CUSTOMER - MIX OF NIGERIAN RURAL BANKS: A CASE STUDY OF UNITED BANK FOR AFRICA PLC RANO BRANCH

BY

ONUORA, CHUKWUMA

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DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF ADMINISTRATION
AHMADU BELLO UNIVERSITY
2ARIA

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DECLARATION

I, Chukwuma Oruora, a Nigerian adult hereby declare that this work entitled: "Customer-Mix of Nigerian Rural Banks: A Case Study of United Bank for Africa PLC, Aro Branch" was composed by me. It has not, hitherto, either in part or in whole, been presented anywhere for any purpose.

All quotations and sources of information have been duly acknowledged through the bibliography annexed hereto.

.....
Chukwuma Onuora

Date...31/12/92...

CERTIFICATION

This thesis entitled: "Customer-Mix of Nigerian Rural Banks: A Case Study of United Bank for Africa PLC, Rano Branch", meets the regulations governing the award of Master of Business Administration degree by the Post Graduate School, Ahmadu Bello University, Zaria, and is hereby approved for its contribution to the advancement of knowledge and literary presentation.

..... A-Sic.nA	Aug 20, 1993
SUPERVISOR	DATE
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HEAD OF DEPARTMENT	DATE
.....	.....
EXTERNAL EXAMINER	DATE
.....	26/1/96
DEAN, POST GRADUATE SCHOOL	DATE

DEDICATION

I dedicate this research work to the everlasting memory of Lucas Paciolli, the Italian Monk and Mathematician who, in 1494 in the merchant-city of Venice in Italy, invented the Principle of Double-postings, without which modern large-scale accounting would have been impossible and in turn modern large-scale banking, rural or urban, would have been unthinkable.

ACKNOWLEDGEMENT

I thank immensely Mr. Anthony Silva of the Department of Accounting. He supervised this project and granted me sufficient consultation.

The Manager, Mallam Aminu, his leave-reliever Mr. Wakawa and all other staff of the UBA Rano Branch deserve my sincerest commendation for their cheerful devotion to duty and for their friendly disposition towards me.

Furthermore, I must acknowledge that the industry and fortitude of Dr. (Mrs.) Joan Nwasike, our first co-ordinator of the MBA programme, formed part of the pillar of my courage towards my completion of the MBA project and programme.

ABSTRACT

The Federal Government of Nigeria throuqh the Central Bank of Nigeria, embarked upon a nation-wide rural banking programme, ostensibly with the aim of encouraging the use of banks by rural individuals, thereby mopping up enormous rural funds for more productive re-distribution and re-investment through the banking system. After many years of the existence of the Rural Banking Programme, it is necessary to find out now truly rural where are those banks located in the rural areas.

In this study, based on the UBA Rano Branch, the rurality of rural banks was measured principally by means of percentage comparison of the maximum deposits ever made at any time by various categories of customers; leading to evaluation of the percentage participation by rural individuals.

The finding is briefly that participation by rural individuals is still meagre, but nevertheless government effort is impressive and hopeful.

Finally, to hasten the realisation of optimal rurality in rural banking, a number of measures such as the use of "Saveway Stamps" are recommended.

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CHAPTER ONE

INTRODUCTION

1.1 An Overview

In this chapter, mainly with a view to establishing the relevance and feasibility of the research project, the researcher takes stock of the general nature of the immediate problem to be solved by this research, the aims and objectives, motivation, brief particulars of United Bank for Africa PLC, Rano Branch, brief particulars of Rano Local Government Area, sample size, hypothesis, methodology, instrumentation, literary sources, key terminologies and project layout.

1.2 The Problem

The immediate problem is to determine, through analysis of the customer-mix of United Bank for Africa PLC, Rano Branch whether or not the branch is patronised mainly by rural individuals.

It is part of the hypothesis yet to be fully stated, that patronage by rural establishment is not a dependable indicator of true rural patronage particularly where the rural establishments are mostly extensions of urban establishments.

1.3 Aims and Objectives/Contributions

The aims and objectives being the expected contributions, principally are:

a) To determine by extension whether or not rural banks generally are serving their announced purpose which is to harness ill-employed or idle rural funds and promote banking culture among rural dwellers.

b) To assist in the development and maturation of strategies which will enhance rural banking culture.

1.4 Motivation

Motivation for this research originated rather obliquely yet substantially from the admiration

which the researcher has for the remarkable gentility, humility and humanity, in and out of work, of the current Branch Manager of the United Bank for Africa PLC, Rano Branch, Mallam Aminu. These qualities, are the ideal personal qualities of a manager of a rural or any bank. But to what extent are such qualities being exploited towards promoting the evolution of rural banking culture?

It was the need for an answer to the above question that led the researcher to the desire to reach into the customer-mix of the United Bank for Africa PLC, Rano Branch.

1.5 Brief Particulars of the United Bank for Africa PLC, Rano Branch

The United Bank for Africa PLC, Rano Branch first opened for business in 1984. It is still the only bank in Rano Local Government Area.

It is located along the Rano end-way of the Rano-Bunkure-Karfi-Kano road, about half kilometer before the main modern ornamental gate of Rano

which gate lies at the boundary of the Rano mini-township area, being also the boundary between Rano Local Government Area and Bunkure Local Government Area.

The bank's premises consists of a white, glass-paned, ordinary-looking modern bungalow spaciously enclosed by rectangular compound walls.

Neighbouring establishments that lie on the same road, include the Rano Local Government Secretariat which lies on the opposite side of the road, Rano General Hospita, Primary Schools Management Board, the Wholesale Co-operative Society, and the Police Station. The bank presently has a staff strength of eight as follows: One manger, one accountant, one cashier, one clerk, one typest, two messangers, and one driver. Security service is provided by policemen hired from the nearby police station.

The United Bank for Africa PLC, of which UBA Rano is a branch, is a gigantic public quoted company with substantial but minority federal government holdings. It has international affiliates.

1.6 Brief Particulars of Rano Local Government Area

Rano Local Government Area has an officially assumed population of about 450,000 inhabitants, according to the Chairman of the Local Government Council. In the context of the hot dry climate of Kano State and environs, the climate of Rano is jealously regarded as southern, rainy and equable, although a non-northerner may not feel the difference.

Rano, which is the capital of Rano Local Government Area is well known by name all over the far north through Hausa history and legend which recount Rano as one of the foremost of the original and authentic ancient Hausa city-states (the Hausa Bokwai). Rano was once as economically important as Kano, and some say that Kano which is only about fifty kilometers away, originated from Rano.

Ancient Rano was ecologically distinguished in northern Nigeria because it was a walled city, uniquely surrounded by hills that still serve as parts and completions of subsisting, but partly

crumbled walls of the city which like, the walls of Kano City were fitted with gates.

The great age of certain zinc-roofed buildings including parts of the Local Government Secretariat and of the Rano Comprehensive Secondary School, attest to the fact that Rano was one of the oldest colonial provincial headquarters in Nigeria. Several Local Goverrments were subsequently carved out of the former Rano Province.

Today, Rano city is broadly inhabited by two mainstreams of people. The Hausa aborigines inhabit the out-of-sight villages which border the hillsides. The Fulani conquerors among whom are immigrant Hausa, Tuaregs and other desert and North African tribes-people, inhabit the prominent mud-city alum area around the well-known Rano market. A "Fulani" is the district head appointed by and responsible to the Emir of Kano.

Newer-wave strarger elements: Igbo s with rpominently located motorparts, medicine and other shops; Yorubas and other tribes; are noticeable more on account of their business activities than

on account of their number which may not really total more than two thousand.

The Rano Friday Market still bustles and overflows but it is no longer the famous food basket of the North. The large commercial farms in the local government area export most of their seemingly invisible "products". The special goat market and pepper market still attract from distant places, retailers and wholesalers and lorries. Groundnut, guinea corn and cattle are other products of local farmers. Bunkure which produces plentiful rice using canal irrigation, is no longer part of Rano Local Government Area, but is the headquarters of the new Bunkure Local Government Area.

Rano was once as important as Kano. But till today, it remains largely a mini-township slumb, with neither pipe-borne water nor grid-electricity. Interestingly, on the positive side, even more than in Kano, there are many adult males of Rano who are willing and able to communicate with non Hausa-speaking strangers in

fair or pidgeon English or by friendly gesticulations, and to manage provision stores.

Apart from two other smaller mud-palace communities: Rurum (blessed with pipeborne water and grid-electricity), and Kibiya, the rest of the local government area consists of farm villages and pastoral settlements.

The largeness of population, camouflaged by fewness of the polygamous homesteads, is usually evident only during Friday Jumaat when inponderable multitudes of males alone gather for prayer at the Rano Central Mosque.

1.7 Sample Size

There are at present, about 959 local government areas in Nigeria. Hence, the question may arise whether the study of one local government area (Rano), a seemingly infinitesimal sample size of 1/959, could provide sufficient or substantial basis for meaningful pontification on the customer-mix

of Nigerian rural banks. My answer in Yes, for the following reasons:

a) Nigerian rural banks were created by the same rural banking policy and operate under the same guidelines of the Central Bank of Nigeria. Therefore, their survival strategies, hence their classes of customers will not differ excessively.

b) Rano Local Government Area is experiencing the same state of low literacy and inflation driven under-development and mass poverty, as are the majority of Nigeria's Local Government Areas, except perhaps in a few parts of southern Nigeria mainly the present Anambra State.

c) Apart from cultural difference arising from variations in socio-politics and in colonial religious beliefs, the basic economic strategies of Nigeria's rural poor, as relevant to banking attitude, are not as totally

> irreconcillable as they may appear, especially considering that the years of existence of Nigeria as one nation; coupled with the spread of Western education, has resulted in a little but significant national attitudinal integration.

Significant though the cultural differences which arise from socio-politics and religion really are, my premise is that they are not likely, in any part of Nigeria, to fatally erode our research hypothesis, which follows:

1.8 Hypothesis

a) Definition of Hypothesis

The researcher has defined hypothesis, for the purpose of this research work, as: a fundamental viewpoint representing the ideal situation. It may or may not wholly or partly be the subsequent findings of a research.

A hypothesis is therefore related to a theorem; except that while a theorem is fully quantified and

quantified and has been tested by time; a hypothesis is either yet to be fully quantified or yet to be tested adequately by time or both.

In science, theorem represents the most perfected form of hypothesis and general semantic theory; but in social studies, wherein quantification is less reliable, theory's best state is hypothesis.

The foregoing definition and view of hypothesis are partly those of the researcher, although apology would not be urgent should they differ from presently popular definitions and views of hypothesis, many of which appear to the researcher to encourage biased investigations based on formulations of prior conclusions.

b) Research Hypothesis

This research work is based on the general hypothesis that: If a bank is truly a rural bank:

i) At least ten percent (10%) of the rural individuals should have accounts in that bank, and or other banks in the

local government area.

ii) Rural individuals will usually make the highest total deposits.

iii) Rural individuals will usually take the highest total loans and advances.

iv) The location of the bank will be in the rural heartland, or otherwise with obvious consideration for easy accessibility to the rural majority.

v) The language of business will be the rural majority.

vi) The banks' transactional methodologies, services, and terms will be found suitable, and will be found to be widely propagated, reasonably understood and accepted among the rural majority including non-customers.

vii) There will be at least a periodic programme of public enlightenment to disseminate information on the banks language and methodologies, and to

sustain rural awareness of the need and benefits of banking.

viii) At least one of the staffs will be trained and certificated in relevant rural banking.

This hypothesis believes that banking by rural establishments which are mostly extensions of urban establishments, is not a reliable indicator of the degree of rural banking acculturisation.

1.9 Definitions of General Terms

The following terminologies (bank, banking business, rural bank, bank customers, customer-mix, and research) are considered to deserve advance recap or rehearsal of their definitions:

a) Bank

The banking Decree of 7th February 1969[6] (which repealed the Banking Act 1958) and its amendment decrees of 1970 and 1979, taken jointly, defined a bank as: Any person who carries on banking business as:

i) Acceptance House: Being a bank that grants acceptances or similar facilities.

ii) Commercial Bank - being a bank which accepts chequeable demand deposits.

iii) Discount House - being a bank which deals in securities.

iv) Merchant Bank - being a bank engaged in wholesale banking such as medium and long-term financing, equipment leasing, debt factoring, investment management, issue and management of bills, and management of unit trusts.

v) Financial Institution - being any other type of bank.

Banking business can only be done in Nigeria by a company which is incorporated in Nigeria and is in addition licenced as a bank by the Minister of Finance on application through the Central Bank.

It is an offence for any person other than a licenced bank to directly or indirectly advertise

for, solicit, or accept deposits from the public. The maximum penalty is two years imprisonment, or ₦200 or both.

It is not clear how this decree relates to the old moneylenders Act under which individuals could be licensed to lend money at interest; but not necessarily to accept deposits.

It is also not clear how the decree relates to communal savings and loans schemes, especially to the Co-operative Law of 1956 which empowers co-operative societies to accept deposits from members, and to give loans to members and which recognises such special societies as Co-operative Thrift and Credit Societies.

However, it is clear that the decree abolishes unlicenced savings and loans businesses. The undecided court case in Port-Harcourt, of Attorney-General Vs. Umana, is a reminder of this abolishment. "Loan" of course refers only to loans or advances or credits made at interest charge; but not to friendly interest-free loans.

The United Bank for Africa PLC is registered and licenced in Nigeria. It is a commercial bank.

b) Banking Business

The same Banking Decree 1969 et seq defines banking business as dealings in chequeable demand deposits, acceptances, securities, or such transactions as the "Commissioner" (Minister of Finance) may, on the recommendation of the Central Bank of Nigeria, publish in the Federal Gazzette as Banking business.

c) Rural Bank

The Central Bank of Nigeria offered to commercial banks a package of tax and other actually mandatory incentives in order for the commercial banks to establish stipulated numbers of rural branches, over stipulated periods of time.

The Rano Branch of the United Bank for Africa was established under the Central Bank's rural banking programme. This was before the

conception of the idea of community Banks none of which has been established in Rano Local Government Area and its environs.

For the purpose of this research work, a rural bank is any licenced bank or branch of licensed bank which fulfils all the conditions stated in the hypothesis.

d) Bank Customers

For the purpose of this research, bank customers are defined as all persons who have ever opened savings account at the United Bank for Africa PLC Rano Branch, regardless of whether or not the account is closed or still open.

Ordinarily, bank customers include sundry transactors of other types of banking businesses such as transient purchasers of drafts; but these other categories of customers are not included for this research, which focuses, as has been explained, on the banking culture of rural individuals.

e) Customer-Mix

By customer-mix we mean the composition of

holders of savings, current, or fixed deposit accounts according to such classifications, as:

i) Rural individuals (teachers, other bank-paid workers, sundries).

ii) Co-operative societies

iii) State government establishments (secondary schools, higher institutions, hospitals, ministries parastatals, sundries).

iv) Federal Government establishments (secondary schools, higher institutions, hospitals, ministries, parastatals, police stations, military units, sundries).

v) Local Government Council(s)

vi) Local Government establishments (primary schools, independent departments, special projects, sundries).

vii) Community Councils

viii) Communal clubs and societies, not being co-operative societies.

The indices of comparison will among others include number of customers as well as highest total deposits and highest total advances at any time present or past.

f) Research

A research is a systematic scientific or socio-scientific investigation based on prestated but flexible objectives, hypothesis, and methodology with a view to discovering and proving new facts and or situations which wholly or partly compliment or contradict the hypothesis with reference to the objectives.

A research in respect of which it proves to be impossible or undesirable to even sketch the objectives, hypothesis and methodology in advance, is a pure adventure or gamble; and may of course be viewed also as a "pure research". A recap of known process would be a research if it is undertaken for the purpose of verification, confirmation, information, or updatement.

This research work is a socio-scientific investigation.

1.10 Project Layout

The project report consists of Chapter One: Introduction; Chapter Two: Literature Review; Chapter three: Research Methodology; Chapter four: Data Presentation and Analysis, and Chapter five: Findings, Conclusion, Limitations and Recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Definition, Aims and Objectives of Literature Review

Literature review, in this case, would normally mean to summarise previous research and other publications if any on this particular topic: "Customer-mix of United Bank for Africa Plc, Rano Branch. Opportunity would also normally be siezed to review other closely related or otherwise relevant previous publications world-wide.

The general aims of literature review are:

a) To display up-to-date awareness of the universal state of relevant knowledge as may be evidenced by an researches and publications on the specific or closely related topic.

b) To clearly locate the knowledge-gap which the research intends to fill in the context of any existing state of knowledge, ignorance, or obsolescence.

c) To display awareness, without introducing biases and premature conclusions, of the main viewpoints, including real or apparent arguments of previous researchers and writers as relevant to silent prior-probabilities that the hypothesis may or may not be wholly or partly fulfilled.

These statements regarding definition, aims and objectives of literature review are those of the researcher. They are considered to be of maximum purposefulness and any differences vis-a-vis alternative statements should please be glossed over in good faith, since this research work is not on the topic "Literature review" per se.

2.2 State of Research and Knowledge on Customer Mix of United Bank for Africa Plc, Rano Branch

There has been no previous external research of any kind directly involving the United Bank for Africa Plc, Rano Branch; according to the Branch Manager. We may assume of course that the UBA Plc internally keeps record of and regularly analyses

the customer-mix of the rural branches, and that the central Bank of Nigeria which in April 1977 introduced the rural banking scheme, does the same. Indications are that such internal records have served the selfish and bureaucratic interest of the banking sector more than the universal interest of maximising rural banking intesntiy.

The Nigerian Institute of Bankers, sponsored a seminar from 29th March to 1st April, 1979 at the University of Ife; and selected papers of the seminar were published in 1973 under the title: Rural Banking in Nigeria.[2] This book cortains so far the most intensive, incisive and comprehensive publications relevant to the customer-mix of Nigerian rural banks. However of the books numerous quantitative tabulations, the nearest yet quite distant, to the concept of quantifying the customer-mix of rural banks, were two.

First Adeniyi Osuntogun made an "analysis of agricultural lending by commercial banks. The analysis contained inter alia the following data for 1977:

Value of total loans and advances	...	N30,927,123
Value of credit made to Agricultural section	...	N1,211,528
Percentage of total loans and advances	...	3.9%

Second, Wole Adewunmi provided a table titled: Nigerian Agricultural and Co-operative Bank: Commitments by Type of Clients, August, 1973 to May 1977, inter alia. The table contained in respect of cummulative disbursement as at 31/5/77 the following data:

Companies	N10,388	10%
Individuals	29,953	28%
State Agencies	42,301	39%
Co-operatives	11,340	10%
State owned Co-operatives	13,858	13%
	107,841	100%

It is not indicated which of the clients are considered to be rural. But if we assume that co-operatives and about ¼ of individuals are rural, then Adewunmi would be saying that about 17% of

NACB loans are rural; although further details of rural-mix are not provided.

Generally, so far, it appears to have been assumed that the customer-mix of rural banks and the overall effectiveness of the rural banking scheme can be studied only in terms of agricultural lending by banks, on the assumption that agricultural lending to whomsoever should automatically be an index of the level of rural banking intensity.

2.3 Location of Knowledge-Gap to be Filled ir the Content of Existing Knowledge

With the aforestated aims and objectives of this research work in view, the hypothesis includes in part that the most revealing component of the customer-mix of rural banks is the percentage participation by rural individuals, not as has already been much harped upon, total rural participation, and participation by such ill-defined sectors as "agricultural sector". Accordingly, this research work will focus on the

percentage participation by rural individuals including rural co-operatives and communal non-corporate associations.

2.4 Readings Relevant to Prior-Probabilities

a) Of Rural Individuals Being the Largest Customers, or Having Highest Deposits or Savings

An argument can be inferred to exist. On one side of the podium are those who expressly or impliedly believe that rural individuals of developing countries like Nigeria are too wretched to have any savings to deposit in banks. For example, Robert S. McNamara, the former President of the World Bank Group, in his address to the World Bank Group's Board of Governors, on 24th September, 1974, at Nairobi, Kenya,[10] lamented as follows:

> Absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities.
>
> It is a condition of life suffered by relatively few in the developed nations but by hundreds of millions of the citizens of the developing countries represented in this room. Many of you have cause to know far better than I that:

- One-third to one-half of the two million human beings in those countries suffer from hunger and malnutrition;

- 20% to 25% of their children die b before their fith birthdays. And millions of those who do not die lead impeded lives because their brains have been damaged, their bodies stunted, and their vitality sapped by nutritional deficiencies;

- The life expectancy of the average person is 20 years less than in the affluent world. They are denied 30% of the lives those of us from the developed nations enjoy. In effect, they are condemned at birth to an early death.

- 800 million of them are illiterate and despite the continuing expansion of education in the years ahead, even more of their children are likely to be so.

This is absolute poverty: a condition of life so limited as to prevent realisation of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity - and yet a condition of life so common as to be the lot of some 40% of the people of the developing countries.

Within the rural areas, the poverty problem revolves primarily around the low productivity of the millions of small subsistence farms. The truth is that despite all the growth of the GNP, the increase in the productivity of these small family farms in the past decade has been so small as to be virtually inperceptible.

Thus, at this juncture, Rober McNamara struck the chord of the situation which Leibestein described as self-perpetuating poverty and proposed as the theory of "Low level equilibrium trap".[15]

Consistent with Leibestein's theory is the following expatiation by John Malthus:

> At low initial level of development, improvements in living standards would tend after a time to induce accelerated rate of population growth which would overtake the expansion of total income and thus force per capita income levels back down again... At low per capital income levels, the income - depressing forces are more significant than the income raising ones and thus the economi s tend to return eventually to a state characterised by a near subsistence level of income.

According to Nurkse, the inducement to invest is limited by the size of the market. And according to John Maynard Keynes: "Saving is determined by per capita income".

The universal decryment of the low per capita income of underdeveloped countries is much boosted in Nigeria by consistent views of such

economic experts as Professor O. Aboyade. In his book, Issues in the Development of Tropical Africa, he wrote:

> Tropical Africa ranks very low in the world's scale of per capita output. Of the 25 countries recently defined or measured by the United Nations as the least developed in the world, 16 are in tropical Africa. By the common criteria of underdevelopment, all the countries in the region are underdeveloped. Scarcely any of the countries had achieved a per capita income of $200 per annum... But what is probably more striking indeed frustrating is the economic distance between tropical Africa and the rest of the world, notably widening unabated.

The gravamen of this side of the argument is that rural individuals of under-developed countries are too wretched to have any dealings with modern banks.

But on the opposite side of the podium are those who believe that rural individuals do not have insignificant banking potential. Rather, rural banking is victimised by rectifiable errors and omissions on the part of the banking

industry and of the government and the co-operative movement.

In the book: Credit Union Development in Africa,[11] Hans H. Muker wrote:

> ...in most developing countries you have a vast widely scattered capital resource which is relatively untapped and unmobilised. Many economists now strongly believe that rural savings capacity has been seriously underrated and this is supported by the success achieved by credit unions and other co-operative unions in Ghana in the mobilisation of small local savings. I understand that it is on record that from modest beginnings, the credit Union Associatior of Ghana had accummulated savings of 1.6 million cedis by 1973, mostly from workers and farmers.
>
> With the right leadership and organisation, a great deal can be done in this field of mobilising small local savings. The most impressive collections for savings from relatively poor rural people have been obtained by co-operative organisations rather than by big banks. Outstanding examples are the farmers associations of South Korea and Taiwan in the post-war years. The National Agricultural Cooperative Federation of South Korea had accumulated $291 million in small savings as of 1975 most of it from very small farmers, with an average income of $200 a year. In Taiwan, the farmers associations had

> a total of $124 million by 1975. In both countries, farm productivity has been rising and the two organisations mentioned have been the main sources of agricultural credit.
>
> The structure of the societies of both countries is similar to ours in large number of small-scale farmers. The moral moral for the big banks may be stated as follows: the potential savings capacity in low income areas seem to exist but its mobilisation may require a kind of approach that the banks are not well suited to use by themselves. A local organisation like a co-operative association, or a credit union can more readily reach small savers and may better inspire their trust and if the leaders of such organisations are motivated to collect savings, the results could be quite remarkable.

Nearly all of the papers presented at the Ife Seminar were on the same side of the debate as Muller's Thesis. They concur that poor organisation is to blame for rural banking inadequacies.

b) Of Rural Individuals Receiving Highest Loans and Advances

Mrs. E.T.O. Oyatoye, in her paper titled: "The Nigerian Banking System and Credit Needs for Rural Development",[14] wrote:

The majority of farmers have no access to commercial banks because of the lack of acceptable collateral, Land which constitutes one of the most important assets of a traditional farmer, is not an acceptable security because the customary tenure system makes it inalienable by individuals. One may as well point out here that with the exception of the Co-operative Bank of Nigeria (which is supposed to be a farmers bank); most or all others would insist on suitable collaterals. Farm lending by the Co-operative Bank is done mainly through the various farmers Co-operatives. Banks in Nigeria look or agricultural business as shaky and unpredictable venture because most of the factors controlling the farm enterprise are largely beyond the control of the farmer himself and banks generally are not interested in granting loans for ventures on which they are not sure of claiming back their principal and interest. In fact, a primary consideration of commercial banks, as well as of all lenders, is the risk involved in making a loan. Lenders make only those loans which they feel are sure to be repaid... Infact, therefore, the real farmers - that is, the bulk of our peasant farmers in the field, do not take advantages of commercial bank services. The reasons are not different to perceive. In the first place, they are illiterates and so find it extremely difficult to go through the various banking procedures (this is precisely the reason that most of them do not oper bank accounts). Secondly, most of them are far removed from the office of the banks. It was also discovered that with most of the banks, cash-crop farmers have better chances of getting loans, presumably because they are generally wealthier and can afford the necessary collateral and, with a particular bank, because they are organised in Co-operative

> societies. It seems obvious therefore that it is the few rich cash-crop farmers who benefit from the loans service of commercial banks.

In his own paper entitled: Rural Banking Development, the role of Co-operative Banks,[2] Wole Adewunmi exposed further dimensions of inadequate rural banking. He wrote:

> One mimportant problem facing commercial bankers generally with regards to rural banking activities, is that of inadequate development of the banking habit in the rural areas. People have dealt for so long with the traditional lending institutions such as money-lenders and Esusu Clubs ard similar credit institutions, that charging over to use ard Western-type institutions in spite of some of the apparent advantages is not a decision that is easy to make. Understandably, though, the rural public is reluctant to make the change because of the rigidity and red-tape associated with the use of modern banking facilities. Partly, too, the commercial banks are to blame because it does not appear that enough advertisement and salesmanship is done to market their business and bring more clients into the institutionalised financial system. In this regard co-operative banks do more than the ordinary banks in that their intimate association with co-operative societies down to the grass-roots provide opportunities for reading the rural population.

> Even here, however, there are problem associated with the small sizes and consequently the viability of the co-operative societies. With an average membership of about 60, the primary societies are generally too small to be commercially viable. In other African countries where the co-operative movement has been relatively more successful, the average membership of primary societies is of the order of 1000. As a result of their smallness and poverty, Nigerian co-operatives, can not raise much by way of financial resources.

Adeniyi Osuntogun looked at the alienation of rural individuals from modern banking credits, more from the point of view of bankers themselves. In his article titled: Commercial Banks and the Financing of the Nigerian Agricultural Sector,[13] he wrote:

> The problems of Agricultural credit administration include those of assessment of applicant and project. The grounds on which a loan application is assessed often include the applicants' personal qualities - such as honesty and the ability to manage a business well. His credit-worthiness and repayment capacity as well as the availability of security for the loan are important. Most of these yard-sticks are at the present time difficult to measure in the Nigerian small-scale farming sector, relative

to the other sectors of the economy. For instance, it is now far more difficult for a commercial bank manager to assess the personal qualities of an average Nigerian small-scale farmer who is normally resident in the rural area, than that of a businessman who is based in an urban area. This is especially so because most bank branch offices are located in the urban areas.

Apart from the fact that most Nigerian peasant farmers do not have acceptable collaterals, loans by commercial banks to small farmers are also constrained by the high cost of administering such loans.

One other major reason why commercial banks are usually reluctant to be involved in major lending to agriculture centres, is the inherent nature of agricultural production. Agricultural production involves greater risks and uncertainties compared with the other sectors of the economy. There are risks of crop failures, outbreak of diseases, insect and pest attacks, some of which could be beyond the control of the farmer. The risks inherent in agricultural production clouds the prospect of the repayment of loans.

Moreover, long-term gestation period of some agricultural enterprises - in particular, animal husbandry and tree-crop plantation coupled with the risks and uncertainties of agricultural production are at variance with the orthodox banking principles currently practised by most commercial banks in Nigeria.

Osuntogun is probably a city-brat. He is apparently not one who was born and bred in the rural area. This is especially considering the way he turned himself into a public relations officer for stingy bankers while referring to rural farmers as "peasant farmers" at the same time allying with those who fail to appreciate that agriculture is not all there is in rural economics. Nonetheless, his essay is generally brilliant.

Mr. P. A. Ladipo claimed to have interviewed fifty farmers on their previous experiences with banks and their willingness to use rural banks. In her paper titled: Banking Services for Rural Needs,[8] she averred that:

> None of the farmers interviewed had ever borrowed money from a bank. This confirms a previous report in the same area by Alao and Ajayi, who found that although 93 percent had experience with credit, no individual had ever borrowed from a commercial bank. Our own survey also showed that none had ever tried to obtain a commercial bank loan.

> The majority of farmers (forty-eight) did not explain why they had never applied for a bank loan. In fact, the idea seemed laughable to them. However, fifteen did offer reasons: five mentioned that they were farmers and did not have any enterprises warranting bank loans, five said that they have no accounts and were therefore unknown to bankers; three mentioned the problem of security; and two said that they would not know how to apply for loans. All of these reasons indicate a feeling of enstrangement from existing banks.

From the general trend of the above scholarly papers we surmise that the prior-probability of rural individuals receiving the highest bank loans and advances, would assume that the rural individuals of the particular areas are not as absolutely poor and wretched as the rural types potrayed by McNamara and Aboyade. Rather, such prior-probability, would assume that the rural individuals are in sufficient state of nutrition and health to have some banking relevance at least as potential borrowers.

c) Of the Banks' Location Being in the Rural Heartland

According to C. A. Lot in his paper entitled: Rural Banking - the Role of Commercial Banks,[9]

the Central Bank of Nigeria Guidelines instituted inflexible criteria for the location of rural banks, as follows:

i) Where there was a rural town of 50,000 population.

ii) Where there were suitable institutions available in the area.

iii) In the headquarters of a local government area; and

iv) At the discretion of the Central Bank of Nigeria.

It seems that industry and commerce were never considered major factors. Furthermore, there were no options for the commercial banks.

Mr. C. A. Lot virtually indicted the Central Bank over its guideline on location of rural banks, by observing:

> Even though the 1977 Annual Report of the Central Bank of Nigeria stated generally that the governments aim in making these allocations (of compulsory rural bank-quotas to commercial banks) was to extend banking services and habits to the vast majority of people especially in the rural areas, we know that government policy in making this broad statement was pointed towards the approach of commercial banks to rural banking as regards... the

> institution of commercial banks as a back-up for newly introduced government development programmes for example, Operation Feed the Nation (OFN).

Furthermore, Mr. Lot decried the inaccessibility of the locations of rural banks. He wrote:

> Some of the areas allocated at not accessible. They lack basic infrastructures which are indispensable in banking. Banking has virtually been reduced to its crudest form in many locations.
>
> In many branches roads leading to them are not passable, and there is no telephone linkage and so on. Communication being very important in banking, lack of communication facilities makes a business that is already difficult actually dangerous.

As a practising banker, Mr. Lot, the then Agricultural Marager, United Bank for Africa Limited, Head Office, Lagos, may be excused for lamenting the inaccessibility of the locations of rural banks from the point of view of bankers. Actually however, he should also have commented further on the accessibility or otherwise of the

locations of rural banks to the majority of rural dwellers whoms the rural banks are supposed to serve. This issue is important to our research.

d) Of the Language of Banking Business Being the Rural Language

There are about two hundred and fifty tribes in Nigeria. About two hundred and twenty of these tribes live in Northern Nigeria. Of these later, the Hausa, Fulani, Tiv, Kanuri, Nupe, Igala and Igbirra have substantial populations. The rest are small, but no less distinct.

In other words, there are in Nigeria altogether about two hundred and fifty independent tribal languages with probably over one thousand major dialectical variations.

We know of course that Kano State is traditionally and by number predominatly Hausa although a domineering and disproportionately prominent one fifth of the population consists of Fulanis, all the types of desert and North African peoples, and mixed breeds.

We know also that the language of the United Bank for Africa Plc is English, which is Nigeria's "Lingua Franca".

e) Of the Bank's Transactional Methodologies and Terms Being UNDERSTOOD and Accetable Among the Rural Majority

Adefolu Akinbode and Ekong Ekong observed in their paper entitled: The Linkage Between Agricultural Extension Services and Rural Banks,[3] that:

> ...farmers shy away from using commercial banks partly because they cannot comprehend the procedures involved. Moreover because they are not customers of a bank, bank loans are not normally available to them. Even those who patronise banks may need to be educated on the proper utilisation of bank facilities.
>
> One feature that repels ordinary bank users is the amount of red-tape involved in banking transactions. Such procedures are likely to be even more distasteful and frustrating to peasant farmers. Firstly, they are likely to see such treatmert from a perspective of disadvantage. Secondly, because of the location of commercial banks and the different residence patterns of farmers, the latter are likely to have more difficulty in making repeated calls at banks.

Mrs. P. A. Ladipo, from her specimen of fifty farmers also observed that:

> An important consequence of illiteracy is lack of confidence in written records. The importance of being able to read records was shown in a study of participants in adult literacy classes in the project. A major reason given for joining the classes was "to avoid being cheated."
>
> Records allow people to see the results of what they are doing. Observability, or the degree to which results can be seen, has been found to be an important factor encouraging the adoption of innovations. In an area where banking is an innovation, observability will be an important factor affecting participation. Observability will be low where all the records are written and most of the potential customers are illiterate.

Mrs. E. T. O. Oyatoye's investigations at Ile-Ife revealed that: "farmers have to borrow on the same terms and conditions as other clients. They are requested to provide a feasibility survey of the farm and adequate security to gain the loan", and "this applies even to co-operative bank which is a farmers' bank".

Briefly, written and bureaucratic banking methods were identified as scarecrows which repel illiterate farmers. However, we know that there are many highly educated people who also rent bureaucracy as well as prolonged reading or writing especially of trifles, and habour anti-mortgage and other anti-banking superstitions.

f) Of There Existing a Public Enlightenment Programme

Wole Adewunmi, in his paper, pointed out a difficulty:

> Concerned with the general apathy of bank staft towards rural banking. One reasons is that most bank staff are recruited in urban areas are not always keen to transfer to the branches. Even those employed in rural areas not infrequently look forward to working in urban branches on assumption of duty.

We recount Mrs. Ladipo's finding that: the majority of farmers did not explain why they had never applied for a bank loan. In fact, the idea seemed laughable to them". Her specimens made "enthusiastic comments" regarding "the

advantages they could forsee in rural banking" and this shows that they had previously been unaware and unthoughful of such advantages.

g) Of bank's staffs Being Trained in Rural Banking

Up till the time of the Ife Conference of 1983, Akinbode and Ekong still found it pertinent to recommend that "bank officials dealing with small farmers" should be given "training in extension philosophy and processes". They pointed out that:

> The present situation whereby commercial banks rely exclusively on agricultural economists for advice in farm credit operations is adequate Such a posture fails to acknowledge the education, sociological and psychological factors inherent in such operations. The farmer is not only an economic animal but, more importantly, a social animal and must therefore be understood and treated accordingly.

In other words, if we discount their indiscriminate and pedagougic identification of the rural dweller as "farmer", then Akinbode and

Ekong would be of the view that rural bank workers are still in need of special training in rural banking.

It is appropriate considering our ultimate aims and objectives to conclude this chapter with quotations which indicate the size of disparity between the motivation, age, intensity and clientele of rural banking in the advanced countries and even in some fellow "developing countries".

In their joint-paper entitled: Some Aspects of Rural Lending in Nigeria ,[4] two ladies: Kezaih Awosika and Somayina G. Nwoko painted the following picture:

> In Nigeria, unlike some south-east Asian countries notably Indonesia and the Phillipines - rural banking has not been developed as a deliberate government objective. In fact, rural credit administration did not develop along conventional banking lines until the establishment of the Nigerian Agricultural Bank in 1973. In the Phillipines, largely as a result of the leadership and guidance of the Central Bank of the Phillipines, a rural banking system was established by the Rural

> Banks Act of 1952. A special Department of Rural Banks exists at the Central Bank of the Phillipines to supervise the rural bank programme. Moreover all rural banks are organised and managed by private citizens and are established as stock corporations. At the end of 1966 the private sector held 56 percent of all paid-up capital stock issued by the rural banks.

Rather perplexing and intimidating is the following account by two Americans, L.V. Chandler and S.M. Goldfeld. In their joint-book entitled: The Economics of Money and Banking[15] published as far back as 1948, they told how the rural banking problem in the United States is not how to promote but how to restrict the growth of rural banking. Quote:

> Branches in the United States would expend even faster in the absence of restrictions. These are of several types:
>
> i) Prohibition or limitation by state laws. No bank is permitted to establish domestic branches outside the state in which it is domiciled. Only a limited number of states permit statewide branches; a majority permit branching only within a banker's home city or country or limit it to some local region; and several states permit no branching at all.

ii) Denials of applications to establish branches on the ground of insufficient need for additional banking facilities in an area.

iii) Disapproval of branching through absorption of existing banks because of threatened damage to competition.

O. Olashore, who was then the Managing Director of International Bank for West Africa Ltd., Lagos, illustrated the disparity between Nigeria and others, in figures, in his Ife Conference paper entitled: Rural Banking: Strategies and Policies of the Government and the Central Bank of Nigeria.[12] Quote:

> ...by April 1977 after over three quarters of a century of banking in Nigeria (1893-1977), there existed only 470 bank branches to serve a population of about 80 million (one branch per 170,000 persons) and a territory of some 920,000 square kilometres (one branch per 1957 square kilometers). In comparisor with the distribution of banks in other countries - for example, the United Kingdom (1/400 persons), the United States (1/6000 persons) or India (1/5200 persons) Nigeria is certainly one of the countries worst supplied with banks in the world.

> The picture that emerged from the distribution of the 470 bank branches was even more disturbing. More than 100 of the 470 bank branches were located in Lagos State, and served an area of 1381 square kilometres, while states like Niger, Bendel and Gongola had fewer than 10 bank branches each. Even within each state the few bank branches were located in urban centres".

Professor M.O. Ijere, in his paper titled: Rural Banking in Nigeria: Strategies and Policies,[7] gave the year of birth of the first indigenous bank: the Nigerian National Bank Limited as 1933, and that of the next: African Continental Bank as 1944. The Central Bank of Nigeria was established on 1st July, 1969. Adewunmi said that the first indigenous co-operative Bank: Co-operative Bank of Western Nigeria Ltd., was established in 1953, the next: Co-operative Bank of Eastern Nigeria in 1954, the North Central Co-operative Bank (now called Kaduna State Co-operative Bank) was licensed in 1973.

According to Ijere and Adewunmi, both the indigenous commercial and co-operative banks have virtually abandoned their original purely

patriotic and rural programmes and gone fully commercial; and according to the Kaduna Co-operative Bank as quoted by Adewunmi "...that has saved the bank from great financial embarrassment."

As gathered from prospectuses issued by the Nigerian Stock Exchange, there are now over 100 banks in Nigeria. Over the three-quarters are new-generation merchant banks, mainly established within the last five years, and having as yet few urban branches. There are up to 800 bank branches mostly belonging to the older and larger commercial banks; with up to 300 "rural branches" located mainly in some of the older local government headquarters.

With regards to the recent considerable compulsory increase by banks in the numbers of their rural bank branches, under the Central Bank's rural banking Guidelines, we should bear in mind inter-alia, the observation by C. A. Lot, aforementioned, that:

...government policy was pointed towards the approach of commercial banks to rural banking as regards ...the institution of commercial banks as a back-up for newly introduced government development programmes for example, Operation Feed the Nation (OFN).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The general methodology or approach can be summarised as consisting of quantitative and literary data gathered through questionnaires, interview and observation. This methodology is appropriate to the topic and in line with the hypothesis.

A combination of the following seven classes of instruments was found necessary.

3.2 Questionnaire No. 1

This questionnaire was addressed to the bank manager only. It is actually a request for data and informations which only the bank manager can provide authoritatively.

The questions and data-formats are direct and open-ended because the manager is knowledgeable.

3.3 Questionnaire No. 2

This questionnaire is distributed to randomly selected and willing individual residents of Rano Local Government Area, with observance of the need for representation of indigenes and non-indigenes.

The questionnaire mostly portends an attitude-survey for the purpose of assessing the viability or otherwise of the non-quantitative parts of the hypothesis. The attitude survey will also be invaluable to the conction of the conclusions and recommendations.

The questions are mainly literary. They are close-ended and are set as alternative choices, with provisions, where necessary, for free response.

The answers to the questions may be written by willing and able respondents, or may be taken down by the researcher. This questionnaire is actually confirmatory; since as an adult and a resident of the local government area, the researcher is not wholly unaware of prevailing socio-economic circumstances.

3.4 Oral Interview With the Manager

This interview is on the issues mapped out in questionnaire No. 1 as well as on public attitude, notes being compiled after the interview.

3.5 Oral Interview/Dialogue with the Public

As many of those who participated in questionnaire No. 2. and of other members of the public as are willing, will be orally interviewed and dialogued with on issues related to questionnaire No. 2. Respondents will be encouraged to do most of the talking.

3.6 Observation

Subject to and limited by the confidential nature of banking, and the discretionary powers and disposition of the manager, relevant summary records and periodic returns may be personally inspected by the researcher.

It has been assumed that it is unlikely that the bank will allow any outsider who is not

their statutory external auditor, a Central Bank Examiner or their domestic auditor or inspector, to study details of customers ledger accounts. Accordingly, request to study the ledger accounts will be avoided. However, as a friend of the bank, the researcher hopes to make adequate observation of proceedings and premises.

3.7 Readings

The research work is guided by and weighable against readings from existing books and publications relevant to rural banking.

3.8 Quantifications (Tables and Computations)

All relevant data which are susceptible to quantification will be quantified by means of tables and necessary computations.

The raw data may need to be re-arranged or integrated for various purposes associated with the testing of the hypothesis.

3.9 Literary Sources

The library of the school of Social and Rural Development, Kano State Polytechnic, Rano Campus, has been found to contain a substantial number of books, and publications relevant to rural banking. Most of the readings, including literature review, will be taken from that library.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Definition, Aims and Objectives of Data Presentation and Analysis

Data presentation and analysis means:

a) To present in the original or any coherent and convenient forma or order, the raw statistical and literary data or specimens collected from the field.

b) To analyse the raw data or specimens thus presented, and or extractions thereof, by means of suitable indexes or other statistical, experimental or polling instruments, with the hypothesis and tha aims and objectives of the research in view.

Data presentation and analysis can be carried out in one or more phases or chapters and in any suitable format, order or pattern best for the particular research. It is the real test of individual creativity. In this chapter, we shall deal first, with quantitative customer-data; then with the opinions of the bank manager, and next with opinions of the public.

4.2 Raw Customer-Data

TABLE 4.2

	HIGHEST TOTAL NUMBER OF CUSTOMERS	HIGHEST TOTAL DEPOSITS	HIGHEST TOTAL ADVANCES
a) Rural Individuals			
i. Teachers and other workers paid through bank	1,200	1,000,000	100,000
ii. Sole proprietorships (registered)	100	1,500,000	360,000
iii. Other individuals	400	2,000,000	400,000
b) Co-operative societies	15	450,000	100,000
c) Communal and religious councils, clubs, associations, self-help groups, etc.	12	50,000	-
d) Limited Liability Co.	8	25,000,000	2,080,000
e) Local Govt. Councils	1	16,000,000	7,800,000
f) Local Govt. Establishmerts			
i. Primary schools	30	800,000	200,000
ii. Secondary schools	-	-	-
iii. Independent departments	-	-	-
g) State Government Establishments			
i. Secondary schools	4	400,000	100,000
ii. Higher institutions	1	100,000	100,000
iii. Ministries	6	12,000,000	100,000
iv. Hospitals	1	600,000	210,000
v. Other parastatals	5	12,000,000	450,000
h) Federal Govt. Establishments			
i. Secondary schools	-	-	-
ii. Higher institutions	-	-	-
iii. Ministries	-	-	-
iv. Hospitals	-	-	-
v. Police Units	1	100,000	40,000
vi. Military Units	-	-	-
vii. Other parastatals	4	28,000,000	3,960,000
TOTAL	1,768	100,000,000	16,000,000

Source: Summarized information from responses to Questionnaire number 1 administered to the Bank Manager.

4.3 Ratio and Percentage Analysis of Customer-Data

TABLE 4.3a

a) Ratios of Individual Account-Holders and of Number of Banks to Population

Number of rural individuals having bank accounts	=	1,700
Less Teachers and other workers paid through bank	=	1,200
∴ Voluntary individual account-holders (mainly non-indigenes)	=	500
Population of Rano Local Government Area	=	450,000
Number of Banks in Rano Local Government Area	=	1

∴ Ratio of all individual account-holders to population = $\frac{1,700}{450,000}$ = Approx. 1:260

And, Ratio of voluntary individual account holders to population = $\frac{500}{450,000}$ = 1:900

Ard, Ratio of number of banks to population = $\frac{1}{450,000}$ = 1:450,000

SOURCES: i. Number of individual account-holders: extracts from Table 4.2 item (a)

ii. Population: According to Local Government Council

iii. Number of banks: by observation.

b) Percentage Analysis of Highest Deposits

TABLE 4.3b

		AMOUNT	%
i)	Rural individuals (including co-operative societies and communal groups)	5,000,000	5
ii)	Limited Liability Companies	25,000,000	25
iii)	Local Government and its Establishments	16,800,000	16.8
iv)	State government and its establishments	25,100,000	25.1
v)	Federal government and its Establishments	28,100,000	28.1
		100,000,000	100%
vi)	Government and its Establishments	70,000,000	70%

SOURCE: Extracts from Table 4.2

c) Percentage Analysis of Highest Advances

TABLE 4.3c

		AMOUNT	%
i.	Rural individuals (including Co-operative societies and communal groups	960,000	6
ii.	Limited Liability Companies	2,080,000	13
iii.	Local Government and its establishments	1,000,000	50
iv.	State government and its establishments	960,000	6
v.	Federal government and its establishments	4,000,000	25
		16,000,000	100%
vi.	Government and its establishments	12,960,000	81%

SOURCE: Extracts from Table 4.2

4.4 Notes on Percentage Comparison

a) The figures for "grand-totals" of number of customers, highest deposits, and highest advances, have no precise real interpretation,

in terms of grand-totals of transactions at any one point in time. However, they can be assigned useful meaning as representing the past maximum potential dealings of United Bank for Africa Plc, Rano Branch.

b) The figures for Local Government Council(s) are for Rano Local Government Council only. The accounts maintained by the new neighbouring Bunkure Local Government Council have been excluded, to avoid distortion of the survey, considering that the rest of our data do not pertain to Bunkure Local Government Area.

c) The researcher believes that this ratio and percentage analysis is explicit; hence further representation through charts et cetera would be superfluous in the circumstances.

d) Number of customers does not necessarily mean number of accounts, although in this particular case it was ascertained that they are almost the same number. There were not many cases of a customer maintaining more than one account.

4.5 Procedure for Presentation and Analysis of Opinion-Poll

Literary data collected by polling the opinions of the bank manager via questionnaire number 1 and of the general public via questionnaire number 2 on matters relevant to the literary non-quantitative elements of the hypothesis, are summarised hereunder. It has been found convenient in the case of public opinion poll, to present some of the raw data along with their partial analysis.

4.6 Summary of Manager's Opinion

TABLE 4.6

	YES	NO
a: Location Is it the most important criterion for siting a rural bank that the bank must be located in the central or most popular area?		No
b: Language Is it a rule that the language of rural banking should be the rural language?		No

Table 4.6 (contd.)

	YES	NO
c: Methodologies, Services and Terms		
Does your branch offer any banking methods, services or terms which CANNOT be offered by an urban bank?		No
d: Public Enlightenment		
Is your branch expected and equipped to tour the villages on public enlightenment campaigns?		No
e: Specialised staffs		
Must every branch have at least one staff who is specially trained and certificated in relevant rural banking?		No

SOURCE: Summarised information from responses to Questionnaire number 1 administered to the Bank Manager.

4.7 Summary and Percentage Analysis of Public Opinion (50 Respondents)

	NUMBER		PERCENTAGE	
	YES	NO	YES %	NO %
a: Personal Attributes of Respondents				
i) Sex				
Male	42		84	
Female	8		16	
ii) Age				
Adults: 20 years and above	40		80	
Children: Under 20 years	10		20	
iii) Tribe				
Hausa	21		42	
Fulani	11		22	
Hausa/Fulani	6		12	
Igbo	5		10	
Yoruba	4		8	
Others (specify)	3		6	
iv) Religion				
Moslem	37		74	
Non-Moslem	13		26	
v) Marital Status				
Single	18		36	
Married	32		64	
vi) Educational Background				
Adequately or apparently literate	39		78	
Illiterate	11		22	
b: Potential number of Depositors and Advances				
i) Do you believe that banks are:				
For the rich only?	29		58	
For the poor only?	-		-	

		NUMBER		PERCENTAGE	
		YES	NO	YES %	NO %
	For everyone?	21		42	
ii)	Do you already have a bank account?	8	42	16	84
iii)	If Yes, is your account in:				
	A rural Bank?	4		50	
	Urban bank?	3		37.5	
	Both rural and urban banks? (over 8)	1		12.5	
iv)	Do you like the idea of banking at all? Can you trust bankers or any person to keep your money for you?	25	25	50	50
v)	Do you like the idea of borrowing money?	20	30	40	60
vi)	Now that you know that you can open a bank account with ₦100 or less, will you go and open account soon? (over 42)	3	39	7	93
vii)	Are you the type that has enough money and would have been willing to bank, but will not bank because your business is often done in emergencies requiring all or most of your money in cash? (over 39)	26	13	67	33
viii)	If a bank pays and charges interest, contrary to Islamic doctrine, can you patronise the bank? FOR MOSLEMS ONLY (over 37)	12	25	33	67

		NUMBER		PERCENTAGE	
		YES %	NO	YES %	NO %
c:	Location				
i)	Do you know where the nearest rural bank is located?	45	5	90	10
ii)	Must a bank be located very near your house or office before you can think of opening an account?	25	25	50	50
iii)	Does the location of the nearest rural bank convince you that the bank is meant to serve:				
	Mainly the government?	35	70		
	Mainly the rural masses?	15	30		
d:	Language				
i)	Do you clearly understand English?	39	11	78	22
ii)	Can you write in English: Sample Test and Estimate (over 39)				
	Fair ability	10		25	
	Rudimentary ability	8		20	
	Insignificant ability	21		55	
iii)	Must the language of banking be only your tribal language or the language which you believe that you understand and write very well, before you can think of opening account?	45	5	90	10
iv)	Can you trust some interpreters or helpers with your monetary affairs)	5	45	10	90

		NUMBER		PERCENTAGE	
		YES	NO	YES %	NO %
e:	Methodologies, Services and Terms				
i)	Do you own land or building?	30	20	60	40
ii)	Can you mortgate it for loan?	-	50	-	100
iii)	Do you think you can have the patience to wait on bank procedures, bureaucracy, red-tape and occasional disappointments?	10	40	20	80
iv)	Do you think it is reasonable of a bank to demand collateral and witnesses for its transactions?	30	20	60	40
f:	Public Enlightenment				
i)	Do you already believe that banking can help you even if you do not borrow money from the bank?	15	35	30	70
ii)	Do you expect the bankers themselves or their true representatives to come to you personally to satisfy you on the benefits and methods of banking, before you can even consider ever going to their bank for anything?	38	12	76	24
iii)	Can you ordinarily be interested, without being personally approached by bankers, in going to the bank on your own accord to inquire about their methods and services?	12	38	24	76

		NUMBER		PERCENTAGE	
		YES	NO	YES %	NO %
iv)	Can newspaper, radio, and television advertisements persuade you to go to the bank?	12	38	24	76
g:	Specialised Staffs				
i)	Must all the bank's staff be your tribes people before you can open an account?	18	32	36	64
ii)	Do you believe that the staffs of the nearest bank could be in position to understand tne solve your own personal financial needs?	15	35	30	70

Source: Summarised information from responses to Questionnaire number 2 administered to the public.

4.8 Notes on Public Opinion-poll

a) Some of the purely personal data gathered via the questionnaire, have been adapted to the above summary and analysis, only as and when necessary.

b) Where questions were relevant to only a subset of interviewees, the percentage analysis was based on the subset.

CHAPTER FIVE

FINDINGS, CONCLUSION, LIMITATIONS, RECOMMENDATION

5.1 Introduction

(a) Findings are commonsense interpretations of the significant results of the data analysis or experiment in terms dictated by the hypothesis and by the aims and objectives of the research. The findings should also indicate whether or not and to what extent any pertinent issues raised in the literature review have become clarified. Research findings may be positive, negative, neutral or nil. It should be borne in mind that neutral and nil findings, like negative and positive findings are also valid findings and do not indicate that the research was unnecessary, as long as they are logical products of aims and objectives, hypothesis, data and instruments, which were valid at inception; and notwithstanding that such neutral or nil findings may only point out the need for future modifications to aims and objectives, hypothesis, data or

instruments; or may prove that the subject-matter was undeserving of the research effort; for these relevations would also be importart ard valuable research findings. If, for example, the subject matter was proved to be undeserving of research efforts, then further or future research-costs are saved.

(b) Recommendations are commonsense suqqestions for the rectification of any undesirable findings, and the promotion os sustainance of any desirable findings.

(c) Further conclusion, if deemed appropriate, can be made in any fitting way. Ordinarily, it should consist of memorable but brief remark(s) emphasising the abridged main finding and or the abridged main recommendation.

Findings, recommendations and conclusion can be freely made based only on analysis of primary data. Preferably however, brief justifications should be offered,

with summary references to the analysis of primary and control or complimentary data, and to enlightened opinions in and outside the literature review.

5.2 Findings

(a) Ratios of Individual Bank-Customers and of Number of Banks, to Population of Rano Local Government Area

Table 4.3a shows that the ratio of individual account-holders to the population of Rano Local Government Area is 1:260; and that if the near-compulsory salary-accounts of workers are discounted, the ratio falls to 1:900. The ratio of number ob anks to population is 1:450,000.

Even allowing for infants who, not by law, may not own bank accounts, these ratios would still reveal disgracefully low banking culture, especially in the light of Olashore's assertions that in the United Kingdom there is one whole bank for every four thousand persons, and in the United States there is one whole bank for every six thousand persons.

Interestingly, our public opinion-poll revealed that in Nigeria the present insignificance of the patronage of banks by rural dwellers cannot be substantially explained in terms of abject poverty and utter wretchedness among the rural masses, but more in terms of many other circumstances. Up to 67% of the respondents knew that they had more than the minimum amount required for opening bank account, but only 7% of them expressed willingness to open bank account "soon".

This means that Robert S. McNamara's statement that the masses of the developing countries are virtually all bed-ridden with sickness and woe, would hold true for some other developing countries but not for Nigeria, present or past; although Nigerian masses, rural and urban, are victims of mismanagement.

Furthermore, inspite of Islamic injunctions, against usury (the Christian Bible also condemns usury), up to 25% of moslem respondents would

have been willing to patronise banks, except that opinions were divided over the prudence and usefulness of banking.

Ofcourse, the infinitessimally small ratio of the present bank account-holders to the population of Rano Local Government Area, fails woefully to meet the expectation of our hypothesis that in any well banked area, at least 10% of the population should have bank accounts.

(b) Mix and Skew of Deposit-Customers

The mix and skew of deposit-customers as per detailed data and its abridgement via Table 4.3b can be ultimately condensed to:

Rural Individuals, including Co-operative societies and communal groups	=	5%
Limited Liability Companies	=	25%
Federal, State, and Local Government and their Establishments	=	70%

However, if we add limited liability companies to "individuals", the mix and skew will re-condense to:

Individuals (5% + 25%)	=	30%
Government	=	70%

Either way, the mix and skew of deposit-customers remain obnoxious and contradict our hypothesis that in a rural bank, total deposits owned by rural individuals should usually be higher than total deposits owned by all other account-holders.

(c) Mix and Skew of Advances-Customers

From the detailed data and its abridgement via Table 4.3c, the mix and skew of advances-customers can be further condensed to:

Rural individuals, including Co-operation societies and communal groups	=	6%
Limited Liability Companies	=	13%
Federal, State and Local Governments and their establishments	=	81%

If we add limited liability companies to individuals, the mix and skew re-condense to:

Individuals (6% + 13%)	=	19%
Government	=	81%

Either way, the mix and skew of advances-customers is as obnoxious as the mix and skew deposit-customers, and equally violates our hypothesis that in an rural bank, the total loans and advances taken by rural individuals should usually be higher than total loans and advances taken by all other account-holders.

(d) Location

It is clear that the location of United Bank for Africa Plc, BRano Branch was not primarily determined by nearness to the majority

of rural dwellers but by the banking needs of the local government council. Generally, the banking needs of federal, state, and local governments, and their establishments in the area, were the dominant considerations.

Most interviewees knew the location of the bank probably because the bank lies on the road to the Rano General Hospital and along the major inlet-outlet highway. Of course most interviewees knew that the bank was located to serve mainly the government, not mainly the rural masses. Although opinion was indeterminate on the effect of nearness or farness of location on banking habit, this bank is within walking distance from the market and mini-township area. Hence, the bank's distance from the rural heartland cannot be the whole explanation for its severely adverse customer-mix.

Nonetheless, the bank's location also violates our hypothesis that a rural bank ought to be located at the rural heartland. Even the mini-urban near which the bank is located is at

the exit-edge, far from the heartland of Rano Local Government Area, most of which comprises of ill-accessible villages.

(e) Methodologies, Services and Terms

These are the same as in urban banks. In other words, the rurarity of the bank lies only in its being sited in the supposedly rural rather than urban area.

Rano being a rural-township, most of the indigenous responderts own or have equitable interest in lands and buildings. Majority of respondents thought it reasonable of banks to demand collateral and witnesses. Yet no respondent would mortgage his land or building for whatever amount of loan. Furthermore, only 20% thought that they can muster patience to wait in banks.

Thus, the obstacles to further successes of the bank's normal methodologies, services and terms in the rural area, include the universal human problem of impatience which equally afflicts

educated and urban people, and the rural heightened problem of reluctance to mortgage property.

Thus, the bank's methodologies, services and terms, and in turn our hypothesis, face the rural dilemma of being feasible in theory but not in practice.

(f) Language

The official language of the bank is English. The common rural language is Hausa. It is publicly spoken by most real and supposed Fulani, although the actual Fulani have retained their own Fulfude or Filtanchi language which is not understood by most of the Hausa, and apparently is not understood by anyone among the non-Hausa and non-Fulani.

Rano mini-township is one of the few communities, rural or urban, in the far north, where a few more adult males exhibit friendly willingness and ability to try to communicate with detected strangers in English and pantomine. The township's literacy rate can be said to be relatively high, although the level of writing skill in

English is generally atrocious.

The responderts' attitude that they need to clearly understand the language of banking, and they would not trust interpreters and helpers with monetary affairs, is natural, normal, and universal.

Here again, our hypothesis that the language of a rural bank ought to be the rural language, has been defeated.

(g) Public Enlightenment

The branch is not expected or equipped by superior authorities of the bank to tour the villages for public enlightenment campaigns.

Less than half of the respondents believed they had anything to gain from banking; and in any case the majority felt that it was up to the bank to persudae them through personal-selling marketing strategy, and that media advertising by banks cannot persuade them.

Obviously, one formidable and indeed unbeatable constraint to the success among Muslims

of any type of bank advertising, is bound to be religious reistance arising from Islamic injunctions against paying and charging interest.

Here also, our hypothesis that rural banks need to undertake person-to-person public enlightenment campaigns, stands unsatisfied.

(h) Specialised Staff

It is not the policy of the UBA Plc that a rural branch must have at least one staff who is specially trained and certificated in relevant rural banking. In any case, most respondents seemed not particular about the tribe of the bank staff; although again most respondents did not believe that bank staff, a parently of whatever tribe or training could understand and solve their financial needs.

In any case, since the bank's methodologies, services, and terms are the same in rural as in urban branches, there would appear to be no special rural banking technology for staffs to specialise on. Yet there are indeed circumstances

which should exist in rural or community banking more than in metropolitan banking.

As for agriculture, apparently assumed by policy-makers to be the only worthile rural activity lip service is usually paid to it by rural and urban banks through small amounts of loans made to "farmers" individually or through "co-operative societies", that is: apart from big loans to corporate farmers.

Rano Local Government Area is part of a fertile area in which many multi-million naira agricultural companies are sited, Deposits and loans and advances of such companies are included in the data for limited liability companies. None of the bank's staff is an adviser on agricultural or any matter other than banking routines.

Thus, our hypothesis that a rural bank should have at least one staff who is specially trained and certificated in relevant rural banking, is not satisfied.

5.3 Conclusion

The customer-mix of Nigerian rural banks is obscenely sub-optimal; as can be inferred from this case study which shows that patronage of rural banks by local, state and federal governments and their agencies, is about fourteen times higher than patronage by rural individuals.

5.4 Limitations of the Study

It is pertinent to acknowledge the probability of statistical errors (bound to be insignificant) which may be introduced by such factors as: inaccessibility of the original ledger accounts of the various customers of the United Bank for Africa Plc, Rano Branch; inaccessibility by road of many of the rural villages of Rano Local Government Area; and the meagerness of my knowledge of the Hausa language and of the tenets of Islam.

Because of time constraint, the bureaucracy of applying for permission from United Bank for Africa Plc Head Office in Lagos to inspect the

details of customer accounts and other records, was not explored. However, the customer-data used, though informally supplied, is deemed to be adequate for this study which is not basically a mathematical treatise. Besides, the fact that the researcher is an adult and widely travelled and experienced citizen of Nigeria, will surely mitigate the effects of these shortages on especially the findings, conclusion and recommendations of this socio-economic research.

5.5 Recommendations

(a) Do Nothing

The questions raised by a do-nothing option are as follows: Has enough already been done? Will time heal the wound? Would any additional measure be strictly necessary and not counter-productive?

Or is the situation hopeless?

In this particular case, we observe that in spite of criticisms, the Central Banks' rural banking programme has been realistic and practical,

having resulted at least in the functional existence of United Bank for Africa Plc, Rano Branch. We know that there is already a federal government programme to encourage the establishment by capable communities of joint-stock community banks. These community banks should know communal customers and opportunities more intimately than would metropolitan banks; and therefore should be better able to determine local credit worthiness even without full collateral.

Furthermore, it can be posited that the present rural under-banking is a reflection of temporary transient factors such as valuelessness of the naira which makes savings difficult, and low literacy level; and that adequate educational and economic measures have already been installed with a view to rectifying the factors in due course.

On the trumpeted issue of bank staffs being trained or expected to offer non-banking advice or other non-banking assistance to customers, it should be noted that in view of certain implications of the laws of contract and paternership, any legal

actions for loan recoveries will be hamstrung, if a bank directly or indirectly participates in the management of its client's business.

Also important to the determination of whether additional radical measures are emergency needs, is the fact that Nigerian banks suffer from excess liquidity and have few challenging investment outlets, deriving their huge profits mainly from legalised foreign exchange deals and other parasitic "irvestmenss" such as in government treasury bills. This means that the problem of improving rural customer-mix devolves more urgently on the goverrment than on the banks.

In this particular case, whether from the point of view of the government or of the banks, the do-nothing or wait-and-see option is not extremely ridiculous; the outstanding problem only being how to crash the waiting-time to ensure that the customer-mix of rural banks will become optimal by the glorious year 2000 AD.

(b) Increase Sales Promotion by Addition of Public Enlightenment Campaigns and Personal Selling

Apart from not knowing any compelling advantages of banking, 38% of our respondents viewed banking as being (like insurance) a very private contract, and as such the bankers should approach prosective customers through personal selling.

(c) Introduce Non-literary Banking Methods

According to Mrs. P. A. Ladipo: "Oxfam has developed a record-keeping system called 'Saveway Club' for saving groups in which members are illiterate". The most basic unit of this scheme is a savings card to which stamps of fixed value are attached. Wher a card is full, a member may exchange it for a certificate which is then gummed to her passbook. These stamps and certificates serve as receipts. By counting them, a member can be sure that her record is accurate. She can also see how far she has progressed towards her goal. When money is withdrawn, stamps and certificates are cancelled.

Still according to Mrs. Ladipo, saveway stamps have been used successfully in Nigeria in the women's co-operatives of the Isoya Project, and in loan repayment in Ahmadu Bello University Guided Change Project.

(d) Accelerate existing Development Programmes

All development programmes have direct and or indirect effects on banking culture. Obviously, the acceleration and improvement of existing programmes for adult education, rural infrastructures, co-operative organisation, community banking, citizen registration and identification, and other ministrations, will enhance rural banking culture. The conditions for compulsory registration of co-operative societies and communal association, should require such bodies to open bank account before registration or as soon thereafter as specified.

In brief, goverrmental measures already taken and in progress seem adequate to optimalise the rurality of rural banks in the course of time

which could be shortened by accelerating all the existing rural development programmes; increasing sales promotion by means of public enlightenment campaigns and personal selling; and introducing for the benefit of illiterate customers such non-literary banking methods as the use of save-way stamps.

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Apperdix I: QUESTIONNAIRE NO. 1

Chukwuma Onuora
Department of Business Admin.,
Faculty of Administration
Ahmadu Bello University
Zaria

Date:_____

The Manager
United Bank for Africa Plc
Rano Branch

Dear Sir,

QUESTIONNAIRE - RE: ACADEMIC THESIS TITLED CUSTOMER-MIX OF NIGERIAN RURAL BANKS: A CASE STUDY OF UBA RANO BRANCH

Kindly oblige me with certain summary notes via this questionnaire which pertains only to a routine academic thesis that I am obliged to write in partial fulfilment of the requirements for the award, by Ahmadu Bello University, Zaria, of a post-graduate degree of Master of Business Administration (M.B.A.)

Please accept my guarantee that all informations given will be held confidential and will be used only for the purpose of the academic thesis.

1. Your Surname.....

   Other Names.....

   Position in the Bank:.....

2. Does your Bank offer say facilities or services which CANNOT be offered by Urban Banks? (YES/NO)

3. Are there any special certificates or training programmes in Rural Banking? (YES/NO)

4. Is your branch required and equipped to tour the villages on public enlightenment campaigns? (YES/NO)

5. Please advise on estimates of the highest every total number of customers, the highest-over total deposits, and the highest-ever total advances, in respect of the following classes of customers:

	HIGHEST TOTAL NUMBER	HIGHEST TOTAL DEPOSIT	HIGHEST TOTAL ADVANCE
a. Rural Individuals			
i) Teachers and other workers paid through bank			
ii) Unlimited businesses			
iii) Other individuals			
b. Co-operative societies			
c. Communal Councils, Clubs, and Associations, e.g. "self-help groups"			
d. Limited Liability Companies			
e. Local Government Council(s)			

	HIGHEST TOTAL NUMBER	HIGHEST TOTAL DEPOSIT	HIGHEST TOTAL ADVANCE
f. Local Government Establishments			
i) Primary schools			
ii) Independent departments			
g. State Government establishments			
i) Secondary schools			
ii) Higher institutions			
iii) Ministries			
iv) Hospitals			
v) Other parastatals			
h. Federal Government Establishments			
i) Secondary schools			
ii) Higher instituions			
iii) Ministries			
iv) Hospitals			
v) Police Stations			
vi) Military Camp(s)			
vii) Other parastatals			

Thank you for your help.

I am
Yours faithfully

CHUKWUMA ONUORA

Apperdix II: QUESTIONNAIRE NO. 2

Chukwuma Onuora
Department of Business Admin.,
Faculty of Administration
A.B.U. Zaria.

Date.....

Dear Sir/Madam,

PUBLIC OPINION-POLL ON RURAL BANKS

Kindly co-operate on this public opinion poll. It is part of the study on the types of customers of rural banks.

Informations given will be held confidential and used only for the purpose of an academic thesis.

A: PERSONAL PARTICULARS

Name.....Sex (Male/Female)

.....Nationality.....

Tribe.....Residence (town).....

.....Religion.....

Educational background.....

Age.....Marital Status.....

B: BELIEFS ABOUT BANKING	YES	NO
i) Do you believe that banks are		
For the rich only?		
For the poor only?		

	YES	NO
ii) Do you already have a bank account?		
iii) If Yes, is your account in:		
A rural Bank?		
An Urban bank?		
Both Rural and Urban banks		
iv) Do you like the idea of banking at all, and can you trust bankers or any person to keep your money for you?		
v) Do you like the idea of borrowing money?		
vi) Now that you know that you can open a bank account with ₦100 or less, will you go and open account soon?		
vii) Are you the type that has enough money and would have been willing to bank, but will not because your business is often done in emergencies requiring all or most of your money in cash?		
viii) If a bank pays and charges interest contrary to Islamic doctrine, can you patronise the bank? (for Moslems only)		
C: <u>Location of Rural Bank</u>		
i) Do you know where the nearest rural bank is located?		
ii) Must a bank be located very near your house or office before you can think of opening account?		

		YES	NO
iii)	Does the location of the nearest rural bank convince you that the bank is meant to serve:		
	Mainly the government?		
	Mainly the rural masses?		
D:	Language		
i)	Do you clearly understand English?		
ii)	Can you write in English with:		
	Fair ability?		
	Small Ability?		
	Very little ability?		
iii)	Must the language of banking be only your tribal language or the language which you believe that you understand and write very well, before you can think of opening account?		
iv)	Can you trust some interpreters or helpers with your monetary affairs.		
E:	Methodologies, Services and Terms		
i)	Do you own land or building?		
ii)	Can you mortgage it for loan?		
iii)	Do you think you can have the patience to wait on bank procedures, bureaucracy, red-tape and occasional disappointments?		

		YES	NO
iv)	Do you think it is reasonable of a bank to demand collateral and witnesses for its transactions?		
F:	Public Enlighterment		
i)	Do you already believe that banking can help you even if you do not borrow money?		
ii)	Do you expect the bankers themselves or their true representatives to come to you personally to satisfy you on the benefits and methods of banking, before you can even consider ever going to their bank for anything?		
iii)	Can you ordinarily be interested without being personally approached by bankers, in going to the bank on your own accord to inquire about their methods and services?		
iv)	Can newspaper, radio and television advertisements persuade you to go to the bank?		
G:	Specialised Staffs		
i)	Must all the bank staffs be your tribespeople before you can open account?		
ii)	Do you believe that the staff of the nearest bank could be in position to understand and solve your own personal financial needs?		

Thank you.