FUNDS		
Dividend paid	37,800	11,750
Tax paid	18,079	28,628
Purchase of fixed assets	28,234	7,982
Long-term loan repaid	-	4,344
Advances under finance leases	43,494	(6,887)
Other assets	(62,105)	368,736

	1993	1992
	₦'000	₦'000
Loans and advances	(18,715)	22,768
Investments	(96,995)	23,793
Cash and short-term funds	603,675	386,929
	553,465	848,043

SOURCE: Annual Report and Accounts 1993 (NAL Merchant Bank).

Table (3.3.4) analyses the sources and uses of funds of NAL Merchant bank during 1992 and 1993. In the table above, we can see an increase in profit before taxation, from ₦110,108,000 in 1992 to ₦127,929,000 in 1993 but there was an increased in depreciation from ₦12,594,000 in 1992 to ₦12,721,000 in 1993. There was also an increased in funds generated that is deposits and other accounts from ₦205,923,000 in 1992 to ₦330,222,000 in 1993.

Looking from another angle that is application of funds, we can see a decrease spending interms of loans and advances, while there was an increase in cash and short-term funds from ₦386,929,000 in 1992 to ₦603,673,000 in 1993.

TABLE 3.3.5

ICON LIMITED (MERCHANT BANKERS) SHARE CAPITAL

	1991	1990
1. Authorised	₦'000	₦'000
37,500,000 ordinary shares of ₦2 each	75,000	43,000
1,000,000-9.25% cummulative "A" preference shares of ₦2 each	2,000	2,000
2,500,000-11.75% cummulative "B" preference shares of ₦2 each	5,000	5,000
	82,000	50,000
2. Called-up and fully paid		
21,723,500 ordinary share of ₦2 each	43,447	33,000
1,000,000 "A" preference shares of ₦2 each	2,000	2,000
2,500,000-11.75% cummulative "B" preference shares of ₦2 each	5,000	5,000
	50,447	40,000

The authorised share capital increased to ₦82,000,000 likewise the called-up share capital which increased to ₦50,447,000 in 1991.

(TABLE 3.3.6)

ICON LIMITED (MERCHANT BANKERS) SOURCES/APPLICATION OF FUNDS.

SOURCE OF FUNDS	1991 ₦'000	1990 ₦'000
Profit before taxation	8,016	17,781
Adjustment for items not involving the movement of funds:		
Depreciation on leased equipment	51,481	45,176
Depreciation on fixed assets	3,728	3,727
Profit on disposal of fixed assets	(1,577)	(2,037)
Assets written off	2857	-
FUNDS GENERATED FROM OPERATIONS	64,504	64,647
Funds from other sources		
Proceeds of share issue	1,450	500
Proceeds of sale of fixed assets	3076	13,427
Proceeds from debenture issues	11,700	-
Increase in deposits	623,450	143,058
	704,180	221,632
APPLICATION OF FUNDS		
Decrease in loans and advances	212,097	99,322
Tax Paid	(3,000)	(10,338)
Dividends paid	(1,159)	(998)

	1991 ₦'000	1990 ₦'000
Bills paid	-	(500,000)
Purchase of fixed assets	(150,456)	(168,185)
Increase in other assets	(310,297)	(121,066)
Increase/(decrease) in other Liabilities	(146,221)	346,435
Purchase of unquoted Investments	(8,816)	(7,355)
	(407,852)	(362,185)
Net Inflow/(outflow) of funds	296,328	(140,553)
REPRESENTED BY:		
Movement in liquid assets		
Increase/(decrease)in cash and Short-term funds	330,652	(184,014)
(Decrease)/increase in bills	(34,324)	(43,461)
	296,328	140,553

SOURCE: Annual Report and Accounts 1991 (ICON).

Table (3.3.6) show a decrease in profit before taxation from ₦17,781,000 in 1990 to ₦8,015,000 in 1991 but an increase in depreciation on leased equipment from ₦45,176,000 in 1990 to ₦51,481,000 in 1991. There is also a considerable increase in customers deposits as shown in the table and that is why the total funds generated in 1990 showe an outflow of funds to the tune of (₦149,553,000) while in 1991 shows that funds generated amounted to (₦296,328,000).

Looking at the application of funds we can see a decrease in loans and advances while there was an increase in cash and short-term funds from (₦184,014,000) in 1990 to ₦330,652,000 in 1991.

(TABLE 3.3.7)

IMB PLC SHARE CAPITAL	1993 ₦'000	1992 ₦'000
1. Authorised:		
194,000,000 ordinary shares of 50k each	97,000	97,000
1,500,000 11.75% cummulative redeemable Preference shares of ₦2 each	3,000	3,000
	100,000	100,000
2. Issued and fully paid as at January,		
168,000,000 ordinary shares of 50k each(1992-33,000,000 ordinary shares of ₦1 each)	84,000	33,000
Bonus issue	-	9,000
Bonus issue	-	42,000
1,500,00-11.75% cummulative redeemable	84,000	84,000
Preference shares of ₦2 each	3,000	3,000
	87,000	87,000

The authorised share capital and the issue share capital remained constant looking at the above table (3.3.7).

TABLE (3.3.8)

IMB PLC SOURCES AND APILICATION OF FUNDS

SOURCE OF FUNDS	1993			1992
	N'000	N'000	N'000	N'000
Profit before taxation		77,311		55,559
Adjustment for items not Involving the movement of Funds:				
Depreciation	64,959		88,498	
(Profit/Loss on disposal of fixed and leased assets	(2,984)		1,132	
Reclassification of fixed and leased assets to other assets	5,118		-	
		67,093		89,630
Funds Generated from operation		144,404		145,189
Funds from other sources				
Proceeds of sale of fixed and leased assets	11,116		10,093	
Increase in customers deposits	67,351		133,262	
Prior year adjustment	-		9,853	
Proceeds of disposed investments	1,576		-	
		80,043		153,208
Total funds generated		224,447		298,397

APPLICATION OF FUNDS

	1993 ₦'000	₦'000	₦'000	1992 ₦'000
(Increase)/decrease in loans and advances	(10,536)		(100,017	
Tax paid	(9,977)		(7,191)	
Dividend paid	(8,493)		(3,039)	
Purchase of fixed and leased assets	(160,697)		(70,255)	
Decrease/(Increase) in other assets	35,546		(53,587)	
Increase/(decrease) in other Liabilities	(115,588)		11,996	
Purchase of unquoted Investments	-		2,650	
		(269,745)		(24,709)
Net Inflow/(outflow) of		45,298		273,688
REPRESENTED BY:				
Movement in liquid assets				
Increase/(decrease)in cash and short term funds		(45,298)		273,688

SOURCE: Annual Report and Accounts 1993 (IMB).

Table (3.3.8) show an increase in profit before taxation, from ₦55,559,000 in 1992 to ₦77,311,000 in 1993 but an increase in depreciation on reclassification of fixed and leased assets to other assets in 1993 to ₦5,118,000. There is also a decrease in total funds generated from ₦298,397 in 1992 to ₦224,447,000 in 1993.

The application of funds show a decrease in loans and advances from ₦100,017,000 in 1992 to (₦10,536,000) in 1993 likewise a decrease in short term funds from ₦273,688,000 in 1992 to (₦45,298,000) in 1993.

3.4 INTERFIRM COMPARISON OF THE PERFORMANCE OF MERCHANT BANK IN NIGERIA:

A measurement and evaluation of the performance of Merchant banks in Nigeria is usually an arduous task because of the variety in the size, activities and specialisation, their heterogeneity of imputs and outputs thus making the credibility of any basis for measuring the relative efficiency of these Institutions doubtful. To compound this problem, the most important in most cases of the input and output factors are not measurable inquantitative terms, which makes difficult any variable measurements of relative efficiency of the banks. Yet there is need to measure the relative efficiency of the firms. Measures of efficiency are important for comparisons with specified norms. Comparisons with other firms, national or international or comparison with one's own past

performance. However, it will be useful, at the outset to define the goals of such evaluation as the goal often reflect the values and expectations of the decision-maker and the community of the organisation being evaluated. It should be noted therefore, that a statement that abank is not efficient in some respect, may not indicate the bank's inability to attain its goal but may be a round about way of criticising those objectives. In an economy like ours, where financial profitability is measured by net return on capital employed, return on total assets or in absolute naira terms are inadequate measures of efficiency of banks.

Along this line thereof, measure of performance of Merchant banking institutions have been restricted to the quantifiable because of their easiness to defend and produce. The measures consists of ratio draw from the financial statements of the institutions-principally the Balance sheet and the profit and loss account. For Merchant banks, these quantitative measures would be relatively more appropriate and acceptable if the major sources of their profitability and earnings from the use

of their 'wits' in providing these essentially non finance service that contribute tremendously to the economic development of the country and even international business growth and development.

3.5 ANALYSIS OF THE INTERFIRM COMPARISON OF THE SELECTED MERCHANT BANKS:

In the first instance, for the sake of analysis, we are going to lay emphasis on liquidity ratios. Two popular ratios are calculated for the analysis. These are current ratio and quick or acid-test ratio.

Liquidity ratios are concerned with short term solvency of an enterprise. They show the strength and weaknesses of firms interms of their ability to discharge current financial obligations.

(1) Current Ratio = $\frac{\text{Current assets}}{\text{Current liabilities}}$

The current ratio is the most commonly used measure of short-term solvency, since it indicates the extent to which the claims of short-term creditors are covered by assets that are expected to be converted to cash in a period roughly corresponding to the maturity of the claims.

(ii) The acid test (quick) ratio: The acid test ratio is similar to the current ratio except for the fact that it excludes. Inventory from the firm's current assets. The basic assumption of the acid-test ratio is that inventory is generally the least converted into cash immediately or reasonable soon without a loss of value. The acid-test ratio is generally considered to be a more refined measure of the firm's liquidity. The acid test ratio is calculated as follows:

$$\text{Acid-test Ratio} = \frac{\text{Current assets - Inventory}}{\text{Current Liabilities}}$$

NOTE:

For the sake of our analysis and calculation of acid test (quick) ratio, we are going to use cash and short term funds in place of current assets less inventory, since, there is no inventory or stock for the selected Merchant banks and moreso, cash is the most liquid current assets.

NIGERIAN AMERICAN MERCHANT BANK LIMITED (NAMBL)
SHOWING STATISTICAL DATA ASSESSED FOR LIQUIDITY RATIOS FOR JANUARY

Balance Sheet

AS AT 31ST DECEMBER, 1993

	Notes	1993 N	1992 N
FUNDS EMPLOYED:			
Cash and short term funds	1	492,418,237	693,250,610
Investments	2	570,085,393	130,994,871
Loans and advances	3	200,386,674	177,858,165
Other assets	4	82,125,576	83,478,731
Net investment in finance leases	5	16,187,013	54,708,061
Equipment on lease	6	53,337,207	97,258,512
Fixed assets	7	16,595,087	14,855,811
		1,431,135,187	1,257,404,761
FINANCED BY:			
Current, deposit and other accounts	8	530,643,673	489,719,875
Other liabilities	9	709,443,999	641,980,256
		1,240,087,672	1,131,700,131
Share capital	10	40,000,000	40,000,000
Reserve for bonus issue	11	30,000 000	—
Share premium		25,730	25,730
Statutory reserve	12	63,164,261	50,362,828
Profit and loss account		57,857,524	35,316,072
SHAREHOLDERS' FUNDS		191,047,515	125,704,630
		1,431,135,187	1,257,404,761
Acceptances, guarantees and other obligations for accounts of customers and customers' liabilities thereof		144,772,911	314,619,987

NIGERIAN AMERICAN MERCHANT BANK LIMITED (NAMBL)

Five-Year Financial Summary

RESULTS	1993 ₦'000	1992 ₦'000	1991 ₦'000	1990 ₦'000	1989 ₦'000
Income	500,357	267,583	200,186	201,478	159,562
Profit before taxation	131,343	72,722	60,172	44,197	40,267
Taxation	(46,000)	(19,000)	(19,000)	(13,676)	(16,290)
Profit after taxation	85,343	53,722	41,172	30,522	23,976
Dividends	(20,000)	(17,000)	(15,000)	(11,000)	(11,000)
Statutory reserve	(12,801)	(16,117)	(12,351)	(7,630)	(5,994)
Retained earnings	52,542	20,605	13,820	11,891	6,982
BALANCE SHEET					
Share capital	40,000	40,000	40,000	20,000	20,000
Reserve for bonus issue	30,000	—	—	—	—
Statutory reserve	63,164	50,363	34,246	21,895	14,264
Share premium	26	26	26	26	26
Profit and loss account	57,857	35,316	14,711	20,890	8,998
SHAREHOLDERS' FUNDS	191,047	125,705	88,983	62,811	43,288
Fixed assets	16,595	14,856	12,972	11,750	10,627
Other assets	1,414,540	1,250,143	839,376	729,433	776,604
Total assets	1,431,135	1,264,999	852,348	741,183	787,231
Less: Current liabilities	1,240,088	1,139,294	763,365	678,372	743,943
Net assets	191,047	125,705	88,983	62,811	43,288
Earnings per share (Kobo) [adjusted]	213	134	103	76	60
Dividend per share (Kobo) [adjusted]	50	42.50	37.50	27.50	27.50

NAL MERCHANT BANK PLC
SHOWING STATISTICAL DATA NEEDED FOR LIQUIDITY RATIO

BALANCE SHEET

AS AT MARCH 31, 1993

	NOTE	1993 ₦'000	1992 ₦'000
ASSETS			
CASH AND SHORT-TERM FUNDS	9	1,877,622	1,368,393
INVESTMENTS	10	23,492	26,043
LOANS AND ADVANCES	11	359,461	378,116
ADVANCES UNDER FINANCE LEASES	13	123,382	79,888
OTHER ASSETS	14	480,582	542,687
FIXED ASSETS	15	77,666	62,843
		2,942,145	2,457,970
LIABILITIES			
DEPOSITS AND OTHER ACCOUNTS	16	1,341,266	1,011,044
OTHER LIABILITIES	17	764,673	796,272
DEFERRED TAXATION	18	233,328	187,168
		2,339,267	1,994,484
CAPITAL AND RESERVES			
CALLED-UP SHARE CAPITAL	19	63,000	63,000
RESERVES	20	539,878	400,486
SHAREHOLDERS' FUNDS		602,878	463,486
		2,942,145	2,457,970
CONFIRMED CREDITS AND OTHER OBLIGATIONS ON BEHALF OF CUSTOMERS AND CORRESPONDING CUSTOMERS' LIABILITIES THEREON	21	172,056	79,039

NAL MERCHANT BANK PLC

FIVE-YEAR SUMMARY

	1993	1992	1991	1990	1989
	N'000	N'000	N'000	N'000	N'000
ASSETS EMPLOYED					
Cash and Short-Term Funds	1,877,622	1,368,393	981,464	832,637	686,644
Investments	23,492	26,033	2,250	2,750	88,000
Loans and Advances	359,401	378,116	355,348	296,422	366,109
Leasing Assets	123,382	79,888	86,778	90,481	83,113
Other Assets	480,582	542,687	134,351	169,425	122,195
Fixed Assets	77,666	62,843	68,626	64,735	58,245
	2,942,145	2,457,970	1,628,814	1,456,450	1,404,306
FINANCED BY					
Share Capital	63,000	63,000	31,500	31,500	15,750
Reserves	539,878	400,486	287,358	211,970	200,411
Term Loan	-	-	-	4,858	10,293
Deposits and Other Accounts	1,341,266	1,011,044	805,121	811,528	803,702
Other Liabilities	764,613	796,272	384,208	312,646	281,894
Deferred Taxation	233,328	187,168	120,627	83,948	92,256
	2,942,145	2,457,970	1,628,814	1,456,450	1,404,306
Confirmed Credits and Other Obligations on Behalf of Customers	172,056	79,049	43,084	106,588	129,549
PROFIT AND LOSS ACCOUNT					
Gross Income	518,291	356,318	302,689	229,311	148,377
Interest Expense	(231,041)	(134,668)	(139,376)	(133,426)	(74,053)
Operating Expenses	(169,048)	(111,270)	(87,364)	(64,679)	(45,431)
Provision for Loan Losses	9,727	(272)	(40,528)	10,607	19,047
Profit Before Taxation	127,929	110,108	35,421	50,813	47,940
Taxation	(23,863)	(27,490)	(5,600)	(14,000)	(14,000)
Profit After Tax	104,066	82,618	29,821	36,813	33,940
Dividend	(50,400)	(37,800)	(9,450)	(9,450)	(9,450)
Transfers to Reserves	53,666	44,818	20,371	27,363	24,490

STOCKLEY STATISTICAL DATA NEEDED FOR LIQUIDITY RATIOS
INTERNATIONAL MERCHANT BANK PLC (IMB)

Balance Sheet

As at 31st December, 1993

	Notes	1993 N'000	1992 N'000
Assets			
Cash and short-term funds	1	1,408,724	1,454,022
Investments	2	14,976	16,552
Loans and advances	3	256,414	245,878
Equipment on lease	4	220,441	137,493
Other assets	5	230,240	265,782
Fixed assets	6	48,893	49,354
		2,179,688	2,169,081
Liabilities			
Deposits and other accounts	7	1,532,501	1,429,312
Due to other banks	8	310,942	346,780
Taxation payable	9	18,955	17,388
Dividends payable	10	31,133	18,274
Other liabilities	11	68,427	184,012
		1,961,958	1,995,766
Capital and Reserves			
Called-up share capital	12	87,000	87,000
Statutory reserve	13	76,046	56,316
Preference shares redemption reserve	14	2,000	1,500
General reserve	15	52,684	28,499
		217,730	173,315
Shareholders' funds		2,179,688	2,169,081
Acceptances, guarantees, indemnities, credit and other obligations for account of customers and customers' liabilities therefor	21	366,813	699,697

INTERNATIONAL MERCHANT BANK PLC [IMB]

Five-Year Financial Summary

for the year ended 31st December, 1993

	1993	1992	1991	1990	1989
	N'000	N'000	N'000	N'000	N'000
Assets					
Cash and short-term funds	1,408,724	1,454,022	1,180,334	1,264,175	1,100,485
Investments	14,976	16,552	13,902	13,902	8,235
Loans and advances	256,414	245,878	345,895	563,305	558,282
Equipment on lease	220,441	137,493	174,622	189,418	127,949
Other assets	230,240	265,782	212,195	142,801	116,498
Fixed assets	48,893	49,354	41,693	38,685	42,537
Total Assets	2,179,688	2,169,081	1,968,641	2,212,286	1,953,986
Liabilities					
Deposit and other accounts	1,532,501	1,429,312	1,182,455	1,008,362	909,338
Due to other banks	310,942	346,780	460,375	834,297	739,501
Taxation payable	18,955	17,388	1,720	11,059	22,153
Dividend payable	31,133	18,274	4,161	5,992	18,833
Other liabilities	68,427	184,012	172,016	225,516	151,514
	1,961,958	1,995,766	1,820,727	2,085,226	1,841,339
Capital & Reserves					
Share capital	87,000	87,000	36,000	36,000	36,000
Statutory reserve	76,046	56,316	43,550	39,874	37,389
General/other reserves	54,684	29,999	68,364	51,186	39,258
	217,730	173,315	147,914	127,060	112,647
	2,179,688	2,169,081	1,968,641	2,212,286	1,953,986
Gross earnings	852,914	627,684	521,924	473,841	333,746
Profit before taxation	77,311	55,559	30,477	33,387	50,760
Profit after taxation & prior year adjustment	65,767	42,553	24,506	19,880	35,012
Dividend	21,352	17,152	3,652	5,467	8,107

ICON LIMITED (MERCHANT BANKERS)
STERLING STATUTORY DATA NEEDED FOR LIQUIDITY RATIOS

Balance Sheet As At 31st December, 1991

Assets	Notes	1991 ₦'000	1990 ₦'000
Cash and short term funds	1	1,181,986	851,334
Bills	2	52,905	87,229
Investments	3	21,241	12,425
Loans and advances	4	536,413	748,511
Other assets	5	731,518	421,221
Equipment on lease	6	173,678	144,927
Fixed assets	7	191,292	129,152
		2,889,033	2,394,798
Liabilities			
Deposit and current accounts	8	2,021,860	1,444,835
Due to other banks	9	408,076	361,651
Tax payable	10	9,970	10,000
Dividend payable	11	-	386
Other liabilities	12	288,030	434,251
Long term loans	13	41,700	30,000
Total Liabilities		2,769,636	2,281,123
Net Assets		119,397	113,675
Capital and Reserves			
Called-up share capital	14	50,447	40,000
Share premium	15	1,003	-
Statutory reserve	16	32,521	31,007
Loan stock redemption fund	17	10,250	7,500
Bonus issue reserve	18	15,000	10,000
General reserve	19	10,176	25,168
		119,397	113,675
Acceptances, guarantees and other obligations on behalf of customers and customers' liability thereof	20	33,104	85,123

ICON LIMITED (MERCHANT BANKERS)

Five Year Financial Summary

	1991 ₦'000	1990 ₦'000	1989 ₦'000	1988 ₦'000	1987 ₦'000
Assets					
Cash and short-term funds	1,256,132	950,988	1,084,386	1,283,427	963,737
Loans & advances	536,413	748,511	847,833	841,726	600,402
Fixed and other assets	1,096,488	695,299	461,611	264,151	121,422
Total assets	2,889,033	2,394,798	2,393,830	2,389,304	1,685,561
Liabilities					
Deposit and current accounts	2,021,860	1,183,793	742,199	1,405,573	1,051,860
Bills payable	-	-	500,00	-	-
Other liabilities	706,076	1,067,330	1,020,176	875,689	575,887
Long term loans	41,700	30,000	30,000	30,000	-
Shareholders' Funds:					
Share capital	50,447	40,000	39,500	20,000	20,000
Statutory reserve	32,521	31,007	27,884	24,213	37,814
Loan stock redemption fund	10,250	7,500	3,750	-	-
General reserve	10,176	30,168	25,321	23,829	-
Bonus issue reserve	15,000	5,000	5,000	10,000	-
Share premium	1,003	-	-	-	-
	2,889,033	2,394,798	2,393,830	2,389,204	1,685,561

TABLE 3.4.7

SHOWING THE LIQUIDITY RATIOS OF NIGERIA AMERICAN MERCHANT BANK LIMITED FOR ANALYSIS

1. PARTICULARS	YEAR ENDED (31ST DECEMBER)				
	1993	1992	1991	1990	1989
- Current Raio	1.14	1.09	1.09	1.07	1.04
- Acid-Test Ratio	0.39	0.6	-	-	-

TABLE 3.4.2 SHOWING THE LIQUIDITY RATIOS OF NAL MERCHANT BANK PLC FOR ANALYSIS

2. PARTICULARS	YEAR ENDED (31ST DECEMBER)				
	1993	1992	1991	1990	1989
- Current Ratio	1.22	1.2	0.83	1.15	1.14
- Acid-Test Ratio	0.8	0.68	0.74	0.68	0.58

TABLE 3.4.3 SHOWING THE LIQUIDITY RATIO OF INTERNATIONAL MERCHANT BANK PLC FOR ANALYSIS

3. PARTICULARS	YEAR ENDED (31ST DECEMBER)				
	1993	1992	1991	1990	1989
Current Ratio	1.08	1.06	1.05	1.04	1.03
Acid-Test Ratio	0.71	0.72	0.64	0.60	0.59

TABLE 3.4.4 SHOWING THE LIQUIDITY RATIO FOR ICON LIMITED (MERCHANT BANKERS)

4. PARTICULARS	YEAR ENDED (31ST DECEMBER)	
	1991	1990
- Current Ratio	0.98	1.00
Acid Test Ratio	0.43	0.37

Looking at Table 3.4.1, we can see that the current ratio of Nigerian American Merchant Bank Limited has been on increase. In 1989, it has 1.04 while it increased to 1.14 in 1993. The ratio over the five years represent a fair favourable position. It also shows that it has current assets than current liabilities inspite of this, the bank will have the ability to pay its bills. And when compared with the other Merchant bank, appears that Nigerian American Merchant bank limited is about in line with others in the banking business.

As for NAL Merchant Bank Plc in table 3.4.2; it also show a fair financial position over the five years only that there was a reduction in the ratio in 1991, that is, the ratio was reduced from 1.15 in 1990 to 0.83 in 1991, The table also show that NAL Merchant bank plc have enough working capital to attained to all its immediate needs. When compare with other Merchant Banks, it performed better because it has the highest ratio in 1992 and 1993 that is 1.2 and 1.22 respectively.

International Merchant Bank Plc in table 3.4.3 also has a moderate or fair current ratio as a result of good liquid assets. There was an increase in 1989 from 1.03 to 1.08 in 1993. Compared to other Merchant banks, it shows that it is in line of the business.

Finally, table 3.4.4 show the current ratio of ICON Limited Merchant Bankers. It has a low current ratio as a result of poor liquid asset and also, there was a decrease from 1.00 in 1990 to 0.98 in 1991.

Moreover, from the analysis above, it shows that NAL Merchant Bank has a better liquidity position than the other three Merchant banks and also the bank will have enough working capital to attained to all its immediate needs.

However, the ratio must be regarded as crude because it does not take into account the liquidity of the individual components of the current assets. A bank having current assets composed principally of cash and current receivables is generally regarded as more liquid than a firm whose current assets consist primarily of inventories. Relations this, ICON limited (Merchant bankers) has the highest amount of cash and short term funds in 1991 compared to other three Merchant Banks that is ₦1,181,986,000 as at 31st December looking at the

balance sheet.

On the other hand, the acid-test ratio of Nigerian American Merchant Bank Limited in table 3.4.1 declined at an alarming rate. That is from 0.6 in 1992 to 0.39 in 1993 when compared to the other Merchant Banks, it has a worst acid-test ratio. In table 3.4.2, NAL Merchant Bank have a fair acid-test ratio and it increased from 0.58 in 1989 to 0.8 in 1993 this show a favourrable liquidity position only that it decreased in 1991 from 0.74 to 0.68 in 1992. That also show that more than half of the current liabilities can be settled in case of problem. International Merchant Bank Plc also has a favourable acid test ratio. There was an increased in 1989 from 0.59 to 0.71 in 1993 as shown in table 3.4.3. Moreso, table 3.4.4. show acid test ratio of ICON Limited Merchant Bankers which is on an increase from 0.37 in 1990 to 0.43 in 1991. It also has a favourable acid test and better liquidity position.

To cap it, a bank that has better liquidity position will have the ability of settling more than half of its current liabilities in case of any emergency that calls for full settlement and this will serve as confidence to to any customer or client who is dealing or who wanted to

start dealing with the bank.

Unlike a bank with poor liquidity position where creditors would be reluctant to lend the bank more money or to have a deal with the bank. Also, the share holders would be subjected to undue dangers if the bank sought to increase the debt ratio still more by borrowing. The worst liquidity bank could not be able to settle its debt with its current assets, unlike the favourable liquidity bank which will sell all their stocks and collect the outstanding debt on emergency.

Although ratios are exceptionally useful tools, they do have limitations and must be used with caution. Firstly, ratios are constructed from accounting data, accounting data are subject to different interpretations and even to manipulation. For example, two firms may use different depreciation methods or stock evaluation methods, depending on the procedures followed, reported profits can be raised or lowered.

Second, the situation of the companies are never the same. Similarly, the factor influencing the performance of a company in one year may change in another year. Thus, the comparision of the ratios of two companies becomes difficult and meaning less when they are operating in different situations.

Third, when firms use difficult operating and accounting procedures, it might be different to compare their ratios.

PROBLEMS ENCOUNTERED IN DATA ANALYSIS:

As noted above, interfirm comparisons are undoubtedly useful. But, there are a lot of problems encountered in the analysis of data obtained. They are

1. Differences in the end of the year of the banks under review or study.
2. The industry as reveal from the statement of accounts do not operate a uniform costing system thus making it difficult to compare and so are most of the other variables used in the analysis.
3. The muddling-up of key financial terms do not give room for easy identification of where the account really belong to.

CHAPTER THREE

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CHAPTER FOUR

ROLES OF MERCHANT BANKS IN THE NIGERIAN ECONOMY

4.1 MERCHANT BANKS SERVICES:

The importance of capital in economic development cannot be over emphasized especially in a developing economy like ours where it is a generally held view that the provision of adequate financial resources is a pre-requisite for the economic development. The vital role of Merchant banks therefore becomes obvious, namely, by making the vast financial resources they could mobilise available for financing and promoting economic development.

The diverse and complex financing needs of customers remain the main focus in the design and delivery of Merchant bank services. it is therefore the duty of the merchant banks to develop a broad range of banking services to meet the diversified needs of clients and thus adapt their organisational structure so as to ensure that those services are timely provided in the most effective and efficient manner.

Merchant Banks over its years of operations have extended its services into all areas of the national economy and has brought together strong management team that has proved invaluable in the efficient delivery of high quality services to its numerous corporate and individual clients.

Generally, Merchant Banks offer a wide range of specialised services to meet the often diverse and numerous needs of its various clients and is poised to continue the search for the adoption of other innovative packages tailored to meet the challenges being poised by the country's developing economy.

Merchant banks serve their clients through the following functional divisions:

1) Corporate Banking Services Division
2) Corporate Finance Division.
3) Operations Division.
4) Export and Correspondence Banking Division
5) Project and Research Division.

But for the purpose of this study, I will classify and discuss Merchant Banks services under two classes namely corporate banking services and corporate finance services.

CORPORATE BANKING SERVICES:

The corporate banking services division mobilise funds to finance short, medium and long term requirement of clients for working capital financing and investment in fixed assets. The services under this division includes acceptance of deposits and treasury investment services. Merchant banks accept deposits of various maturities at competitive rates of interest from corporate clients such as commercial and industrial companies, banks, financial institutions and pension funds insurance companies.

Merchant banks often act as advisers to clients in matters relating to investing otheir short term funds in negotiable certificate deposits, treasury bills, treasury certificates and commercial papers.

1. Term Loans and Advances: Merchant banks provides mainstream finance by way of term loans, letters of credit or overdrafts for working capital, trade finance, plant expansion; machinery and equipment purchases, real estates and contractor finance project as well as for other corporate

purposes. They also undertake bills discounting by arranging for a large part of a company's turnover to be sold for instance cash to a willing buyer while the company becomes the Banker's agent for collecting the cash from its customers when they are due.

2. Loan Syndication: Merchant banks pioneered the concept of syndicating credit facilities for clients in the money market. This generally arises where a client borrowing requirements are extremely large and exceed the lending capacities of one or two banks, as is often the case with major industrial; commercial or agricultural undertakings. Merchant banks generally has the store of expertise and requisite experience to quickly lead and arrange loan syndications in association with a consortium of lenders. The reason for loan syndication is to ensure that ones exposure to the customer is within the credit ceiling and the maximum risk exposure to one borrower. Syndicated facilities can cover working capital

facilities, leases as well as term loans. For instance, in 1989, NMB, (Nigerian American Merchant Bank) handled a syndicated loan totalling more than ₦160 million; while it participated in several others worth ₦120 million states like Lagos, Benue, Ondo, Anambra, Borno etc. enjoye a first chass palate of services from NMB. Nigerian American Merchant Bank ably supported organisations like Lucky Fibre Nigerian Limited, Allied Bank of Nigeria Limited, Hill Station Hotel and Federal Mortgage Bank etc.

3) Foreign Exchange Services: Merchant banks provides services to assist clients in processing their applications for the purchase of foreign exchange and to complete the necessary documentations. The Foreign Exchange section of any Merchant Banks works closely with the Central Bank of Nigerian and various agencies to ensure strict compliance with statutory requirements relating to foreign exchange transactions such as:

i) Documentary and Clean Credit: To facilitate the handing of imports settlement, Merchant banks provides clients with the services of issuing and the execution of all types of letters of credit through its network of correspondent banks worldwide. They also issue domestic letters of credit and handling back to bank credit to facilitate exports.

ii) Documentary and Clean Collections: For transactions not covered by letters of credit, marchant bank often provides clients with efficient services in the handling of documentary and clean bills for collection entrusted to the bank by clients, correspondent banks or foreign suppliers.

iii) Remittances: The future and growth of a large number of Nigerian businesses and the entire economy hinges on efficiency of fund remittances in settlement of international transactions. Merchant banks effects efficient transfers of funds through the agency arrangements with its world wide correspondent banks for the payment of trade and non-trade transactions.

4) Checking Account: Merchant Banks provide facilities to clients wishing to operate accounts denominated in foreign currency. Deposits of convertible currencies like the Dollar, Pound Sterling, French Franc, Deutche Mark, Swiss France, Dutch Guilder etc. may be made into the accounts in form of travellers cheques, foreign bank notes drafts, telegraphic/Mail transfers and approved retention from proceeds of export. Interest are paid on such accounts at CBN approved rates. Also where volume of business so warrants, Merchant banks provides checking account services to selected corporate and institutional client to facilitate domestic settlement of transaction.

5) Agricultural Finance: Merchant Banks are also actively promoting the nation's agricultural development and has a full fledged department in charge of the lending to projects in the areas of direct agricultural production, agricultural/ food processing and agro-allied manufacturing. In response to government's renewed efforts in the area of exportable commodities, a number of clients

are involved in large scale plantations of different tree crops. They are fully committed to the backward integration efforts in many agro-allied industries including inland/off shore travelling operations. Merchant banks perform this service through specialised agricultural credit unit.

6) Small Scale Enterprise Finance: In line with the federal government's aspirations of promoting small-scale enterprises to generate growth and employment in the country. Merchant banks had set up special units in the Head Office and at the Area offices for the purpose of processing finance on soft terms to small scale companies by way of term loan for fixed asset acquisition and over-draft for working capital.

They also actively participate in the National Directorate of Employment Loan Scheme through which various categories of school leavers, higher institutional graduates and matured people e.g. retired civil servants

are trained and offered financial resources to set up projects. Notable examples of banks performing this function are ICON, NAL, Pacific and NMB.

7) Bonds, Gurantees and Indemnities: In line with its business of providing wholesale financial services to clients, Merchant banks issues performance bonds, guarantees and indemnities on account of its corporate and institutional clients.

Foreign Currency Domiciliary Accounts:

i) Merchant banks facilities are available to clients wishing to operate accounts demominated in foreign currency. They handles "Export Proceeds Domiciliary Accounts" for our export clients and "Non export proceeds Domiciliary Accounts" in respect of non-export transactions. Interests are paid on such account of ruling rate in the country of domiciliation. Request for withdrawals are processed promptly

ii) Identifying foreign markets for Nigerian products.

iii) Matching Nigerian exporters with reputable foreign buyers.

iv) Collecting export proceeds promptly

v) Advising and/or confirming letter of credit issued by correspondent banks covering export of goods and services from Nigeria.

vi) Guiding exporters on local documentation and regulatory requirements.

vii) Providing pre-shipment and post-shipment finance.

viii) Providing consultancy services to exporters entering new markets e.g guide exporters through documentary, regulatory, design, packaging, promotional and specification requirement in foreign market.

8) Equipment Leasing: Merchant banks has consolidated their leadership position in the provision of leasing services to qualifying corporate entities. By this financing arrangement, Merchant banks generally provide 100% finance for procurement of equipment and machinery (as the leaser /owner) and conveys to the equipment user the (leassee), the right to use the equipment and machinery in return

return for the payment of specified rentals over an agreed periods of time. Items of equipment on lease include:-

1) Manufacturing Equipment - Furnaces, plastic extrusion machines, Blow Moulding Machines, Thermo farming machines.
2) Construction Equipment - Motor Vehicles, Cranes, Dredgers etc.
3) Quarrying Equipment
4) Drilling Equipment, Water Rigs etc.
5) Printing Machines.
6) Rolling Mill Equipment - Straightening and Cutting Machine, Wire Coil Drawing Machine.
7) Agricultural Equipment - Tractor etc.
8) Fishing Equipment - Trawlers etc.
9) Baking and Confectionery Equipment
10) Dry Cleaning and Laundry Equipment
11) Office Equipment - Computers etc.
12) Transport Equipment - Cranes, Motor Vehicles
13) Generating Plant - for Klifts
14) Ships and Aircrafts.
15) Communication Equipment
16) Storing Equipment - Siles.

Merchant leasing facility is usually structured in terms of pattern and size of rental payments to suit peculiar circumstances of beneficiary commercial enterprises. Given the cash flow benefits, among many other benefits, to the equipment user Which will arise from non-requirement for initial capital outlays for the leased requirement. This mode of financing is also suited for companies who, for net worth constraints, cannot easily increase their overall debt arising capability for the purposes of acquiring critical production assets for their operations, or execution of contract jobs.

The lease facility therefore will enable such firms to realise growth and profit potentials as well as stabilise cash flow generation stream. Fortunately enough, all the two banks under review are members of the equipment lease association of Nigeria (ECAN). Merchant banks also participate in syndicated leases.

CORPORATE FINANCE SERVICES:

The corporate finance services mainly deals with helping clients in raising of funds through the issuing house and also offering of advice to its corporate clients ar investment and financial matters.

a) Public Equity and Debt Issues: Merchant banks continues to maintain a dominant presence in the capital market and manages equity and debt issues through the Nigerian Stock Exchange for companies raising new long term capital. To this end, they provide a full range of issuing house services including introduction to the Stock Exchange, advice on relevant regulations and government policy. The pricing and determination of the term of an issue, market conditions, drafting the offering documents, representation on the company's behalf to the authorities and finally marketing of the issues under certain market conditions. They also provide an underwriting service to enhance the chances of success of an issue.

b) Private placement of Debt and Equity: Certain companies, because of size have limited borrowing requirements for specialised operations, may prefer to raise new capital through the private placement Market. In such cases, Merchant Banks are able to advise on procedures, drafting of relevant documents, and selection of, individual and institutional investors.

c) Underwriting of Issues: Underwriting connotes risk bearing. By presenting an issues with a cheque for an agreed amount of shares, a Merchant bank frees the company from the burden of finding investors for its offering. It also assumes the risk of adverse price development during the distribution period. Fees are charged for underwriting bonds and the full amount for the value of the bonds so underwritten charge during the distribution of the purchased securities the bank sustains leases. Underwriting therefore involves risk. Bonds are therefore analysed before they are underwritten by Merchant Banks. They therefore provide full or partial underwriting facilities

for debt or equity issues which are either managed by the Bank or other issuing Houses.

d) Pricing of Securities: Issuers usually want the lowest possible rate to attach to their debt issues but at the same time investors want maximum yields. Similarly, issuers want the highest proceeds for their stock offering but investors would like to bargan prices. Merchant banks strive to reconcile these conflicting objectives by guaging markets accurately.

e) Market Support: Not all security offers in which Merchant bankers participate are underwritten. In some cases Merchant Banks confine their contribution to marketing support. This means that they agree to use their skill in finding investors willing to purchase the securities being offered. They do not guarantee the successful placement of the issue. This is common when marketing the securities of small or even unproven companies.

f) Price stabilization function: This is normally carried out during the distribution phase. Orders are placed to purchase any of the underwritten securities at a fixed price usually at or near that at which the issue is being offered publicly. By pegging the price at which they stand-by to purchase the securities being distributed, Merchant bankers hope to achieve two objectives:-

i) To ward-off precipitore drop in the securities prices and the concomittant underwritting loss that would ensue, and

ii) To maintain favourable publicity for the issue and thereby encourage its acceptance among investors.

g) Project Finance: Merchant Bank provides financial assistance to indigenous concerns with bankable project ideas. The cash flow from the projects are thus the source of repayment on this type of loan. They have special expertise in the project finance area and an act as financial adviser to large projects; advise on the appropriate financing programmes and provided guidance on the implementation of the financing including the syndication of

medium and long term funds through the capital market. Merchant Banks support the indigenous enterprises as a guarantor thus catalysing rapid development in manufacturing; processing; agriculture, real estate and other prefered sectors.

h) Feasibility Studies: Often Merchant bankers investigate the practicability of setting up a subsidary of a company. For a group of companies contemplating a joint project they will present financing options and point out the benefit of each; as well as its pitfalls.

i) General Financial Advice: The banks financial advisory service is a direct response to signals emanating from the market place which calls for constant review and restructing of corporate operations and capital. The overall aim is to help clients improve their effectiveness, efficiency and profitability. The Advisory services cover problem areas such as capital restructing for trading and debt management. For example NAB is the Technical Manager

of Inland Bank Nigeria Limited owned by the Bauchi State Government and Merchant Securities Limited. One of the Merchant Banks most valuable assets is its knowledge of events and development. In the financial markets and its ability to advise clients on such matters.

This advice includes guidance on such matters as a company's optimum financial structure proper type of funding instruments, market acceptance, the most efficient use of funds governmental policy and regulations and an independent assessment of short and long term economic projects.

j) Advice on captial Structure: Merchant banks can render valuable assistance to companies having problems in determining what percentage of their total capital structure should consist of long-term debt instrument. The capital structure of a company will depend on the nature of business and on other factors which may be of analytical interest to Merchant bankers. Research into industry conditions and investment requirements enables them to advice

on optimal capital structure. The Merchant banks knowledge of money and capital markets enables them to advice companies on the type of financial strategies that can be adopted in order to achieve desired mixes of debt and equity in their capitalizations effort.

k) NERFUND Loans: NERFUND is a financial assistance programme set up by the Federal Government to assist small and medium scale enterprises. Merchant banks have played an active role in the execution of this important national scheme by maintaining a closer contact with NERFUND office to ensure that loan requests presented through them receive appropriate attention and approval.

l) Project Advisory Services: The project Advisory services are offered to customers who want to benefit from the multilateral institutions assisted projects. These include projects funded by the World Bank, International Finance Corporation (IFC), African Development Bank (ADB), and the Commission

of European Communities (CEC). For example, in 1990, the IMB actively participated in the US $36 million Oyo State Urban Rehabilitation Project; Especially the Ogunpa Channelisation component, in which extensive civil engineering design and construction works were involved. Other major projects embarked upon by IMB were the US $14.6 million Gongola State Essential Drugs Projects, the Multi-million naira Rivers and Oyo States Health Systems fund projects and the Plateau State infrastructure Development Fund Project.

Merchant Banks has been playing an enviable role in the Implementation of the Infrastructure Development Fund (IDF); Essential Drugs Project and Private sector small/medium scale enterprises development project. In all cases the banks credits have been largely directed towards the rehabilitation of existing projects and the establishment of new ones as a necessary step towards revamping the ailing Nigeria's economy.

In these projects, Merchant banks role has been in terms of project advisory and consultancy services by way of project appraisal, preparation, co-financing and supervision.

m) Mergers and Acquisitions: Merchant banks are pioneer in this area of activity by acting as financial adviser to cooperate management in identifying and evaluating merger and acquisition opportunities for achieving particular corporate objectives.

n) Investment Management Advice: Merchant banks offers investment advisory services to assist institutional fund managers and trustees of staff pension and endowment schemes as well as unit trust funds in the development of overall investment strategy. A comprehensive investment management service is also provided for these categories of fund.

o) Trustees Services: As corporate trustee, Merchant banks undertakes to act as trustee for pension, endowment and unit trust funds and for public and private debenture issues.

p) Stock Broking Services: Merchant banks involvement in capital market activities is greatly enhanced by the secondary market operations of the banks stock brokers limited (e.g. ICON Stock brokers Limited, Merchant Securities Limited etc) for instance, ICON stockbrokers Limited accounted for at least 25% of about ₦9 billion worth of securities currently quoted on the Nigerian Stock Exchange, the company's leading role in the Nigerian Stock Market is synonymous with the development of the Stock Exchange of which it is a founding Dealing and Council Member.

Essentially, Merchant Banks stock brokers Limited provides the following services:

i) Introduction of Securities for a Quatation. A higher proportion of securities quoted on the stock Exchange (including Federal Republic of Nigeria Development Stocks) were introduced for listing by the firm. Through quotation, market ability and cash conversion circle of

listed securities are greately enhanced e.g. IMB took Lion Bank of Nigeria to the Stock Exchange for listing.

ii) Dealing on the Stock Exchange: As an Authorised Dealer an the Stock Exchange, they are involved with the sale and purchase of debt and debt and equity issues of securities floated by government corporate bodies. In this role, their activities have been very rewarding to both institutional and individual investors.

iii) Portfolio Management: Through Merchant banks specialised investment advisory sefvices, the company assists investors not only the choice of viable investment outlets in financial assets but also on the structuring of their port folio of securities and on the movements of funds from one classof securities to another. They also provide safe keeping services for securities for a nominal fee.

In recent years, Merchant Banks has diversified their services by setting up a financial services department to see th the performance of the basic functions;

1) Fund Management: Here funds, banks manages funds that have been placed for investment purposes to give clients high returns.

2) Trade Finance: They arrange financial packages for the speedy execution of short term transactions. It is also engaged in joint ventures with interested parties.

3) Acceptance of Bills: A bill of exchange ordinarily is a document drawn by a seller in the international or domestic market by which the buyer undertakes to pay the stated amount in the bill either at sight or at a given time, to the seller; the bill represent an acknowledgement of indebtness by the buyer. But the lender or investore of funds or even the seller of goods would not take such a bill as a good security for loan or good investment security unless it is accepted by a reputable finance house.

q) Treasury and Financial Services: Merchant banks accept deposits on various tenors at competitive interest rates from various customers including individuals, manufacturing companies, insurance companies, banks, public institutions and other corporate entities.

They also issues and markets negotiable certificates of deposit which may be discounted by any holder before maturity. These instruments have gained investors recognition for their high quality and that is why international Merchant Bank Plc volume of discountable instruments traded or issued in 1990 was in excess of ₦445 million.

Merchant Banks also assist companies to raise funds from the money market at short notice to finance specific short term, self liquating transactions, for working capital, and to provide bridging finance by issuing and marketing commercial papers and Bankers Acceptance on behalf of such companies. The banks provides

such other money market intermediation services to its customers as investing in commercial notes; Bankers Acceptances, Treasury Bills, and other money market instruments on behalf of such customers; and also provides discounting and rediscounting facilities for these instruments. The banks also issues a high yield investment which provides investors with high after tax yields on their investment (e.g ICON PREMIUM CERTIFICATE).

r) Captial Market Report: Merchant banks has initiated the publication of the Nigerian capital market review to provide information on capital and investment market activities, identify developments which bear on the market and the outlook for fund raising activities (e.g. ICON Nigerian Capital Market Review).

s) Foreign Exchange Market (FEM): Generally speaking Merchant banks areprime participant in the foreign Exchange Market transactions. The main thrust on Merchant banks foreign exchange activities is the provision of foreign exchange to clients operating

in the preferred sectors of the economy in line with the government's effort to revamp the Nigerian economy.

The banks also procures foreign exchange for and from corporate and individual clients at market prevailing rates. It also manages foreign exchange balances in domiciliary accounts on behalf of clients in high yielding money market instruments in major world financial centres with a view to realising optimal returns.

In the same vein, they provides advisory sefvices to protect its clients against the increasing volatile foreign exchange rates movements.

4.2 PROBLEMS FAKING MERCHANT BANKS IN NIGERIA:

Merchant banks activities in the bid of contributing to the economy has face a lot of problems and amongst the problems are:-

1) Stiff competition among banks: On a more general level, competition in the banking industry has intensified because by the end of 1990, 113 banks were in operation as compared to 70 in 1988 and 89 banks in 1989. Similarly, the

number of non-bank financial institutions, particularly finance and bureau de change companies has sharpened the edge of competition thus paving way to inherent advantage of operating outside the regulatory constraints faced by Merchant banks and commercial banks. These invariably will lead to scrambling for deposits, good location, high calibre personnel etc and in turn leading to poor or low profit margin.

2. Lack of understanding of local industries' needs mainly because of the urban orientation nature or branches/officers of the Merchant banks.

3. High cost of lending

4. The high interest rates of sourcing for deposits resulted in substantial reduction of their margins;

5. The personal guarantees and other form of stringent collateral securities which are not readily available to offer. For personal guarantees, the fact is that it is difficult to divorce small companies from the individuals associated with

them might make the case for the guarantee rather valid, for this does ensure greater responsibility on the part of proprietor in the risks that they are prepared to take with borrowed money.

6. Central Bank of Nigeria (CBN) directive placing a ban on Naira loans secured by Foreign Exchange guaranteed funds or foreign deposits.

7. Payment of huge penalties due to contravention of section 12(3)(b),(c) and 16 (5) of the Banking Act 1969.

8. Unfavourably government policies like the withdrawal of public sector funds from the banks by the CBN and the introduction of measures like (a) the stabilization securities, and (b) the prudential guidelines. These measures precipitated a serious liquidity crisis in the banking system.

4.3 SURVIVAL STRATEGIES FOR MERCHANT BANKS IN THE 1990'S

In order to keep pace with the recent trends in the economy, Merchant banks in the country has adopted the following strategies for survival.

These will include:

1. Passionate solicitation for clients, aggressive sourcing of deposits by paying high rate of interest to depositors, increased concern for attracting high calibre personnel and the scramble for strategic location of bank offices.
2. The introduction of a new organisational structure by banks (Reorganisation) to inculcate the culture of investment banking
3. The grudual shift from interest income to fee based activities.
4. Rationalization of resource inputs to survive the challenges in their operating environment.
5. The process of gradual shifts to business focus from the traditional wholesale banking towards investment banking.

6) Establishment of more branches which will bring about a visible presence in the key financial market, and industrial zones in the country, and to bring services closer to its customers so as to enhance the bank's competitive strength and improve its market share especially in non bank deposits.

7) A bold step taking by banks to strengthen areas of special need through promotion of competent staff from within and recruitment from outside where necessary.

8) Continous training and development of management and staffs locally and abroad. The localisation of off-shore training by inviting foreign consultants and lecturers to handle courses at their respective training centres is another strategy adopted by banks because through this mechanism the bank will continually up grade the skill and proficiency of its staff.

CHAPTER FOUR

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CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION:

5.1 SUMMARY:

This study is a performance evaluation of Merchant banks with respect to its ability to contribute to the development of the economy. It is aimed at assessing the extent at which Merchant banks have been able to meet the desires of the individuals, corporate bodies and the government in the bid of satisfying their capital needs and investment drives respectively.

I have in the first chapter of this study gave a vast definition of Merchant Bank, statement of the problems, objective of the study, significance and delimitation.

The second chapter takes a look at the literature of evolution and development of Merchant banking Industry, the history of Merchant banks in Nigeria 1960 - today, a review of Merchant banks activities in Nigeria in 1992, The characteristics of Merchant bank, distinction between Merchant bank and commercial bank and Merchant bank in economic development.

Chapter three is a close examination of the profile of selected Merchant bank interms of the general background of the Nigerian economy; structural profile of the selected Merchant banks, operations of Merchant banks, Interfirm comparison of the performance of Merchant banks in Nigeria and the comparative analysis of key performance indicators of Merchant banks were reviewed and thoroughly interpreted. From the analysis of the operations of these institutions, in economic development sense, it would appear they have grown more than they have developed.

The data presented here in reveal that these institutions have grown by leaps and bounds in the past years but especially between 1986-1993 Total assets, total loans and advances, total deposits/liabilities, shareholders' funds, investment, equipment leasing etc have increased tremendously during the period under review. To conclude the chapter, mention is made of the problems encountered in the analysis of data.

Chapter four gave a vivid discussion on the roles of Merchant banks to the Nigerian economy through a thorough examination of services rendered by the Merchant bank in

Nigeria. Lastly, the chapter is rounded-up with possible strategies that can be adopted for Merchant banks survival in the 1990's.

5.2 CONCLUSION:

The operations and laudable services rendered by Merchant banks in Nigeria has enabled them to fill the gap in the economy thus reflecting the changing structure of the dynamic economy towards increased industrialisation.

Undoubtedly, the NAL (Merchant bankers) have made tremendous and credit - worthy contributions to the general development of our economic system and in particular in the development and transformation of our financial environment. From the available data presented and analysed in the study between 1989 - 1993, I have shown how Merchant banks have been able to increase the size of financial claims in issue in Nigeria and this helped to widen the country's financial infrastructure. In the same vein, they have, by merely performing their traditional functions introduced variety to the financial services

available to enterprises and entrepreneurs in Nigeria. They have filled financing facilities gaps in Nigeria, by providing to individuals corporate bodies and industry services that neither the long-term lender (development banks) nor the short term lenders (Commercial banks) would ordinarily, satisfactorily and sufficiently provide.

It worth mentioning here too, that Merchant banks has been severely criticised in the performance of their functions. Such criticism levelled against her will include"- inability to meet the Central bank guidelines with regards to the sectoral allocation of their leans and advances. Over the years of their operations, they have not been able to meet the target allocated to the preferred sector which is the productive sector while they always surpasses the maximum target for the less preferred sector. Merchant banks have been continually criticised on the ground that they came into the financial scene by claiming to provide medium and long term loans but concentrated on such short term finance, which was presumed. Moreover, the maturity pattern and the repayment patterns of their loans and

advances does not augur well for this country which needs longer maturity dates for its industries which are mostly in their infancy.

Inspite of the criticisms above, Merchant banks have made a lot of contributions to the growth, development and transformation of the Nigerian economy into a viable one. By performing their specialised functions such as consortium lending, liability management which lead to the introduction of negotiable certificate of deposit (NCDS) as a money market instrument underwriting of issues, portfolio management, investment management advice, project financing, public equity and debt issues, private placement of debt and equity, loan syndication, equipment leasing, mergers and acquisitions, bonds, guarantees and indemnities, checking account services etc they have introduced variety to the financial services available to businesses which neither the commercial banks nor the development banks can provide satisfactorily.

The industry could probably have done more if it have had conducive environments (free from nagging problems of inflation, unemployment, infrastructure,

low foreign exchange in-flow, low agricultural production, low industrial capacity utilization and weak financial structures of its Companies and Parastatals) - appropriate regulatory frame works adequate incentives and promotional government policies.

Given the country's level of industrialization of growth, development and transformation, Merchant banking industry still has a rosy and profitable future in Nigeria in that there is still need and armful opportunities for them to grow and develop.

It should be noted therefore that Merchant bank has passed through the process of readjusting to the changing business and regulatory environment and is now on the path of recovery and growth. They have conveniently met the prescribed international capital adequacy standards and has full accommodated the demands of the newly introduced prudential. Guidelines. The new accounting disclosure equirement for banks have also been complied with.

Suffice it to say, the potentials for the growth and development of the industry is still vast as majority of the populace are not yet fully informed about the services Merchant banks offers and as the economy improves, Merchant

banks impact will be much more felt. Young and old Merchant bank need to bring to bear on their operations those hall-marks-intensive marketing of their services, integrity, innovation, aggressiveness, harwork and astuteness so as to be able to contribute significantly and meaningfully to the economic development of Nigeria

It is implicit from the analysis that Merchant banks has lived up to expectation in their bid to transform the economy into a productive and profitable one.

5.3 RECOMMENDATION:

The need of Merchant banks' in their effort to developed the nation into a self sustaining economy cannot be over-emphasized. A developed and well functioning Merchant bank will without doubt see to the development of the entire economy. It is well advised that if Nigeria's economic development is to be enhanced, actions towards addressing the short comings of Merchant banks should be taken. The following measures are recommended:-

1. Direction of loans and advances to more productive channels over and above the present proportion. Merchant banks should be ready to comply with the Central Bank of Nigeria guidelines as regards meeting the target loans and advances allocated to the preferred sector and deemphasize allocation for the less preferred sector.

2. Given the fact that the finance require by a large majority of our economic units is necessarily medium to long-term in nature as a result of their infancy, the maturity patterns of these banks financial assistance must be change if the assistance is to be of any value.

3. Much more can be done by Nigerian Merchant banks to help the development of our economy. In the area of export financing for instance, the expertise and financial support of the banks will be very welcome. The growth and development of London into an International financial market place owes a great deal to the work and activities of the country's Merchant banking institutions. Thus, Merchant banks

can combine aggressiveness and innovativeness with their potentials to achieve same for Lagos and Nigeria in the West African and African business and financial environments.

4. There is also need for diversification and increasing the sources of their income.

5. Promissory Notes and other papers arising from loans and advances to such preferred subsectors as agriculture and manufacturing should be eligible for rediscounting to minimise if not eliminating the funding risks attendant to such credit as they tend to discourage Merchant banks from being active in these areas.

6. The public must be fully and thorough educated about the activities of the bank especially by the older Merchant bank and not so much concentrating on their individual gains but consider it as their own contribution to the growth and development of the industry and the country at large.

7. For Merchant banks to be able to carry out government wishes in term of lending area, they need the full support of the Central Bank of Nigeria in their medium term finding. This is in the assuring a continous availability of funds and stabilization of interest rate. This could take the form of a formal guarantee of funding or, preferably, the actual placing of 3 to 5 years deposits with Merchant banks at a reasonable interest rates for instance $\frac{1}{8}$ percent over the rate paid by the Central Bank of Nigeria for funds maturity.

8. If the Merchant bank are going to be able to help promote economic development by performing their functions well and patriotically, a pre-condition is that there must exist the right regulatory atmosphere as well as effective and truly beneficial incentives to the institutions. Moreso, apart from been regulated under a seperate legislative and regulatory framework, the bank must be told more precisely

what is expected of them and more importantly the basic freedom of operation must be provided to enable them do those things.

9. The Central Bank should allow Merchant Bank to charge premium interest rate without hinderance so as to encourage them in making more term loans.

10. Finally, the banks must mobilize local substitutes for the dwindling foreign capital inflow. Training programme and promotion coupled with properly taking care of staffs welfare by being adequately compensated and remunerated will in no small way contribute to the proficiency of its staff.

CHAPTER FIVE

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NAMES OF MERCHANT BANKS, EQUITY SHARE, DIRECTORS, BRANCHES AND LOCATION IN NIGERIA

1. ABACUS MERCHANT BANK LIMITED

EQUITY SHARE:	Nigerian (100%)
DIRECTORS :	Senator Olawale J. Adewumi (C/MD)
	Alh. M.A. Mohammed
	Arc. Adebayo Afe
	Mr. Ganiyu Sokoya
	Mr. Sadoku Irune
NO. OF BRANCHES:	1 (Head Office)
LOCATION:	Lagos.

2. ABC MERCHANT BANK LIMITED.

EQUITY SHARE:	Nigerian (100%)
DIRECTORS :	Chief(Dr) E.C. Iwuanyanwu, MFR (Chairman)
	Mr. Boniface A. Akuazoku (MD/Chief Exec.)
	Chief H.E. Onukogu
	Dr. J.O. Sonuga
	Mr. A.O. Orakwusi
	Chief Oly Adeyemi
	Dr. N.I. Nwachukwu
	Chief H.E. Onukogu
	Ossy holding Limited (Repr. by O.N.E. Nwgozeu)
NO. OF BRANCHES:	2 (Head Office Included)
LOCATION :	V/Island, Owerri.

3. AFRIBANK INTERNATIONAL LIMITED (MERCHANT BANKERS)

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Alh. I.Y. Abdullahi (Chairman)
		Mr. R.H. Ihyembe (GM/CE)
		Alh. Al-Mujtaba Abubakar
		Alh. I.A. Galandance
		Mrs. S. Kusamofa
		Mr. E.S. Nor
		Mr. I. Yusuff
		Mr. Tijani Isma (Alternate)
		Mr. Said O. Adebisi (Alternate)
NO. OF BRANCHES:		1 (Head Office)
LOCATION :		V/Island.

4. ALPHA MERCHANT BANK PLC

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Dr. Audu K. Abashiya (Chairman)
		Mr. Jimi A. Lawal (MD/CE)
		Dr. U.S.H. Maigida (Exec.)
		Chief G.I.C. Eneli
		Lord Chief D.U. Ifegwu
		Mr. Solomon F. Ezobi
		Chief M.A. Omisade
NO. OF BRANCHES	:	3 (including Head Office)
LOCATION	:	Lagos, Kano.

5. CENTRE - POINT MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Mr. Henry O. Omenai (Chairman)
		Mr. Dennis O. Odife (MD/CE)
		Mr. A.A. Ayida
		Mr. B.A. Idris Animashaun
		Mr. N. Nwanodi
		Mr. Omotayo Ogunsulire
		Chief H.E. Onukogu
		Chief J.C. Onwubuya
NO. OF BRANCHES	:	4
LOCATION		Lagos, Onitsha, Kano, Ibadan, Aba.

6. CENTURY MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Alh. Bashir Othman Tofa (Chairman)
		Dr. Mohammed Sagagi (MD/CE)
		Dr. Ime Sampson Umanah
		Dr.(Chief) Abel K. Ubeku, OFR
		Alh. Uba Lida Abubakar
		Mr. William Anumudu
		Alh. Keri Ahmed
NO. OF BRANCHES	:	2
LOCATION	:	Hq-Lagos, Kano, Ujo.

7. CITY TRUST MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Chief N.T.O. Coker, SAN (Chairman)
		MR. OTUKAYODE A. OTUFALE (VC/CE)
		Mr. Olakunle O. Osmowo
		Chief O. Alex Duduyemi
		Mr. R.A. Lawal
		Chief Chris O. Okunowo
NO. OF BRANCHES	:	1 (Head office)
LOCATION	:	Lagos.

8. COMET MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Dr. C.E. Abebe, OFR(Chairman)
		Chief Ted E. Inegbedion(MD/CE)
		Chief (Dr.) E. Agabe
		Chief J.F. Ale
		Alh. A. Baba-Nabegu
		Nze O.N.E. Nwaozuzu
		Mrs. A.L. Yougha
NO. OF BRANCHES	:	1
LOCATION	:	V/Island

9. CONTINENTAL MERCHANT BANK NIGERIA PLC.

EQITY SHARE	:	Nigerian-Fed. Min. of Finance Incep. 51%
		Staff of CMB 9%
		Warehoused shares 40%
DIRECTORS	:	A. Shekarau (Chairman)
		Mallam S.A. Umar (MD/CE)
		M.S. Udom (Execu.)
		C. Ashiwe (Execu.)
		M.G. Billi
		Tiamiyu Isola Bello
		J. Adesina
		M.V. Umoh
NO. OF BRANCHES:		6 (including HO)
LOCATION	:	Ikoyi.

10. CROWN MERCHANT BANK NIGERIA LIMITED

EQUITY SHARES	:	Nigerian (100%)
DIRECTORS	:	Chief G.O. Igbinedion (Chairman)
		Mr. Alan J. Milton MBE (MD/CE)
		Chief Patrick I. Eromosele(Exec.)
		Ezekiel S. Yesufu
		Lady C.L. Igbinedion
		Professor A.N.A. Modebe
		Chief(Hon.) Justice D.O. Coker
		Chief Etim O. Iyang
		Barrister A.O. Eghobamien
NO. OF BRANCHES:		3 (including Head Office)
LOCATION	:	Lagos, Kano, Benin.

11. DEVCOM MERCHANT BANK NIGERIA LIMITED.

EQUITY SHARES	:	Nigerian (100%)
DIRECTORS	:	Mr. Mike Ademuga Jnr. (Chairman)
		Mr. J.O. Ekundayo FCIB (MD/CE)
		Mr. A.M. Makanjuola (Exec)
		Alh. Jubril Usman
		Chief Kola Adegbola
		Dr. John Eimonye
NO. OF BRANCHES		3
LOCATION	:	V/Island (HO), Kano, Ibadan.

12. FBN (MERCHANT BANKERS) LIMITED

EQUITY SHARES	:	First Bank of Nig Plc - 60%
		Staff - 10%
		Private Nigerians Investors - 30%
DIRECTORS	:	Mr. J.O. Sanusi (Chairman)
		Chief Chilo C. Offiah (MD/CE)
		Mr. Keith N. Radford
		Mr. Abubakar Sadauki
		Mr. Bayo Kuku
		Mr. Umaru S. Ndanusa
		Mrs. Evelyne N. Oputa-Brume
NO. OF BRANCHES	:	1
LOCATION	:	Lagos.

13 FIDELITY UNION MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Oba J. Oluwole Sonoiki(Chairman)
		Machar A. Zoaka (MD/CE)
		Prof. Peter N. Umoh
		Chief James O. Osakwe
		Nafiu Baba-Ahmed
NO. OF BRANCHES	:	2
LOCATION	:	Lagos, PortHarcout

14. FINANCIAL MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Otumba W.O.O. Ajayi (Exec.Chairman)
		Alh. M. Damtatta
		Mr. I B.B. Ochonogor
		Mr. R.M. Slawinski
		Prince Jare Olateru-Olagbegi
NO. OF BRANCHES	:	1 (Head Office)
LOCATION	:	Lagos.

15. FIRST CITY MERCHANT BANK LIMITED.

EQUITY SHARE	:	Private Nigerian Investor 60%
		Guardian Royal Exchange Assurance PLC (U.K.) 40%
DIRECTORS	:	Otunba M.O. Balogun (chairman/CE)
		Dr. J Long (British) (MD)
		Mr. B.C. Molokwu (Exec.)
		Mr. O.O. Senbore (Exec.)
		Alh. Tijani Hashim (Galadima, Kano)
		Mr. Ladi Jadesimi
		Mr. G.T.S. Adokpaye
		Dr. (Mrs) M.A. Nwakoby
		Chief B.A. Olaogun
		Mr. Millar (British)-(Board Advisor)
NO OF BRANCHES:		2 (including HO)
LOCATION	:	Lagos, Kano

16. FIRST INTERSTATE MERCHANT BANK (NIGERIA) LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Chief (Dr) S.O. Asabia, OFR, FCIB, (Chairman/CE.)
		Prof. O. Aboyade, CON
		Alh. Bawa Bwari
		Chief J.A.O. Olopade
		Rev. I.O. Fagboyegun
		Alh. M.T. Waziri
NO. OF BRANCHES	:	1
LOCATION	:	Lagos (HO)

17. FOUNTAIN TRUST MERCHANT BANK LIMITED

EQUITY SHARES	:	Nigerian (100%)
DIRECTORS	:	Chief Kola Daisi (Chairman)
		Mr. H.B. Dabiri (MD/CE)
		Mr. R.L. Dittrich (DMD)
		Chief J. Alan-George (OFR)
		Mr. C.O.S. Oseni
		Alh. S.B. Musa
		Chief (Mrs) A. Balogun
		Alh. G. Busari
		Chief J.O. Amao
NO. OF BRANCHES	:	1
LOCATION	:	Lagos (HO).

18. [illegible] MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Lt. Col. P. Ogbebor (Rtd)(Chairman)
		Dr. M.O. Odaro (MD/CE)
		Mr. Felix O. Okoh
		Chief R.M. Akinola
		Lt. Col. D. Nehikhare (Rtd)
		Chief E.L. Osunkunle
		Engr. S.O. Odaro
NO. OF BRANCHES	:	2 (including Head Office)
LOCATION	:	Lagos.

19. GROUP MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	A.V.M. Moukthar Mohammed(Rtd)(Chairman)
		Mr. Oladiesun Odebode (MD/CE)
		Mr. Dotun Duro-Emmanuel
		Mr. Peter O. Arigbe
		Chief Babatunde Edu
		Mr. Christopher I. Anyaegbunam
		Alh. Bashir Dalhatu
NO OF BRANCHES	:	2
LOCATION	:	Lagos.

20. HILL CREST MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Rev. Dr. E.A. Fapohunda (Chairman)
		Mr. Selim Rahman (MD/CE)
		Alh. Sanni Adams
		Dr. Patrick N. Nwangwu
		Mr. Michael O. Shodunke
NO. OF BRANCHES	:	1
LOCATION	:	Lagos - HO.

21. ICON LIMITED (MERCHANT BANKERS).

EQUITY SHARES	:	Nig. Industrial Dev. Bank 60%
		National Insurance Corp. Nig 30%
		Staff/SPF 5%
		Institutional Investors 35%
DIRECTORS	:	Alh. Sadu Kassim (Chairman)
		Mr. Ambrose Agula Fesse (MD/CE)
		Mr. Edon E.O. Odungide (Exec.)
		Alh. Aliyu A. Alkali(MN) (Exec.)
		Mr. Amrbose A. Fasasi
		Mr. S.O. Osanyin
		Alh. M.S. Umar
		Mr. I.A. Aluko-Olokun
		Dr. D.Y. Araf
		Mr. Anyebe Uji
NO OF BRANCHES	:	6
LOCATION	:	V/Island-HO, Calabar, Kaduna, Kano, Abuja, Benin.

22. INDO_NIGERIAN MERCHANT BANK LIMITED.

EQUITY SHARES	:	Nig. Reinsurance Corp. 15%
		17 Nig. Citizens & Com. 39%
		Staff trust 6%
		State Bank of India(Foreign)40%
DIRECTORS	:	Chief A.O. Abudu (Chairman)
		Mr. K.K. Khare (Indian) MD/CE
		Alh. M.A. Capenter
		Mr. M.N. Goiporia (Indian)
		Mrs. N.E.J. Osadebe
NO.OF BRANCHES	:	1
LOCATION	:	Lagos - HO.

23. INDUSTRIAL BANK LIMITED (MERCHANT BANKERS)

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Prince(Dr.)S. Adedoyin (Chairman)
		Chief E. Ayo Awodeyi (Ag.MD/CE)
		Mrs. Olusola Somoye (Exec.)
		Mr. Adeoye A. Abidogun
		Alh. Labaran Kago
		Mr. Kayode Folorunso
NO. OF BRANCHES	:	1
LOCATION	:	V/Island-HO, Kano.

24. INTERNATIONAL MERCHANT BANK NIGERIA PLC

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Maj. Gen. M. Shuwa(Rtd)(Chairman)
		Bashir Tukur (MD)
		P.D. Rwang (Exec.)
		G. Shoroye (Exec.)
		J.O. Obajemu
		Madaki Illuyasu
		Kare Yekwu (Mrs)
		O.A. Obembe (Mrs)
NO.OF BRANCHES	:	5
LOCATION	:	V/Island-HO, Kano, Kaduna, P/Harcourt, Aba.

25. INVESTMENT BANKING & TRUST COMPANY LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Mr. D. Dankaro (Chairman) Mr. A.N.A. Peterside (MD/CE) Mr. A. Olawale Edun (Exec) Chief Olu Akinkugbe, MON Alh. Ahmed Dasuki
NO. OF BRANCHES	:	1
LOCATION	:	Lagos.

26. IVORY MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Prof. U.U. Uche (Chairman) Mr. A. Chijioke Mbagwu (MD/CE) Maj. Gen. D.M. Jemibewon (Rtd.) Dr. (Mrs.) Ndi Okereke-Onyiuke Air Vice Marshal A.D. Bello(Rtd) Dr. Edwin U. Unwudiwi
NO. OF BRANCHES	:	2
LOCATION	:	V/Islamd - HO, Aba.

27. KAPITAL MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Dr. Onwochie Odogwu (Chairman) Mr. I.A. Olayanju (MD/CE) Alh. M.A. Wushishi Chief P.M. Mbanefo Mr. S.A. Kufeji Mr. S.E. Emiowele
NO. OF BRANCHES	:	1 (Head office)
LOCATION	:	Lagos.

28. LEAD MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Dr. Benjamin Adigun (Chairman) Mr. O.A. Smith (MD) Hadjia Rakiyat Y. Shinkafi Mr. Olajuwon Adesina Engr. Saleh Jambo Mr. Akin A. Akinola Mrs. Victoria C. Okafor Engr. B.O.A. Fisher
NO. OF BRANCHES	:	1
LOCATION	:	V/Island - HO

29. LIBERTY MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Alh. Aliko Dangote (Chairman) Mr. Isaac Akin Fatade (MD/CE) Alh. Sanni Gote Mrs. M.A. Adeleke Alh. Sanni Abdu Mr. Sam Iwuajoku Alh. Bello Dangote
NO OF BRANCHES	:	2
LOCATION	:	V/Island - HO, Kano.

30. MANUFACTURES MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian Private Investors (100%)
DIRECTORS	:	Chief (Dr.) G.E. Ene (Chairman) Dr. J.N. Abaelu (MD/CE) Mr. I.C. Obi (Exec.) Dr. O. Ogunniyi Dr. J.U. Aire Dr.(Chief) A.E. Ilochbe Maj. Gen. G.O. Ejiga (Rtd) Alh. Lawal Garba
NO. OF BRANCHES	:	2
LOCATION	:	V/Island - HO, Onitsha

31. MARINA INTERNATIONAL BANK LIMITED (MERCHANT BANKERS).

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Alh. Chief W.I. Folawiyo OFR, (Chairman) Mr. Richard A. Priestman(MD/CE) Alh. T.I. Bello Chief Richard Okafor Mr. F.C. Quinn Alh. Ahmadu Haruna
NO. OF BRANCHES	:	1
LOCATION	:	V/Island - HO.

32 MERCHANT BANK OF AFRICA (NIGERIA) LIMITED.

EQUITY SHARE	:	Fed. Govt. of Nigeria 95% CBN 3.5% MBA Staff(Individual) 1.5%
DIRECTORS	:	Ambassador J. Iyalla OFR (Chairman) Chief B.O. Anyanwu (MD/CE) Chief (Arc.) A.M. Soetan Chief (S.N.) Okeke Alh. Bello Dange Chief C.T. Onyekwelu
NO. OF BRANCHES	:	5 (including HO)
LOCATION	:	Lagos, Onitsha, P/H, Abuja, Kano

33. MERCHANT BANK OF COMMERCE LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Alh. (Chief) J.A.A. Adeniyi, FCA (Chairman) Mr. J.A. Adeniyi Alh. Mal Sango Chief P.O.C. Ozieh Chief O.O. Balogun Alh. D.H. Abdu
NO. OF BRANCHES	:	2 (Including HO).
LOCATION	:	Lagos, Kano.

34. MERCHANT BANKING CORPORATION (NIG.) LIMITED

EQUITY SHARE	:	Nigerian Citizens 77.5% Foreign(Banque Paribas, Paris) 22.5%
DIRECTORS	:	Chief(Dr) M.A. Majekodunmi, CFR, MG (Chairman) Prof. T. Bello-Osasie, CON Chief (Dr.) S. Dankaro, CON Ambassador M.A. Samusi, CON Mr. F. Case (French) Mr. E.I. Aleyidemo Chief (Arc.) D. Majekodunmi Mr. J.M. Cezard (French) Ms. Christine Buchini (French AH) Mr. Olatunde Ogunbiyi
NO. OF BRANCHES	:	3 (Head Office Included)
LOCATION	:	Lagos, Kano, P/H.

35. METROPOLITAN MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Chief S.O. Bakare (Chairman) Mr. E.G. Ferrewa (MD/CE) Mr. M.O. Aluko (Exec) Prince C.A. Ariyo Chief Osita Onyejianya Chief F.A. Oguntimehin Alh. A. Abdulkadir
NO. OF BRANCHES	:	1
LOCATION	:	V/Island - HO.

36. MIDAS MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian Citizens and Institutions (100%) Mr. Sammy O. Olagbaju (Chairman) Chief Charles O. Adebiyi (V/Chairman) Mr. David Richards(British) MD/CE Alh. Adewale Abimbola Alh. M. Tata Askira Mr. Alex Ibru Dr. U.J. Itsueh Dr. (Chief) S.F. Kuku
NO. OF BRANCHES	1	1
LOCATION	:	Lagos.

37. NAL MERCHANT BANK PLC

EQUITY SHARE	:	National Ins. Corp of Nig (NICON) 26.8%
		New Nigeria Dev. Company 10.3%
		John Holt Group 10.0%
		NAL Staff and Other Nig. Citizen N.A.
		Nigerian Public N.A.
		Foreign:
		AMEX 25%
		John Holt Group 10%
DIRECTORS	:	Alh. Yaya Abubakar (Chairman)
		Mr. P.O. Kumolu (MD/CE)
		Chief Sola Dada (Exec.)
		Dr. J.N. Ezikpe (Exec.)
		Alh. Umar Kazaure
		Mr. J.I. Abulime
		Chief C.I. Ezeh
		Prof. M.A. Makinde
		Alh. I.S. Puntua
		Alh. M. Kari
		Alh. Baba O. Tofa
		Alh. A. Aliyu
No. of Branches	:	5 (including H/O)
LOCATION	:	Lagos, Ibadan, Kano, Owerri, Kaduna.

38. NATIONWIDE MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Dr. (Alh.) S.A. Bello (Chairman)
		Chief S.A. Ofikutu (MD/CE)
		Mr. G.O. Ofodile
		Lt. Col. T. Oyedele (Rtd)
		High Chief Bola Adedipe
		Alh. Hassan A. Mohammed
NO. OF BRANCHES	:	3 (including HO)
LOCATION	:	Lagos, Kano, Onitsha

39. NEW AFRICA MERCHANT BANK LIMITED

EQUITY SHARE	:	Private Individuals 44%
		New Nig. Dev. Coy Ltd (NNDC) 35%
		Bank of the North (BON) 16%
		Employees of New Africa 5%
DIRECTORS	:	Alh.(Dr.) U.A. Mutallabi, CON (Chairman)
		Mallam Dabiru Muhammad (MD/CE)
		Alh. U. Yahaya (Exec.)
		Alh. A.D. Rufai
		Alh. A.D. Kassim
		Alh. M.B. Alkali
		Alh. Abdul Razaq (SAN)
		Mr. John A. Akson
		Alh. Mustapha Kachalla
NO.OF BRANCHES	:	2
LOCATION	:	Kaduna-HO, V/Island.

40. NEW WORLD MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Chief T.A. Fagbola (Chairman)
		Mr. J.S. Shroff (GM/CE)
		Alh. M.D. Yusuff
		Mr. B.C. Asnani
		Alh. A. Ahmed
		Mr. P.U. Ofili
NO. OF BRANCHES	:	1
LOCATION	:	Lagos - Head Office.

41. NIGBEL MERCHANT BANK NIGERIA LIMITED

EQUITY SHARE	:	Nigerian - 60%
		Belgolaise S.A.(Belguim) 40%
DIRECTORS	:	Chief N.O. Idowu (Chairman)
		Mr. J. Marquebreucq (MD/CE)
		Alh. B. Gubio
		Mrs. Ajao
		Mr. D. Budhrani (Indian)
		Mr. M. Isralson (Belgian)
NO. OF BRANCHES	:	2 (including H/O)
LOCATION	:	Lagos, PortHarcourt.

42. NIGERIA MERCHANT BANK PLC

EQUITY SHARE	:	Fed. Ministry of Finance Incop.60%
		United Bank for Africa Ltd 40%
DIRECTORS	:	Alh. M.I. Atta (Chairman)
		Mr. A. Adebo (MD/CE)
		Chief E.S.O. Olisambu (V/Chairman)
		Alh. A. Abdullahi (Exec.)
		Mrs. J.V. Nwokedi (Exec.)
		Mr. G.C. Hoyami (French)
		Mr. M. Sanda
NO. OF BRANCHES	:	4
LOCATION	:	Lagos, Kaduna, Onitsha, Jos, PortHarcourt.

43. NIGERIAN - AMERICAN MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian Citizens 60%
		First National Bank of Boston 40%
DIRECTORS	:	Alh. Ibrahim M. Damcida(Chairman)
		Mr.Osaro Isokpan (MD/CE)
		Mr. Rex Ibikunle Alakoja
		Mr. Victor Adeyeye Adegoroye
		Mr. Robert Ward
NO. OF BRANCHES	:	4 (including Head office)
LOCATION	:	Lagos, Kano, Portharcourt,Kaduna.

44. NIGERIAN INTERCONTIENENTAL MERCHANT BANK LTD.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Raymond C. Obieri (Chairman)
		Erastus B.O. Akingbola (MD/CE)
		James P. Standing(British)(Deputy MD)
		Chris A. Alabi
		Dr. Patrick I. Amenechi
NO. OF BRANCHES	:	5 (including Head Office)
LOCATION	:	Lagos, Kano, Onitsha, Ikeja,Abuja.

45. PACIFIC MERCHANT BANK LIMITED

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Dr. Adedeji Adeleke (Chairman)
		Mr. K.V. Adenirokun
		Mrs. Anne B. Ojeogwu
		Mrs. Adebisi Ashiru
		Mrs. Esther N. Akparah
		Alh. Waziri Mohammed
NO. OF BRANCHES	:	2
LOCATION	:	V/Island- H/O, Kano.

46. PEAK MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Commissioner M.A. Oluokun(Rtd) (Chairman)
		Mr. O.Y. Abu (MD/CE)
		Dr. Uma Oke Eleazu
		Chief Paul Sunday Achimugu
		Deaconess Florence Oluokun
NO. OF BRANCHES	:	1
LOCATION	:	V/Island - HO.

47. PRIME MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Alh. A.O.G. Otiti (Chairman)
		Chief A.A. Owoade (V/Chairman)
		Chief T. Akinyele
		Chief Hope Harriman
		Maj. Gen. Hassan Usman Katsina(Rtd.)
NO. OF BRANCHES	:	1
LOCATION	:	Lagos.

48. PRUDENT MERCHANT BANK PLC.

EQUITY SHARES	:	Nigerian (100%)
DIRECTORS	:	Mr. S.O. Ogundipe (Chairman/CE)
		Arc. G.Y. Aduku (Amana Ogohi I)
		Mr. W.J. Anukpe
		Prof. O. Ekirueme
		Maj. Gen. Z. Lekwot (Rtd)
NO. OF BRANCHES	:	1
LOCATION	:	Lagos.

49. RIMS MERCHANT BANK LIMITED

EQUITY SHARES	:	Nigerian (100%)
DIRECTORS	:	Alh. A. Ibrahim SAN,OFR(Chairman)
		Mr. E.A. Ocholi (VC/CEO)
		Mr. S.I. Ayininuola (MD)
		Prof. J. Gana
		Dr. I.M. Mangga
NO. OF BRANCHES	:	3
LOCATION	:	Kaduna, Abuja, Lagos - HO.

50. ROYAL MERCHANT BANK LIMITED.

EQUITY SHARES	:	Nigerian (100%)
DIRECTORS	:	Mr. F.M.O. Osifo (Chairman)
		Mr. Henry E. Imasekha(MD/CE)
		Mr. Felix U. Ezeamama
		Maj. Gen. A Rimi (Rtd)
		Mr. Josiah Uzoezie
NO. OF BRANCHES	:	2
LOCATION	:	V/Island - HO, Onitsha

51. SOCIETE BANCAIRE NIGERIA LIMITED (MERCHANT BANKERS)

EQUITY SHARE	:	Nigerian 60%
		French 40%
DIRECTORS	:	Lt. Gen. G.S. Jalo Rtd(Chairman)
		Chief William Brooks (MD/CE)
		Commodore D.E. Ukiwe (Rtd)
		Chief E.I. Aleyedemo
		Mr. B.A. Ehizuerilen
		Alh. Hassan Adamu
		Chief M. Lababidi (American)
		Mr. Janoudi (French)
		Mr. R. De Beauvoir (French)
NO. OF BRANCHES	:	1
LOCATION	:	Lagos.

52. STANBIC MERCHANT BANK LIMITED.

EQUITY SHARES	:	Nigerian Citizens 60% SBIC African Holding Ltd. (Foreign) 40%
DIRECTORS	:	Alh. Isiyaku Rabin (Chairman) Mr. J.N. Leggett(British)(MD/CE) Prince Babatunde A. Odedina(Exec.) Alh. Mohammed Bello Aliyu
NO. OF BRANCHES	:	2 (including HO)
LOCATION	:	Lagos , Kano.

53. TRIUMPH MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Chief (Dr.) Joseph J. Ajatta (Chairman) Mr. Goodie M. Ibru (V.Chairman) Mr. Esan Ogunleye (MD/CE) Chief Mobolaji Ajose-Adeogun Mr. H.A. Agbebiyi Mr. R.O. Adewusi Chief Ike Nwokolo
NO. OF BRANCHES	:	1
LOCATION	:	Lagos - HO.

54. VICTORY MERCHANT BANK LIMITED.

EQUITY SHARE	:	Nigerian (100%)
DIRECTORS	:	Otunba(Dr.) M. O. Jolayemi (Chairman) Mr. Alex O. Bamgbola (MD/CE) Alh. Sule Isyaku Dr. Joseph I. Folayan Mr. B.A. Adeniran Mr. Alfred O. Alugo
NO. OF BRANCHES	:	1
LOCATION	:	V/Island - HO.