EFFECTIVE MARKETING STRATEGY AS A TOOL FOR A VIABLE FINANCIAL INSTITUTION

A CASE STUDY OF AFRIBANK NIG PLC

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DECLARATION

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

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.....1/9/2020.....

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CERTIFICATION

The project entitled "Effective Marketing strategy as a Tool For a Viable Financial Institution. A Case Study of Afribank Nig. Plc".

By

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meet the regulations governing the award of the degree of Masters in Business Administration of Ahmadu Bello University Zaria and is approved for its contribution to knowledge and literacy presentation.

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24 JUL 2006

PROF. M. A. CHIDARI

DEDICATION

This project is dedicated to my husband and my children without whose encouragement, moral, physical and financial support this "Dream" would not have been realised.

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I am grateful to Allah for making it possible for me to write this project.

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ABSTRACT

This investigation is an attempt to evaluate the performance of a viable Nigerian Bank with a particular reference to Afribank Nig Plc.

The study revealed that this bank is liquid and healthy financially. This implies that the operators of the banking industry did what was expected of them in terms of strategy formulation and implementation and adherence to banking rules and regulations amongst others.

The project gives an indepth account of the financial analysis of the bank's performance over a span of 5 years (1995 - 99).

The bank's area of strengths and weaknesses were highlighted with a check-list of recommendations on how to improve on the performance so far. This is in order to remain in the banking industry and even lead other banks.

TABLE OF CONTENTS

	PAGES
T tle Page	i
D eclaration	ii
C ertification	iii
D edication	iv
A cknowledgement	v
A ostract	vi
T able of Contents	vii
L st of Tables	viii
L st of Figures	ix

C HAPTER ONE

I NTODUCTION

1 1 Preamble

1 2 Statement of the Problem

1 3 Objectives of study

1 4 Significance of study

1 5 Scope of study0

1 6 Limitations of study

1 7 Definitions of Terms

C HAPTER TWO

L ITERATURE REVIEW

2 1 Historical Development of Banking in Nigeria

2 2 Bank and Distressed Bank

2 3 Regulatory Agencies

2.4 Causes of Unviability in Banks
2.5 Marketing strategies and their Applications
2.5.1 Pricing
2.5.2 Promotion

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Nature and Importance of Research
3.2 Essential Parts of a Research Paper
3.3 Sampling
3.4 Collection and Analysis of Data
3.5 Methods of Data Collection
3.6 Research Methodology for Afribank Project

CHAPTER FOUR

STRUCTURE AND ORGANISATION OF AFRIBANK NIG. PLC

4.1 Introduction
4.2 Structure of Afribank
4.3 Operations of Afribank Nig Plc
4.4 Afribank Subsidiaries
4.5 Corporate Performance
4.6 Products of Afribank
4.7 Social Responsibility

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS

5.1 Introduction
5.2 Survey conducted
5.3 Analysis of Performance

KASIM IBRAHI

CHAPTER SIX

SUMMARY CONCLUSION AND RECOMMENDATIONS

6.1 Summary

6.2 Conclusion

6.3 Recommendations

Bibliography

Questionnaires

CHAPTER ONE

INTRODUCTION

1.1 PREAMBLE

The issue of which products financial institutions have to offer the public has been of most concern to such institutions. This is especially within the last 3 years. Many financial institutions tried to introduce products that could win more customers over to them. This became necessary aftermath of the distress financial condition of many banks.

Between 1990-97, one of the major problems facing the country was distress in the financial sector. This problem was compounded by the sharp increase in prices after the introduction of the Structural Adjustment Programme (SAP). Many banks were established and some wonder banks even offered high interest rates. In the absence of proper regulation and supervision, many wonder banks, finance houses and mortgage banks collapsed. This did not come as a surprise because most of these institutions were running pyramid schemes meant only to benefit the owners and staff.

While some banks have crashed as a result of their unhealthy financial situation, some banks such as the one under investigation, are viable and

have been able to strive stronger in the financial market. The assessment of its performance is the thrust of this study. The problem in the financial institution of Nigeria could be attributed to changing economic environment and regulatory measure coupled with mismanagement, maladministration and poor product mix. These factors had major adverse impact on many industrial borrowers and projects which subsequently resulted in substantial increase in banks bad debts.

The problem of law funds reserve was clearly manifested in 1989 when public funds were withdrawn from commercial and merchant banks. Many of the banks had to seek financial support from the Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Corporation (NDIC)[1]. This development was not surprising since the major merchant banks did not have adequate capitalisation or access to stable retail deposits to support the deteriorating long term assets. The introduction of stabilisation securities in 1992 had the same impact on such banks. The problems of these banks can be said to include mismatch of assets and liabilities, illiquidity, poor capitalisation, declining profitability as a result of high level of non-performing assets, high cost of funds. All these say a lot about the poor marketing strategies of most of these banks.

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1. NDIC, Annual Rports and Statement of Account for year Ended Dec. 31, 1991.

The number of commercial and merchant banks rose from 42 in 1986 to 120 by 1992. This was made up of 66 commercial banks and 54 merchant banks having an aggregate offices of 2,397 located throughout the country. Many of these banks that obtained their capitals from shareholders and other financial institutions could not survive due to competition, unethical procedures, mismanagement, poor product mix and other negative practices which eventually led to their insolvency. Despite the galloping economic environment over the years that led to the collapse of some of these banks. Afribank Nig Plc stands out. The highlight of the good performance of the bank is the major core of study in this investigation.

The subsequent chapters of this study will attempt to find out what the performance of this bank has been like. This will be carried out through a literature review, research methodology, data presentation and analysis. Finally, a summary conclusion and recommendations will constitute the last chapter of this work.

1.2 STATEMENT OF THE PROBLEM

Financial distress in Nigeria financial system assumed a very high proportion about 2-3years ago[2]. This was as a result of the phenomenal growth of banks following the introduction of the Structural Adjustment Programme (SAP).

2. Banking Supervisor, Financial sector Distress, 1994

This gave a false impression that the banking sector was besieged by all types of investors who have surplus funds to throw about. Inexperienced hands assumed very senior positions in some banks.

The entry of these categories of personnel coupled with their activities prepared fertile ground for viral infection of financial distress. Most of the victims were caught unaware because there was no periodic information on the financial health of banks. The recklessness of management with no proper strategy or sense of direction resulted in the collapse of many banks.

Today, the staff and particularly the shareholders of these distressed banks have been put into financial difficulty. The staffs are either staying idle or laid off. This has added to the existing problem of unemployment in the country. Consequently, the distressed banks were taken over by the CBN in 1995 and some distressed banks were sold. Unfortunately, despite these Measures customers have been withdrawing huge sums of money. This implies that customers still entertained some fears on the safety of their deposits in these banks.

This project will determine the performance of the bank under investigation since it was not taken over by CBN. The project will also look at the marketing strategies employed by the bank with a view to suggesting survival options for it.

Therefore, what are the factors responsible for Afribank not being declared a distressed bank and taken over by CBN? What is the performance picture of Afribank like? What are the strategies employed by Afribank to enable it be a viable bank and thus attract customers? This project will attempt to find answers to these questions.

1.3 OBJECTIVE OF THE STUDY

The objectives of the research project are:

i. To examine the trend of development in Afribank Nig. Plc.

ii. To examine the performance of the bank.

iii. To examine the strategies employed by the bank

iv. To make recommendations based on the findings

1.4 SIGNIFICANCE OF THE STUDY

The significance of this study lies in the fact that commercial banks in Nigeria are required to play a crucial role in the mobilization of financial resources for economic development. Such functions include serving as intermediary institutions between the surplus and deficit units of the economy, saving, mobilisation, provision of financial resources, provision

of financial resources to meet the borrowing needs of the economy, provision of sound payments and advisory services to investors.

Poor marketing strategies could lead to unviability of financial institutions which could in turn lead to distress. Financial distress impairs the growth of banks and other organisations. Consequently, it affects their roles to the economy. This study is also significant since it is designed to examine the performance of the selected bank as a result of the marketing strategies employed by it.

1.5 SOPE OF STUDY

This research work on "Effective Marketing strategy as a tool for a viable financial institution, A case study of Afribank Nig. Plc will assess the financial progress of the bank by examining its development, structure performance and strategy employed. Having established these, conclusion and recommendations will be made.

1.6 LIMITATION OF STUDY

In the course of this study there was limitation to the information/data collected. This is because the work depended heavily on the data collected from CBN, NDIC, Afribank Nig. Plc and the Nigerian dailies. Most recent information on the affected bank could not be obtained because management was not ready to release such information.

1.7 DEFINITION OF TERMS

1.7.1 Bank

This is the financial institution which renders economic and financial services such as acceptance of term/current/savings, deposits, granting of loans, issuance of overdrafts, letters of credit, travellers cheque, bankers pay order, money order remittance etc.

1.7.2 Assets of Banks

This is the cash at hand or tradable instruments held, inventories, building, furniture, fittings, electronic gadgets, equipment etc, made up of fixed and current assets.

1.7.3 Commercial Bank

These groups of banks perform three basic functions, which include acceptance of deposits, granting of loans and the operation of the payment and settlements mechanism in the financial system.

1.7.4 Central Bank of Nigeria (CBN)

This is the apex regulatory authority of the financial system of Nigeria.

1.7.5 Financial Distress

Financial distress is the state of illiquidity or insolvent in a bank i.e an unhealthy financial state.

1.7.6 Illiquidity

This is the state in which a bank can no longer meet up with its financial obligations as at when due.

1.7.7 Insolvency

This is the situation in a bank when the value of its realisable assets is less than its total liabilities.

1.7.8 Liabilities of the Banks

This refers to the bank's financial obligations that are supposed to be met either in the short term or in the long term e.g depositors money.

1.7.9 Nigeria Deposit Insurance Corporation (NDIC)

This is the complementary regulatory and supervisory institution in the CBN. It was established to provide deposit insurance and related services for banks in order to promote confidence in the banking industry.

1.7.10Strategy

The term strategy is derived from the Greek "STRATEGOS" Meaning general. In military sense, it involves the planning and directing of battles or campaigns. In the business sense, it refers to action by management to offset actual or potential actions of competitors.

1.7.11Strategic Planning

This is also termed strategic marketing planning and focuses on the market environment facing the firm.

1.7.12Marketing

Marketing is a social, economic and managerial process focused on the creation and delivery of want – satisfying ideas, goods and services.

1.7.13Product

A product is referred to as any thing that is capable of satisfying a need or want. It can be a tangible object, service, an activity, a person, place, organisation or even an idea.

1.7.14Product Life Cycle

This is the distinct stages in the sales history of any product. The sales history begin with commercialization and ends with products removal from the market.

CHAPTER TWO

LITERATURE REVIEW

2.1 HISTORICAL DEVELOPMENT OF BANKING IN NIGERIA

The first banking activity was established in Nigeria in 1892 by African Banking Corporation followed by the First Bank in 1894 which was incorporated as Bank of British West Africa (BBWA). Union Bank was established in 1917 as Barclays Bank (Dominion Colonial and Overseas).

The activities of these early banks were focussed on the transactions of the colonial masters in their shipping of raw materials from their colonial territories to their home countries.

There was no legislation or regulatory body guiding the activities of the early banks. The absence of legislation led to proliferation of banks by individuals who had little or no orientation to banking activities. This period is usually referred to as "Free Banking Era" because of emergence and collapse of many banks.

According to the 1969 Edition of CBN's Economic and Financial Review, out of the 28 banks floated between 1892 and 952, a total of 28 or 75% of them collapsed after operating for two to three years. Banks like First Bank

1894, Union Bank 1917, National Bank of Nigeria 1933, WEMA Bank 1945, African Continental Bank 1947, survived the crash of the fifties.

While the foreign banks' survival is attributed to their foreign connections, regional governments in their bid to overcome the type of services rendered by the foreign banks, gave maximum support to the regional banks. Their ambition was to break the monopoly of foreign banks over the financial system and to promote national and regional development through their credit liberalization to Nigerian entrepreneurs.

The establishment of Central Bank of Nigeria (CBN) in 1953 and enactment of the First Banking legislation in 1958 known as the Banking ordinance marked the beginning of a serious attempt to put sanity to the industry. Thus, marking the end of the "Free Banking Era". The CBN was also charged with fixing the minimum re-discount rate, minimum liquidity ratio and the use of open market operations to regulate the financial system.

The establishment of CBN precipitated far reaching changes in the banking industry between 1960-70. This period witnessed the establishment of Nigerian Industrial and Development Bank (NIDB) in 1964. The establishment of NIDB was meant to act as catalyst to national development through mobilization of resources for financing of long term loans for long term projects with soft conditions. This was oppose to strict

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lending conditions of the existing commercial banks. Then came the establishment of the first merchant bank, NAL Merchant Bank in 1969. It was formerly known as Nigerian Acceptances Limited. Also, in 1969 Afri-bank was incorporated.

Having laid the legislative framework for banking in 1959 with the 1969 Banking Decree consolidating the foundation, the Nigerian banking system was set for expansion from 1970 and beyond.

The period 1970-76 witnessed three developments in the system.

1. The indigenization of Nigerian Banking
2. The renewed boom in indigenous banking
3. The setting up of the financial system review committee

Although the initial Nigerian Enterprises Promotion Decree of 1972 excluded banking, some expatriate banks on their own took steps to Nigerianise some positions. In 1973, the federal government acquired a 40% interest in standard Bank (First Bank), Barclays Bank (Union Bank) and United Bank for Africa (UBA). In 1976, it acquired 60% of the other foreign banks such as International Bank for West Africa (IBWA) Savannah Bank and Nigeria-Arab Bank (NAB)[3].

3. Ibrahim Ayagi, The Trapped Economy, HEB 1990, Page 40

The second major development was the renewed interest in indigenous banking by state governments. They wanted to mobilize savings and channel them to high priority sectors of their economies and thereby accelerate state development. This trend has continued to date with most of the states having their own banks.

There were 54 banks in the country at the end of 1987, made up of 34 commercial banks, 5 development Banks and 15 Merchants Banks[4]. The CBN, as the apex regulatory institution, sets operating guidelines necessary for the proper conduct of banking business within the framework of government's monetary and fiscal policies.

Even though the various types of banks listed above performed certain common activities, there are some distinct areas of operation. The commercial banks engage in retail banking, opening savings and current accounts, the merchant banks engage mainly in wholesale banking, catering for mainly medium to large corporate customers. Merchant banks tend to specialise in the provision of medium to long-term credit and state of the art financial services and products.

The development banks like the NIDB, Nigeria Bank for Commerce and

4. Ibid

Industry (NBCI) Nigerian Agricultural and Cooperative Bank (NACB) were set up to bring about rapid development in industry, commerce, and agriculture by channeling the much needed credit to viable projects in key sectors of the economy.

The third phase of banking development in Nigeria is referred to as the "Roaring Eighties". This is because of the upsurge in the number of commercial and merchant banks.

Banks in their efforts to protect the interests of their share holders and depositors have been too rigid in their demand for collaterals before approving loans. It was to soften this stance of banks that the CBN recently gave approval for banks' equity participation in industries.

2.2 BANKS AND FINANCIAL CRISIS

2.2.1 BANKS

A bank is a financial institution which renders economic and financial services such as acceptance of term/current savings, deposits, granting of loans, issuance of overdrafts, letters of credits, travellers cheque, bankers pay orders, money order remittance[5]. Some of the functions of banks are common in both developed and developing countries. In addition to the

5. Scwartz, Monetary History of United States, University Press, 1965

normal or traditional functions, banks are generally expected to play additional roles when operating within a developing economy.

Financial intermediation function is one of the most important functions of banks. It incorporates their functions as mobilizers of economic surpluses on the one hand and lenders on the other hand. Banks serve as intermediaries between ultimate users of loanable funds and providers of these funds. Banks also see to it that the savings so mobilized are channelled or lent for the most productive activities. If the pooled resources are allocated to the projects with optimal returns, this contributes optimally to the growth of the economy.

Banks provide a relatively easy, convenient and safe mechanism for affecting payment or transfer of funds between economic units. This is an important function especially in an exchange economy in which units tend to specialize and consequently purchase what they need from others. No economy can achieve rapid growth and development without the effective monetization of the system.

Banks are among the most stable, profitable and growth oriented industries in developing countries. They have therefore been one of the most dependable employers of labour in a setting that has lately been characterized by extensive unemployment and underemployment of

human resources. Although direct employment is important, the ability of banks to generate indirect employment by the financing of projects for their labour employing customers is even more important.

The CBN, as the regulating authority, from time to time issues instructions and/or advises banks (moral session) to do things which could be against their profit objectives but which might be in the national interest.

In Nigeria, the banks contribute in no small measure to the macro economic objectives of rapid transformation of the Nigerian economy. Transforming the economy implies a movement from a given level of development to a desired level of development. Nigerian banks play significant roles in:

a) Provision of payment mechanism essential to create credit habit and higher level of transactions.

b) Acting as a bridge between the surplus and deficit areas in the Nigerian economy.

Development according to Myrdal, is not just a substantial increase in the output of an economy but a total upward movement of a society as evidenced by the attainment of some or most of the things which the society regards as ideals of modernisation. Sustained rise in the level of productivity, improved knowledge and institutions social and economic

equality and removal of undesirable conditions which perpetuate underdevelopment are some indices of ideals of modernisation. The quality and quantity of manpower and entrepreneurial skills are some important ingredients of rapid economic development. Capital is one of the most important ingredients because it expedites production process, permits production leading to freer use of capital equipment. Banks are particularly important in economic development because of their role in capital accumulation and capital widening[6].

2.2.2 FINANCIAL CRISIS

Financial crisis in the banking industry could lead to distress. According to Schwartz (1965), the key elements or links in the process referred to as financial crisis are:

a. A wide spread of change in expectations associated with fear of change in the economic environment. Such changes in the past were triggered in the past by some real events such as war, harvest of bank failures, monetary events such as fear that a particular country would leave the gold standard.

b. Fear of some insolvency of some financial institutions, Insolvency could stem from mismanagement, lack of foresight, fragile debt structure, and also from a system wide shortage of liquidity.

6. Nwakwo, C.O, Bank Management's Principles and Practice Oxford, Mathaise Publishing (UK) 1991

c. An attempt to convert real as well as liquid financial assets into money, which in turn would raise interest rates and lower asset prices leading to liquidity crisis.

d. Threats to insolvency of otherwise viable commercial banks and other financial institutions because of a decline in the values of their portfolio as a consequence of the forces scale of assets.

e. Banks precipitated by such threats of solvency could in turn lead to general banking panic. The public at large, fearful of suffering severe losses in their deposits or of paying premium on currency in the event of a suspension of payment, could attempt to convert their deposits into currency.

f. A reduction in money supply produced in turn by banking panics could lead to further consequences. The public's deposit currency ratio falls and the banks reduce deposit – reserve ratio by reducing loans. This is in an attempt to improve their liquidity positions.

g. Both real economic activity and price level will fall as a result of the fall in money supply.

h. A decline in profit and networths and a rise in bankruptcy follows.

i. A debt crisis produced by both decline in asset prices associated with liquidation and the decline in the price level. The possibility exists of a decline in prices which reduces the value of loan collateral and networths of firms, households and banks leading to widespread bankruptcies, further failures, and failures in the money supply.

Goldsmith (1982) on the other hand defined financial crisis as a sharp, brief, ultracyclical deterioration of all or most of a group financial indicator's short-term interest rates, assets (stock, real estate, land), prices commercial insolvencies and failures of financial institutions.

Bananke (1983) makes the distinction between a banking crisis involving a run on commercial banks and bank failures and a debt crisis, precipitated by a decline in the price of assets. Each type of crisis has serious effect on the economy. Distress in a bank is therefore the state of insolvency and/or (an unhealthy financial state).

2.3 REGULATORY AGENCIES

2.3.1 Central Bank of Nigeria (CBN)

The CBN is statutorily charged with the prudential regulation of the banking system. This is aimed at ensuring monetary stability, a sound and healthy banking and financial system, protect depositors effectively,

develop banking habit, and manpower for the banking industry. Other regulations cover limit to permissible business, risk concentration, capital and liquidity adequacy and statutory returns. The monetary aspects of the regulation include controls over lending generally, structure of lending, interest ratio, reserve requirements and foreign exchange. Normally the CBN employs compliance and that adequate management control system is in place with the necessary early warning systems to ensure management and control.

To achieve these, section 38 of the CBN Decree No. 24 of 1991 states that the Bank shall:

a. Promote and maintain adequate and reasonable financial service to the public.

b. Ensure high standards of conduct and management throughout the banking system.

To reinforce this, powers were prescribed for the CBN in section 39 of the same decree. These powers include the powers to specify critical ratios, call for information from banks and to inspect the books of any bank under section 39 (5)(9). This is "to require that all applications to any bank for loans exceeding such amount as the CBN may specify shall be submitted by the banks to the CBN for approval".

The regulatory powers of the CBN were amplified under the Banks and other Financial Institutions (BOFID) Decree No. 25 of 1991. The powers considered are such that if meticulously applied can achieve the following:

a. Ensure safety to depositors fund

b. Control bank charges

c. Scrutinize entry and exit and avoid under capitalisation.

d. Control expansion and channel funds to productive sectors.

e. Ensure equitable spatial distribution of financial services.

f. Regulate conduct of directors and employees of licenced banks

g. Ensure healthy competition

h. Ensure sensitivity to macro economic objectives and facilitate social responsiveness.

The CBN has powers for the revocation with the approval of the President of the Nigeria, of licence granted to a bank if such bank:

a) Ceases to carry on banking business for which the licence was issued for a continous period of 6 months or a cummulative of 6 months within a period of 12 months.

b) Goes into liquidation or it wound up or otherwise dissolved.

c) Fail to fulfil or comply with any condition subject to which the licence was granted.

d) Has insufficient assets to meet its liabilities

e) Fails to comply with any obligation imposed upon it by or under the CBN Decree No. 24 of 1991.

The setting up of the CBN was desired and it worked reasonably satisfactorily until about 1980. Before 1980, CBN operated in the most professional manner and controlled the banks effectively. The banks were few and they respected the authority of CBN because it was seen to be objective in its operations and was controlling the banks in the national interest of Nigeria.

Since 1980, CBN allowed the financial system to almost collapse. It mis-advised government to give operating licenses to start new banks. Over 40 new banks were licensed to start banking operations in 1988. The newly

established banks were making huge profits. Alfa Bank limited started operation in 1988. They projected a profit within the first 6 months. The first Inter-state Merchant Bank completed its First Full year of operation at the end of 1987 and reported a profit of over N4 million.

The CBN failed to act even when it knew that the banks were declaring huge profits within a short time because:

a) The newly established banks started their operations solely in foreign exchange transactions in single rented offices in Lagos but with the same or even more foreign exchange allocation than the oldest and largest banks in the country.

b) Distortion in the interpretation of the autonomous market and its relation with the rates determined in the primary or auction market.

c) The newly licensed FEM banks concentrated their businesses on multi-national corporations. Thus, the average Nigerian company did not benefit in concrete financial terms from the newly licensed banks.

It was the unconcerned attitude of CBN that eventually saw to the near collapse of the Nigerian financial system.

2.3.2 Nigerian Deposit Insurance Corporation (NDIC)

The NDIC on the other hand was established in 1988 with regulatory power to protect depositors against bank failures and thereby strengthen the financial system. This is aimed at promoting public confidence in the banking system. The corporation is empowered to examine books and affairs of insured banks and other deposit-taking financial institutions.

However, these regulations and the deposit insurance cannot be a substitute for effective management. As quoted by Nwankwo (1991), the Governor of Bank of England emphasised that "while supervisors and regulators must use their full array of power and techniques to see that financial institutions conduct their business properly and competitively, they cannot usurp the roles of management or the responsibility of Board of Directors". He also noted that while Bank of England can materially help to reduce the likelihood of failures, they cannot replace the need for skills and judgement in taking market risks.

In addition, he stated that while deposit issuance can insure depositors against the risk of loss from individual bank's management, it cannot insure the safety of the financial system. The role of CBN is therefore not to prevent insolvency, it is rather to help minimise the risks bank take and to ensure that the failure of an individual bank or a few institutions does not threaten the stability of the financial system.

The NDIC in its 1991 annual report and statement of account reported inter-alia "The financial condition of insured banks is of interest to the NDIC the monetary authorities and the general public. While the public is concerned with the safety of their deposits, the NDIC and monetary authorities are concerned about stability, safety and soundness of the banking system and its overall effects on the economy as a whole. Another major source of concern for the NDIC is its insurance obligations to depositors in the event of bank failure.

In assessing the financial condition of banks, illiquidity and insolvency are of serious concern to regulators and supervisors. Illiquidity occurs in a bank when it could no longer meet its liabilities at the mature for payment. It is insolvent when the value of its realisable assets is less than the total value of its liabilities.

Thus, when assessing the financial condition of a bank, it is customary to evaluate the capital adequacy of its liquidity. The NDIC in 1991 reported that Nigerian ownership structure and type of banks are important parameters in explaining financial condition of a bank. Two major parameters that should be of primary concern to the Nigerian monetary authorities in their bid to achieve their objective in banking system are:

a) Ownership structure

b) The quality of management and staff.

KASU IBRAHIM LIBRARY

Bello (1993) observed that in addition to having safe and sound operations, adequate capital asset bases, high level earnings and liquidity including good internal checks and control system, they must also have high quality and honest professionals who will not singularly, collectively or in connivance with members of the public defraud the banks[7].

Nwoali (1993) attributed the collapsing service rendered in the Nigerian banking industry to poor management. He noted that many banks did not employ experienced and exposed staff who would render meaningful services. He said that many banks employed mediocres and appointed inexperienced managers who could not manage the business effectively. Worse still, some of these managers were people who studied other courses not related to banking. He then remarked that, some managers were not bothered about the progress of the banks but were after their big salaries. He noted that CBN was supposed to regulate the calibre of bank management staff but unfortunately, the appex bank had not done this effectively. He finally cautioned that if the situation persisted, many banks might fold up or have their licenses withdrawn by the CBN as they might no longer meet the statutory operating requirements.

Oladipo (1993) noted that the situation in the banking industry was caused

7. Bello "Checking Banking Financial Malpractices", Business Times Vol. 18 No 23 June 7, 1993

by disregard for and in some cases unethical application of banking rules, incompetent management, non application of prudential guidelines and execution of new projects without clearance from CBN. Other reasons include extension of loans and advances without collaterals, failure to identify dormant accounts and lack of effective debt recovery machinery.

As part of efforts by CBN and NDIC to arrest the financial crisis in the country in the first quarter of 1995, a new Transitional Board (TSB) was constituted to replace the interim Management Board (IMB). The TSB was part of an enhanced framework for supervisory intervention in the six state government owned distressed banks earlier acquired by CBN.

In the second quarter of 1995 the CBN, realised the magnitude of the financial crisis in the country, revoked the license of the Republic Bank Limited. This was as a result of the worsening financial condition of the bank and the erosion of its capital base as well as the dissipation of depositors funds.

During the third and fourth quarters of 1995, the CBN in conjunction with NDIC, assumed control and management of 18 distressed banks. There included Lobi and Allied Banks. The management of these ailing banks were dissolved and new ones were constituted to manage their affairs. The share holders were given 30 days to recapitalise their banks.

However, none of the affected banks was able to meet this requirement and so the CBN acquired six out of the eighteen for a nominal fee.

During the 1996/97 period the Federal Government inaugurated special tribunals under the Failed Banks (Recovery of Dept.) and Financial Malpractices in Banks Decree No. 18 of 1994. A total of 5 special tribunals were inaugurated. Many bank debtors were made to pay their debts to the various banks.

2.4 CAUSES OF UNVIABILITY OFBANKS

In spite of the regulation and supervision of CBN and NDIC to ensure viability in the banking industry, many banks have become unviable. Several factors are responsible for this. They include fraud, forgeries, politics, economic environment, inadequate capital, illequidity, insolvency, lack of experience and skilled staff, ownership structure and most importantly poor management.

2.4.1 Poor Management

a) Non-participating Board of Directors

The success or failure of an organisation begins in the boardroom where members take major long-range decisions geared towards the profitable growth of the organisation. This presupposes that board members should be experienced and knowledgeable in the business or in the smooth running of a corporate enterprise. They

should be able to fashion out strategies for the success of the organisation. Where board members lack the requisite knowledge, they are unlikely to participate fully and effectively. This could result in poor decisions being taken or a decision not taken at all due to lack of quorum or unnecessary argument.

b) One – Man Rule

In the one-man rule, the chief executive takes all the decisions, whether strategic or routine. He neither consults for advice, reactions and contrary views nor delegates to his subordinates. He allows no discussions on important issues but only calling meetings to confirm decisions already taken. Such chief executive is on the road to destroying the organisation because with time he could make fatal errors of judgement which could cost the organisation dearly.

c) Unbalanced Top Management Team

Top management team should be balanced by a substantial number of experienced highly knowledgeable senior managers and of managers with a broad spectrum of skills in all financial areas of business. Unbalanced top management could result in having a one tract mind and completely obvious to other events in its environment. The top management would be unable to do much

because it lacks the requisite skills and management exposure for handling such events.

d) Combined Chairman-Chief Executive

There is inherent danger in one person combining the positions of the chairman and chief executive. It leaves no room for checks on the executive. The same man can decide what is to be included in the agenda of a board meeting for discussion. As chairman, he can pilot meetings towards his own decisions or strategies. Even if they are not in the best interest of the organisation.

e) Weak Finance Function

If the organisation has deficient finance and accounting functions, then the organisation could be heading for financial crisis and collapse. Such organisation will face inadequate financial control, poor asset valuation and costing systems, and inadequate cash flow forecast.

2.4.2 Inadequate Capital Base

If a bank must enjoy the confidence of its depositors, it must have a strong capital base as evidence of its strength. It is important that a bank operates profitably for the shareholders fund to increase. In very many instances, the adjusted capital of most of the distressed banks is negative. This is to the extent that even fixed assets could be seen to have been

financed from depositor's fund. The only way for such bank is to be recapitalised as it is technically insolvent.

TABLE 4.1: CAPITAL REQUIREMENT AND SHAREHOLDERS FUND

Banks	No of Banks		Shareholders Fund N'000		Capital Requirement N'000	
	1994	1995	1994	1995	1994	1995
Merchant Banks	51	51	(2,278.1)	(4,869.1)	4,392.7	11,672.7
Commercial Banks	65	64	(1,593.0)	(3,922.0)	2,289.7	27,162.3
Total in Industry	116	115	(3,871.1)	(8,791.1)	6,682.4	38,835.0

Source: NDIC 1995 Annual Report and Statement of Account.

From Table 1, the trend of gross undercapitalisation reported in 1994 continued in 1995. The adjusted shareholders fund deteriorated further from negative N3,871.1 million in 1994 to negative N8,791.1 million in 1995. This implies that not much funds will be available for investors to use on investments that will yield positive growth to the economy. Also, the capital shortfalls was known to depositors. Therefore, their confidence to deposit money in such banks was eroded.

2.4.3 Fraud and Forgeries

Fraud is another serious problem that banks have to cope with. The fraud includes outright theft by way of credits that the manager or approving authority knows will fail.

Table 2 below is a data on reported cases of fraud in 1995 and 1994. It shows the trend in malpractices in some banks

TABLE 4.2: RETURNS OF COMMERCIAL BANKS ON FRAUD AND FORGERIES

Quarter	Year	No of Banks Rendering Returns	No of Banks with Fraud Cases	Amount Involved ₦' m	Actual Expected ₦' m	Proportion of Actual/ Expected Loss to Amount Involved %
1st	1995	51	30	312.90	52.60	16.81
	1994	47	33	426.30	66.82	15.67
2nd	1995	35	29	175.30	39.95	20.50
	1994	46	36	227.51	27.41	12.04
3rd	1995	40	36	240.77	62.74	26.05
	1994	56	38	556.60	48.84	8.77
4th	1995	47	32	277.31	75.09	27.09
	1994	49	45	1445.30	740.48	52.23
Total	1995	-	-	1006.28	220.68	22.49
	1994	-	-	2,655.71	883.55	33.26

Source: NDIC 1995 Annual Report and Statement of Accounts

KASHIM IBRAHIM LIBRARY

Data on Table 2 shows the amount involved in frauds and forgeries together with actual/expected loss and the number of commercial banks involved. The amount involved for 1995 stood at N1006.28 million compared to N2,655.71 million of 1994. The total/expected loss in 1995 was N220.68 million as against N888.35 million in 1994. In the first quarter of 1995, 51 banks rendered returns with 30 reported fraud cases. This is against 47 banks in 1994 with 33 fraud cases. This was generally a significant decline in actual/expected losses reported in 1995. This decline could be attributed to the efforts of the implementation of the decree on failed banks.

2.4.4 Customer Relations

The crisis of efficiency has found ready victims in members of the public who have to deal with the banking system, in particular the commercial banks[8] A number of factors contribute to the inability of banks to provide satisfactory services to customers. These include:

a) The high incidence of fraud or irresponsibility on the part of the public which drastically limits the use of cheques for settlement of debt. This has increased the cashing facilities and the issuing of bank drafts to a level that has put heavy strain on the banks.

b) The apparent indiference to customer satisfaction on the part of staff either due to inadequate or lack of training or perhaps to the

8. Onosode G. Three Decades of Development Crises in Nigeria Malthouse, 1993, page 212

incidence of corrupt practices.

c) The limited use to which computerization has been adopted in streamlining the recording of transactions and retrieval of information. Some banks do not issue and dispatch bank statements except on demand.

d) The physical environment of most banking halls is poor. Banking halls are invariably narrow, frequently untidy, sometimes dirty and poorly lit. hardly is there any attempt to impose some order on the chaos which is typical of the hordes of customers waiting to be served.

2.5 MARKETING STRATEGY AND ITS APPLICATION

In the business sense, strategy refers to action to offset actual or potential actions of competitors. According to R E Runyon, strategy is used to describe how objectives are to be accomplished. WF Glue (1984), strategy is a unified, comprehensive and integrated plan relating the strategic advantages of the firm to the challenges of the environment. It is designed to ensure the basic objectives of the enterprise are achieved.

Thomas (1977) sees strategy as "the determination of basic long range goals and objectives and adoption of courses of action with the allocation of necessary resources".

2.5.1 Characteristics of Strategic Decisions

The characteristics usually associated with strategy and strategic decisions are:

1. Strategic decisions are likely to be concerned with the scope of an organisations activities: does (and should) the organisation concentrate on one area of activity, or does it have many? Scope of activities concerns the way in which the managers of the business conceive its boundaries.

2. Strategy has to do with the matching of the activities of an organisation to the environment in which it operates. Since the environment is continually changing, strategic decisions usually involve change, often of a major kind.

3. Strategy has to do with the matching of the organisation's activities to its resources capability. It is about matching organisational resources to threats and opportunities.

4. Strategic decisions often have major resource implications for an organisation. It may be decision to acquire a whole area of resource, dispose of others or fundamentally reallocate others.

5. Strategy of an organisation will be affected also by the values and expectations of those who influence strategy. In some respect, strategy may be thought of as a reflection of the attitudes and beliefs of those who have most influence in the organisation.

6. Strategic decisions may well affect the long term direction of an organisation. They often have longer time horizons than day-to-day operating decisions.

7. Strategic decisions are often complex in nature, involving many considerations from within and without the organisation and being likely to have many remifications.

2.5.2 Principles of Corporate Strategy

Competition is a battle for superiority. The winner is the better competitor. In a strategic view, a company has to decide how to gain the leader position and build up competition through differentiation (occupying a distinctive position in the market place) and low costs (achieving low production costs relative to competitors). The differentiation could be achieved through:

a) Quality – firms with above average product tend to achieve above-average profitability (scheffler of al, 1974).

b) Image – A company can distinguish itself from its competitors through its product design, advertising and public relations work.

c) Distribution – Advantage could be obtained over competitors by opening up new distribution channels or developing a better distribution network. This makes the company more attractive because it is closer to the market.

d) Innovation – Innovation enables the company to offer products that are clearly better than those of its rivals.

e) Superiority in Cost – A company will achieve a position of competitive advantage if its costs are more favourable than those of its competitors.

2.5.3 Strategy for Achieving Objectives.

To achieve chosen objectives, the following rules must be considered:

i. **Concentration of Forces:** Only a concentrated use of resources will ensure a break-through in a particular market. A company normally needs a certain minimum sales volume for a product to be viable. If there are competing products, the break-through must be against competitors to achieve a minimum market share. A company can also concentrate on meeting customer requirements that are not

yet fully satisfied. Indirect approach (attacking where the enemy is not expecting you to attack) is a decisive element in the success of many company strategies.

ii. **Concentrating On Strength and Exploiting Opportunities for Synergy:** A company structure must aim at achieving superiority in specific fields of activity. Related to the principle of concentrating on strength is the principle of exploiting opportunities for synergy. Two or more elements should be combined to form something new.

iii. **Utilising Environment and Market Opportunities:** A good strategy might exploit opportunities. In the environment, opportunities may be offered by new technologies, changing economic conditions, social trends, demographic developments, political changes, customer requirements and market developments. Management should be able to keep watch for opportunities in the market and environment and achieve a healthy growth by making proper use of them.

iv. **Matching Aims with resources:** Correctly assessing the resources needed to achieve a company's aims is ultimately a question of estimating risks. The successful strategist will therefore try to make

a careful evaluation of the risks entailed in any particular strategy and where necessary take measures to reduce or compensate them.

v. **Unite De Doctrine:** A strategy which may not be optimal in terms of the environment and the market can be implemented with immense success if it has the whole-hearted support of everyone in the company. Support can be a powerful strategic force. In general, strategies that are simple and homogenous will produce a strong unite de doctrine (motivation, enthusiasm and unity of purpose).

2.5.4 The Corporate Purpose

In developing strategies, an organisation must have a purpose which it hopes to achieve with the strategy. This purpose could be defined as its mission, goal and objective. A corporate mission is the broad purpose which the society within which the organisation is operating expects it to serve. It is the linkage between the organisation and its external environment.

A corporate goal on the other hand is a long-term, often multiple future state of affairs which the organisation is aiming at fulfilling its mission. Goals are narrower and more concrete than mission.

An objective is a very specific concrete time bound, clear and quantifiable state of affairs, which the organisation is pursuing. An objective is a sub-goal. Missions are translated into goals, which are then made more specific and actionable in objectives. There has to be a clear link between objective, goal and mission which all define the organisation purpose. This is the essence of strategic management.

2.5.5 Strategic Planning

Strategic planning also termed strategic marketing planning focuses on the market environment facing the firm. Thus the emphasis is not only on projections but also on an in-depth understanding of the market environment, particularly the competitors and customers. The hope is not only to gain insight into current conditions, but also to be able to anticipate changes that have strategic implications. (Aaker).

According to Christopher Martin, Marketing planning is the systematic application of marketing resources to achieve marketing objectives. It is the means by which an organisation seeks to monitor and control the hundred of external and internal influences on its ability to achieve profitable sales.

Marketing planning is seen to provide an understanding throughout the organisation of the particular competitive stance that an organisation

intends to take to achieve its functions to work together rather than in isolation. (Akpan, 1987)

Bush and Huston define strategic Marketing planning as a process consisting of the following steps.

(1) Situation analysis

(2) Establishment of objectives

(3) Determination of product market and market segmentation

(4) Budget determination

(5) Management of the marketing programme

(6) Evaluation and control

Cravens in his book "Strategic Marketing" defines strategic marketing as a process of:

1. Strategic analysis of environment, competitive and business factors affecting business units and forecasting future trends in business area of interest to the enterprise.

2. Participating in setting objectives and formulating corporate and business unit strategies.

3. Selecting target market strategies for the product – markets in each business unit establishing marketing objectives, and developing, implementing and managing marketing programmes. Positioning strategies for meeting target market needs.

Given the highly competitive and dynamic environment in which organisations operates marketing planning becomes very essential. Apart from helping to solve current needs of the organisation toward the future, without some planning procedure, there is danger that the organisation will exhaust most of its energies pursuing unnecessary disputes, whilst its marketing may become little or more than an uncordinated mixture of interesting bits and pieces. In other words, those responsible for marketing will be forced to play the role of administrators reaching to problems instead of acting to prevent problem

The planning process usually begins with a review of the current market situation. In this review:

1. The product sales trend in units and Naira for the past several years are studied. Sales figures are charted in relationship to competitor's

and/or industry sales and to past profit and/or expense patterns for the products.

2. Market situation and competitive environment are often considered together in the marketing plan. These include future changes in demand, the identification of trends within market segments, changes in customer attitudes or purchasing behaviour, and recent or anticipate actions by the competition.

3. An evaluation is made of problems and opportunities of market factors and product factors, such as technology or cost that may hinder or support profitable sales growth.

4. Planning assumptions and constraints are provided for. These may be outside the company (such as economic conditions, government regulations and social trends) or inside (plant, capacity, financial or personnel limitations, and management standards for the investment return rate of new products).

Strategies and action programmes are then worked out. Strategy and action programmes are the plan of action or matching orders for getting where the organisation wants to go. The strategy part of a formal written plan is usually a single statement in broad general terms. Sometimes

showing specifically how objectives are to be gained. A well phrased strategy statement may read thus: The market share of product Y is to be increased from 6% to 8% within twelve months by (a) developing an attractive and functional package; (b) directing increased advertising packages to reach the top 20 users; (c) redesigning product to improve appearance at no cost increase. An action programme describes the actual steps by which the strategy will be put into practice and objectives acoomplished during the planning period. It often gives priority to each step and time span in months or quarters for carrying it out.

2.5.6 Pricing

Price is the value of a product expressed in Naira and Kobo while pricing is the art of translating into quantitative terms (Naira and Kobo) the value of the product to customers at a point in time (Hudson, 1998).

Broadly speaking, the firm may go for more than one objective at the same time. While it pursues maximum profits in the short and long run, it may also which to maintain good relations with labour, the government and the customers. It may wish to build a new image for the entire company even at the face of decreasing profits. The objectives could be:

a. Profit oriented: The main goal of the profit oriented objective is to make a profit. It could be

1. Profit maximization – Every company strives to maximize profit.

2. Target Rate of Return on Investment – Many firm have a predetermined level of profit and work toward it. This serves as guideline for judging improvement especially in a new product line.

3. Satisfactory Profits – Some firms seek a satisfactory level of profit.

b. Volume Oriented Objectives: In most cases the more the volume of sales of a particular firm, the more wide spread consumer acceptance of the firms product.

1. Maximization of Sales Volume – Many firms have traditionally pursued maximum sales revenue through higher volume of sales. Sales growth is a positive business indicator, that high sales lead inevitably to high profits. However, certain product lines with high marginal costs may be popular with customers, but may yield only limited profits for the firm.

2. Maximization of Market Share – The pricing policy of a firm is geared toward maximizing the firm's market share.

3. Maximization of Customer Volume – A business firm may choose to offer unusually low price in order to increase dramatically the number of customers using its products. This is known as Rapid Penetration Objective.

4. Minimization of Customer Volume – Sometimes a firm wants to discourage the public or certain segments of the public from using its products or services.

c. Status Quo Objectives: When a favourable market situation exists for a firm, any change represents a threat. A firm may pursue status quo-oriented objectives to maintain the status-quo.

1. Maintenance of Market Share – Many firms are satisfied with just being able to maintain their market share so as not to attract government actions.

2. Meeting Competition – Many firms price to meet competition.

3. Maintenance of Image – For a company to survive and prosper, it needs a solid image in the market place. If it is to produce high quality goods then putting out low budget line could damage the company in the long run.

4. Maintenance of Stable Prices – Some firms chose to keep prices stable because they fear to go into a price war.

5. Achievement of Certain Mark Ups – Wholesalers and retailers are especially likely to rely on mark ups. This is because it may be difficult for them to calculate demand or operating costs for their many products.

6. Recovery of Costs – Non-profit organisations rely on various types of fees in order to help off-set their costs.

2.5.6.(1) FORCES SHAPING PRICING

The following forces shape fixing of price in an organisation:

a. Internal Forces:- Internal pricing consideration such as pricing objectives, product characteristic and costs – can be controlled by the firm itself.

b. Objectives:- Pricing objectives of a company influences the actual prices.

c. Organization:- Pricing organisation varies widely. In some firms, production and marketing specialists have an important say in the pricing process, in some firms the pricing is on a

centralised basis while others rely on lower and middle management personnel.

d. Marketing Mix:- Pricing must be seen as an integrated part of the marketing Mix. In raising or cutting prices, the marketing mix must be taken into consideration.

e. Product Differentiation:- Generally, the more a firm's product is differentiated from competitive offerings, the more freedom it has to set own prices.

f. Cost:- Prices must generally cover costs.

g. Demand:- I n deciding upon a price, marketers must study the character of demand in the industry and must guage the effects of price changes on demand.

h. Competitors:- A firm must observe prices, and develop predictions on the behaviour of present competitors in the industry.

i. Suppliers:- If the suppliers increase the price of raw materials, then prices of finished goods would be affected.

j. Distribution:- The needs and expectations of all the various intermediaries in the distribution system must be taken into account when making a pricing decision.

k. Inflation:- Inflation affects the pricing of a product. When prices are rising, marketers must make renewed efforts to reposition products and make appeals stressing both price and performance.

l. Recession:- Prolonged recession period makes companies to start cutting prices in order to reduce large inventories or keep production going at an acceptable level.

m. Inflation:- Recession – When both inflation and recession occur simultaneously, firms face shortage, rising prices and diminishing demand. New pricing strategies will have to be introduced.

n. Shortages:- Where shortages of raw materials occur, the price of obtaining the materials will rise.

o. Government:- Government influences pricing decision in various ways such as through regulations.

p. Ethical Considerations:- Ethics usually involve how high prices can go e.g charging too much when a new market segment has valid need for the product but limited resources to spend on such product such as bread and medicine.

2.5.6. (2) PLANNING STRATEGIC PRICING

There are six steps in the strategic pricing process.

1. Select Target Markets:- Kinds of consumers that the firm is going after.

2. Study Consumer Behaviour:- Market research should be designed to present a picture of the target markets eg. buying motives, location, pricing.

3. Identify Competition:- Investigation to be conducted into the competitors in the industry and other potential competitors.

4. Assign Price a Role in Marketing Mix:- The firm desires estimates of the number of units that could be sold at various price levels. The estimates will be developed after considering the non price marketing strategies.

5. Relate Cost and Demand:- Cost will be estimated for producing the product at a number of possible levels of output.

6. Determine Strategic Price:- At this point, consideration is on the overall objectives such as satisfactory profits, share of market, higher volume, ethical standards etc (Rosenberg).

2.5.7 Promotion

Promotion consists of communications that inform potential consumers of the existence of products and persuade them that these products have need satisfying capabilities.

The consumer perceives promotion as a vehicle through which to get information about a product(s). The information is related to the levels of the total product. The consumer wants to know about the core product benefits. He desires further information about the tangible and intangible aspects of the organisation. The customer is interested in the durability, important features and prestige associated with the brand. The consumer is interested on information about the augmented products, including service, warranty for shopping, specialty products, location (where it can be purchased) and the products price. In summary, the consumer's useful information about an organisation and its products.

Marketers see promotion as a vehicle to be used to sell products. Consequently, they believe broadly that promotion should be factual and persuassive and that sometimes it should even embellish the product. Embellishment describes the type of persuation that comes closest to deception. Puffery is also used in promotion, that is, false claim such as the best soap in the world.

The society views promotion differently. The government regulators are concerned with false claims and deception. The social activists have a negative view about advertising while the society will view favourably any promotion that is not deceptive.

2.5.7 (1) Promotion Mix:- The promotion activities of companies are usually classified into four basic categories.

1. Advertising – Any paid form of non-personal presentation and promotion of ideas, goods or services by an identified sponsor. Advertising includes messages in newspapers, Magazines, billboards, posters, radio and television broadcast. Advertising is aimed at to inform and sell.
2. Personal Selling – Oral presentation in a conversation with one or more prospective purchasers for the purpose of making sales. Personal selling can be used to create awareness, arousing interest developing preference, negotiating prices, closing a sale and providing post transactional reinforcement.

3. Sales Promotion – Those marketing activities other than personal selling, advertising and publicity that stimulate consumer purchasing and dealer effectiveness. These include displays, shows and exhibitions, demonstrations and various non-recurrent efforts not in the ordinary routine.

4. Publicity – Non personal stimulation of demand for a product service or business unit by planting, commercially news about it in a published medium or obtaining favourable presentation of it upon radio, television or stage that is not paid for by the sponsor. (Rosenberg, P406).

Publicity is generally effective in the awareness stage. Advertising becomes less and less effective over a period of time. Personal selling becomes more effective as consumer needs dictate a more personal relationship. (Product can survive on advertising alone although a combination of advertising and personal selling is desirable). Sales promotion can be effective in providing added incentives for buyer action[9].

9. Ibid

2.5.7 (2) Factors Determining the Promotion Mix:- Most companies go beyond the effectiveness efficiency factors in determining which elements of the promotion mix to use. They also use the following factors.

1. Life cycle stage:- The five stages in the product life cycle (plc) are the introduction, growth, maturity, saturation and decline stages. The promotional emphasis changes with each stage (Rosenberg). During the introduction stage, the marketer must stimulate primary demand for the product itself.

   Here the objective is to create awareness. Personal selling is used to push the product through the trade. Trade shows, fairs and conventions are also used to push through. Publicity is often used at the introductory stage to dismantle resistance and negative attitudes to the new idea.

   During the growth phase, the marketer is all out for higher volume and a greater share of the market. The promotional mix at this stage demands increased advertising. They must emphasis the benefits and advantages of their products over competition.

In the maturity stage, a balanced promotion mix is used to maintain the sales level.

During the decline stage, new products overtakes old ones, which are finally abandoned. Unless sales can be revived by a change in the market or by repositioning the product, promotional expenditures are usually reduced substantially or eliminated during this stage. (Schewe and Smith, P478).

2. Type of Product – When a product has high unit value personal selling is desirable (Real estate, automobile). Also when the buyer requires service and specialised knowledge (insurance or investments), and when products need a favourable shelf position. Generally, consumer goods utilize mass advertising while industrial goods depend heavily on personal selling.

3. Size of Budget – Where the budget is small, the company resorts to personal selling and publicity. A non-profit organisation may use volunteer " sales people" and special fund raising events.

4. Push and Pull Strategies – The pull strategy is aimed at pulling the product through the market. In the pull strategy, mass

communication is emphasised and the marketer is trying to create end user demand.

5. Organisation Philosophy – Some organisations have as a policy preserving good relations with their customers, even though the cost of doing so affects returns on sales. For instance, some companies distribute calendars every year to their customer.

6. Market Size and Segmentation – The more clearly defined a segment, the more accurate may be the targeting of the promotional mix.

7. Persona Service

8. Competition Promotional Mix

3. Placement

Placement as one of the elements of marketing mix consists of both channels of distribution and physical distribution. Distribution produces satisfaction in the market place. It involves the physical movement of products to ultimate consumers or users. It is the distribution that provides time and place utility. By place utility, the product is made available to the consumer at the right place of

location and by time utility is making available the product at the right time.

Channels of distribution means the routes that goods take in their progress journey from producers to consumers. It could be from producers to wholesalers to retailers (small or large), chain store to the final consumer.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 NATURE AND IMPORATNACE OF RESEARCH

Research is simply the process of arriving at dependable solutions to problems through the planned and systematic collection, analysis, and interpretation of data. (Osuala, 1982). Research is the most important tool for advancing knowledge, for promoting progress, and for enabling man to relate more effectively to his environment, to accomplish his purpose and to resolve his conflicts.

Research does not include the routine activities of applying what is already known or of teaching in the usual sense of the word. Research is reserved for activities designed to discover facts and relationships that will make knowledge more effective.

In the dynamic environment in which we live, it is very naïve of any organisation or individual to think that important decisions can continue to be made by rule of thumb, highly isolated grasswork hunches. The complexity of the decisions to be made and the magnitude of the problems confronting the people are such that systematic procedure are required to in order to ensure that decisions are made as much as possible with the

facts available. Present day decisions often cost a lot of money. Sometimes, what is required in everyday decisions is not right or wrong answers but intelligent decisions that are made possible by research.

The research design follows a pattern of Survey method. This is because, it is most appropriate for identifying the real nature of the problem stated. It also gives an insight for hypothesis testing at a later stage. The techniques or instruments to be used to collect data is interview method & Questionnaire. At this junction, it will be worth explaining what survey method of research is all about and its relevance to this particular research/study.

3.1 SURVEY METHOD

This is widely used method in the social science. Survey consists of gathering data from usually a large numbers of respondents. The purpose of a survey is not the collection of data per se, but the discovery of meaning in the data collected, so that facts and events can be better understood, interpreted and explained. Survey involves collecting data through asking questions either in self administered questionnaires or through interviews. Interview as data collection technique is a method in which the investigator direct question at the subject and records they obtained responses. These are after face-to-face interactions.

3.2 ORAL INTERVIEW

A method of structured interview was used. This method was used primarily to test the existing hypothesis. The manager of Afribank Plc was interviewed. The questions asked were directed towards what the researcher wanted to find out for the survey to be valid, such as whether your organisation been recently involved in developing her work force for effective marketing and service delivery to customers, Marketing strategies used type of products which the bank has etc.

3.3 QUESTIONNAIRE

Questionnaire to be filled in by Enumerators. This is the most satisfactory method. The questionnaire is often divided in two parts. The first part is the classification section with details of the respondent such as SEX, AGE, MARITAL STATUS and OCCUPATION. The second part relates to the subject matter of the inquiry. The following list gives some principal points in designing questionnaires.

(a) The number of questions should be kept at a minimum.

(b) Questions should be short and clear

(c) Offensive questions should be avoided

(d) Influential or leading questions should not be used

(e) Questions should be easy to answer

(f) Questions should require simple answer

3.4 RESEARCH APPROACH

3.4.1(a) PRIMARY DATA

For any academic research to be accepted, it must be based on a sound and reliable primary sources of data, through which the needed data are collected. Such sources usually provide more relevant and reliable data. The primary data for this research, was structured interview with the manager Afribank, and questionnaire to be filled in by Enumerators.

The essence of every method of research is to find answer or solutions to existing problems. The personal interview method seems to provide a more advantageous setting for the researcher. More questions and additional observations on the respondents are at the researchers disposal. However, it has the disadvantage of being expensive and a subjecting tendency.

3.4.2(b) SECONDARY DATA

Researchers in most cases, start their research with secondary data instead of primary data. According to Benson – Gagar "this is to see whether their problems can partly or wholly be solved" at least cost. All researchers need do is to source for relevant sources of information like textbooks, journals etc. the researcher used different text books from different authors as secondary data for this research.

3.5 SAMPLING

No concept is as fundamental to the conduct of research and interpretation of its results as is sampling. Except when a complete concensus is taken, research is invariably conducted by means of sample, on the basis of which generarization applicable to the population from which the sample was obtained are reached.

Sampling is taking any portion of a population or universe as representative of that population or universe. (Osuala, 1982).

Random sampling is that method of drawing a portion (or sample) of a population or universe so that each member of the population or universe has equal chance of being selected. All possible samples of a fixed size have the same probability of being selected. A sample drawn at random is unbiased because no member of the population has any more chance of being selected than any other member.

3.6 COLLECTION AND ANALYSIS OF DATA

Scientific problems can only be solved on the basis of data. Data could be primary or secondary data. Primary data is collected expressly for a specific purpose. Data collected for some other purposes, frequently for administrative reasons, may be used known as secondary data.

3.7 METHODS OF DATA COLLECTION

Data are often collected in the normal course of administration. The following covers the most important methods of collecting data

1. Postal Questionnaire: This takes the form of a list sent by post. The postal questionnaire is generally unsatisfactory, producing few replies, and those of a biased nature.
2. Questionnaire to be filled in by Enumerators. This is the most satisfactory method. The questionnaire is often divided in two parts. The first part is the classification section with details of the respondent such as sex, age, marital status and occupation. The second part relates to the subject matter of the inquiry. The following list gives some principal points in designing questionnaires.
   a. The number of questions should be kept at a minimum.
   b. Questions should be short and clear
   c. Offensive questions should be avoided.
   d. Influential or leading questions should not be used.
   e. Questions should be easy to answer.

f. Questions should require simple answers.

3. Telephone: Asking questions by telephone is not usually a very good method because people who posses telephone form a biased sample

4. Observation: This method entails sending observers to record what actually happened while it is happening. It could be direct and indirect observation, or analysis of records.

5. Reports: These may be based on observations or informal conservation. They are usually incomplete and biased, but in certain cases may be useful.

6. Result of Experiments: This method is of greater interest to the production engineer, the argronomist and other applied scientists than to the student researcher.

7. Personal Interview: It is a conversation carried out with the definite aim of obtaining certain information. It is designed to gather valid and reliable information through the responses of the interview to a planned sequence of questions.

3.8 RESEARCH METHODOLOGY FOR AFRIBANK PROJECT

Primary and secondary sources of data were collected for the purpose of writing the project on "Effective Marketing Strategy as a Tool for a viable financial Institute". A case study of Afribank Plc. The data was collected through review of related studies, extract from CBN annual reports and statement of accounts, the Nigerian Stock Exchange (fact books) and NDIC annual reports on banks. In addition, random sampling of opinion of respondents within the banks investigated were collected. Bank workers and customers were asked for their opinions about the Afribank. This was conducted through questionnaire and personal interview methods of data collection.

CHAPTER FOUR

STRUCTURE AND ORGANISATION OF AFRIBANK NIGERIA PLC

4.1 INTRODUCTION

Afri-bank Nigeria Plc is one of the four biggest banks in Nigeria and is highly diversified. From a humble spread of 2 branches in 1960, when it was established, the bank has grown to be represented in 137 locations throughout the country. 1999 published results of the operations of the group shows a total asset of N45.5 billion and customer deposit base of N35.2 billion[10].

The Afri-bank group stands out as one of the most diversified in the banking sector. The group boasts of a full service merchant bank, an offshore finance company, a stockbroking firm, an insurance brokerage firm, trustees and securities company and an estate development company.

Having been incorporated on 30th May 1960, Afribank was listed on the Nigerian Stock Exchange on 29 October, 1993. The nature of business is commercial banking.

10. Afribank Financial Report, 1999, Page 1

Operationally, the group has always produced good results since it was established in 1960. From 1992, earning have been the strangest area of interest. Gross earnings increased from N1.457 billion in 1992 to N9.413 billion in 1999. Profit before tax increased from N230 million in 1993 to over N1 billion in 1999. These clearly shows that the bank has started reaping the benefits of earlier investment[11].

To complement its fully diversified business empire, Afribank made substantial investments in consolidated Discount House Limited, Central Insurance Company (through Afribank Insurance Brokers), First Securities Discount House Limited, Afrexim Bank Cairo, Electric Meter Company of Nigeria and Smartcard Nigeria Limited.

4.2 STRUCTURE AND ORGANISATION OF AFRIBANK NIG. PLC

The bank being a profit-oriented organisation has a simple organisational chart. At the top the Board of Director is headed by a chairman. The day-to-day running of the Bank is conducted by the Managing Director (MD) who is also a member of the Board.

The Board is made up of eleven members drawn from the ownership structure. The executive management is next to the Board of Directors.

11. Ibid

This is made up of executives of the Bank. Following in the chain are the General Managers and Assistant General Managers of the various branches at the headquarters. The head office is made up of the following departments: Legal, Personnel Administration, Accounting, Advance, Training, Property/Estate, Inspection and Research and Development.

The Bank has a network of branches at Southern, Eastern, Central and Northern parts of Nigeria. The bank is represented in 137 locations in major urban and sub-urban settlements throughout the country.

4.3 OPERATIONS OF AFRIBANK

Afribank is a full service commercial bank that has been committed to facilitating the growth of the economy through excellent banking services. With a strong capital base and operations base, the bank has invested in information technology and manpower development. The bank is currently undertaking a programme t hat will ultimately link all its 137 branches on an on-line time basis. Customer will be able to access their accounts anywhere they are. Thirty three branches of the bank have been re-engineered for the purpose of the programme. This means that over 80% of retail and corporate banking services are fully automated.

Afribank is involved in United Nations Development Programme (UNDP) assisted nationwide micro-credit scheme. It was also involved in

administering and disbursing credit facilities under the suspended Family Economic Advancement Programme. In the educational sector, the bank has demonstrated strong support for research by instituting research fellowship in three Federal Universities since 1990. It also instituted best student's price in banking and finance in 13 federal universities in addition to annual award to the best JAMB candidate.

Profit before tax increased from N149 million in 1992 to N634 million in 1995 and N1 billion in 1999. Also, total assets increased to 41.4 billion in 1999 from N34.3 billion in 1997. As a mark of increased customer confidence in the bank, deposits grew from N26.3 billion in 1997 to N33.8 billion in 1999. Similarly, shareholders funds increased from N1 billion in 1997 to N1.7 billion in 1999[12].

Vital financial ratios of the bank have remained satisfactory. Return on capital increased from 16.61% in 1997 to 28.35% in 1999[13]. This is a good return on capital investment.

In 1996. Afribank inaugurated a restructuring programme aimed at maximising benefits. Consequently, a robust technological infrastructure

12. Ibid

13. Ibid

with focus on interconnectivity and customer service convenience was put in place. In addition, waiting time in the bank's banking hall for basic services has tremendously reduced which tends to attract more customers/investors to the bank.

The re-engineering project has resulted in about 80% of retail and corporate banking services being fully automated. In the area of computerization, 12 branches in the network are operating on Globus software. On the VSAT link-up, Port-Harcourt, Abuja and Lagos are being linked-up to start the on-line, real-time, one-stop banking services throughout the network.

Also, the reader/sorter for processing of cheques between Port-Harcout and Abuja with Lagos has been completed. The target of the on-going re-engineering efforts is to see all branches in Lagos are linked-up through micro-wave radio-based interconnecting while major branches outside Lagos that contribute about 80% of Afribanks gross earnings should be linked with the head office.

4.4 AFRIBANK SUBSIDIARIES

4.4.1 Afribank International Limited (Merchant Bankers)

The bank was established in 1990. It has been a useful component of group operations. It offers financial advisory services. It has taken many

KASHIM IBRAHIM LIBR.

companies to the stock Exchange. The bank is also into equipment leasing and is presently focussing on complex financial engineering that will enable it to tap more potentials of the financial market.

4.4.2 Afribank Insurance Brokers

Afribank Insurance Brokers was set up in 1989 to provide insurance brokerage services to Afribank's customers and for in-house requirements. Today the company has grown to a firm with substantial investment in some big insurance companies.

4.4.3 Afribank Estate Company Limited

This company caters for the real estate and security needs of the Afribank group. The company has commenced full commercial operations.

4.4.4 ANP International Financial Company Limited

The company operating in Dublin, Ireland is the first full-fledged off-shore finance company set up by Afribank. It commenced operations in 1989 as part of the Group's diversification strategy.

4.4.5 Afribank Trustees and Securities Limited

The company was incorporated in November, 1998 but commenced operation in 1999. It had a large pool of pension funds to manage. It is

476360

into trusteeship and other forms of investments for clients outside the bank.

4.4.6 AIL Stock Brokers

AIL Stock Brokers was incorporated in 1997 as a wholly owned subsidiary of Afribank International Limited (Merchant Bankers) to undertake stock broking business on behalf of the group and its clients. It is a dealing member of the Nigerian Stock Exchange.

4.5 CORPORATE PERFORMANCE

The Afribank is rated by regulatory agencies as one of the solid banks in the industry. The Bank has performed outstandingly well over the last few years.

4.5.1 Profitability

The Bank returned a profit before tax of about N62 million in 1986. This has steadly improved to N130million in 1989, N379 million in 1994 to N1 billion in 1999. This is a remarkable improvement in the performance of the bank.

4.5.2 Capital Base

Afribank has consistently pursued a policy of constant improvement of its capital base in line with increase in its deposits liability and other risk

assets. This policy ensures that the depositors are well protected by keeping authorised share capital constantly at a figure higher than CBN' statutory requirement. From an authorised share capital of N70 million in 1986 (the minimum was N20 million), the figure grew to N200 million in 1991 and N450 million 1n 1993 (when the minimum requirement was N50m). At present it stands at over N552 million which is over the CBN's minimum requirement. The bank's total assets have constantly been on the leap forward, from N9.66 billion in 1993 to N45.4 billion in 1999.

4.5.3 Staff Strength

The Afribank group provides employment to about 4,350 skilled, well motivated and trained staff. Well-educated and highly skilled staff are employed by the group in order to render efficient and courteous services. Young graduates are also recruited and trained.

4.6 PRODUCTS

Afribank's product list includes:

a) Swift:- Swift stands for society for worldwide financial Telecommunication. Afribank is one of the II –SWIFT-member banks in Nigeria. Under this, the bank's membership allows it to transmit financial message globally within seconds while also receiving a spot confirmation.

b) On-line/Real Time Service:- This is an electronic based product which enabales customers access his account balances in various branches. It also enables him to make deposit and withdrawals irrespective of which branch the customer's account is domiciled.

c) Home Banking:- Customers can now access transaction from their homes and offices based on the on-line, real time services.

d) Smartcard Scheme:- Afribank is a member of the consortium of 19 banks handling the smart-card project in Nigeria. Smart cards incorporate the latest technology in the area of systems payment via the electronic loading or off-loading of a plastic card (electronic purse). The customer can transfer money from his account unto the card and subsequently spend the money in any retail outlet without having to carry cash.

e) Afribank JAMB/WAEC Form Sale:- This scheme was designed to ameliorate the difficulties associated with the purchase of examination forms of JAMB and WAEC.

f) ICSAN Payment/Collection Scheme:- This scheme is geared towards collecting all payments by the students and members of Chartered Secretaries and Administrators of Nigeria (ICSAN). More than 20

branches are operating the scheme nationwide. The product is the first within the professional institutions in the country.

g) Afribank Cash Evacuation Scheme (ACES):- Under ACES, which is a modified version of the cash management services, cash generated by customers at their various locations are evacuated to Afribank branches using the bank's facilities. This gives the clients more leeway to focus on their core businesses.

h) Short Term Working Capital (STWC):- This is a short-tenored, one-off or revolving facility extended to customers for their import-business. It is mainly for the procurement of foreign exchange.

i) Payment Acceleration Scheme for Students (PASS):- PASS guarantees a fraud-free and more efficient payment management system for fee-based income of educational institutions. Under the scheme, students pay cash directly into the account of their institutions which are participating in the scheme, through any Afribank branch.

j) EU VAT Recovery Service:- Through the subsidiary in Dublin, Afribank offers an EU VAT reclaim service on competitive terms for business executive who travel to EU countries.

k) Money-net:- Money-net is a unique global internet-based money transfer system to Nigeria. Money can be transferred through money-net 24 hours a day and 365 days a year via internet using amongst others visa and master card credit cards. It is targetted at expatriate/Nigerians all over the world who by accessing Afribank website on the internet can send money to their families in Nigeria, quickly, conveniently and with utmost security and privacy.

4.7 SOCIAL RESPONSIBILITY

Afribanks social responsibility comes in form of contributions to society for the enhancement of education, sports, research and better living conditions:-

Afribank was the first in Nigeria to sponsor a chair in Banking/Finance at the University of Ibadan. The bank endowed funds for research at the University of Nigeria (Telecommunication Energy Studies) and Ahmadu bello University (Agriculture). The bank has also instituted awards for academic excellence in Finance/Banking in 13 Federal Universities in Nigeria.

Furthermore, Afribank sponsors the annual award for the best three candidates in the University Matriculation Examination conducted by JAMB.

Afribank was the sponsor of the first independent Road Safety Campaign tagged "Your Life in Your Hand". In sports, the bank was the proprietor of the IBWA Football Club and sponsored the Afribank/Lagos Lawn Tennis Club's Masters Tournament.

CHAPTER FIVE

DATA PRESENTATION AND ANALYSIS

5.1 INTRODUCTION

The firm's creditors are primarily interested in both short-term liquidity of the firm and the ability of the firm to service its debt over the long run. Existing creditors want to assure themselves that the firm is liquid and that it will be able to make its interest and principal payments when due.

Prospective creditors are concerned with determining whether the firm can support the additional debts that would result if they extended credit to the firm.

A secondary interest of a present and prospective creditor is the firm's profitability. The creditor and other stakeholders of a bank are interested in the firm's healthy financial state. Trade creditors (Short-term creditors) are interested in the fact that the firm should be able to meet claims over a very short period of time. Their analysis will therefore confine to the evaluation of the firm's liquidity position.

The suppliers of long term debts on the other hand, are interested in the firm's long-term solvency and survival. They analyse the firm's profitability

over time. Its ability to generate cash to be able to pay interest and return their claims. Long term creditors do not only analyse the historical financial statements but make analysis about the firm's future solvency and profitability.

The firm's management is supposed to be concerned with all aspects of the firm's financial situation. Since it is aware of the type of things evaluated by the owners, creditors and other stakeholders, it attempts to operate in a manner that will be considered favourable to all parties. It is the overall responsibility of the management to see that the resources of the firm are used most effectively and efficiently, and that the firm's financial condition is sound. The management is concerned with the customers satisfaction whether the products of the firm meet the customer's needs and implementation of the firm's long and short term goals and objectives. The management will try to follow the strategy mapped for the firm.

5.2 SURVEY CONDUCTED

Operators of the banking system, corporate customers and individual account holders of Afribank were interviewed on the reasons/factors responsible for the present state of the bank.

The response from these categories of people indicated that the viable state of the Afribank could be traced to adequate capital base, good management, clearly spelt out goals and objectives, effective strategy to accomplish set objectives, good product mix, good customer relationships and high staff morale.

They also observed that Afribank has been able to provide efficient and courteous banking service inline with the mission statement of the bank.

5.3 ANALYSIS OF PERFORMANCE

Banks easily constitute the most important single group of institutions within the nations financial system when compared with other more specialised ones. This is so in view of the tremendous scope available for extending banking business to cover a wide range of operations and instruments perceived as desirable or essential for lubricating the economy.

Far-reaching responsibility can therefore, be seen to dissolve on the technical skill, professional competence, dedication and innovative capacity or lack of them, on the part of banks for the achievement of or failure to

attain the nation's economic and social objectives[14]. The performance of Afribank was analysed in the following areas: Capital adequacy, Operational efficiency, Project appraisal, Internal Cohesion, Customer relations, Pricing, Promotions and Products.

5.3.1 Capital Adequacy

One distressing feature of the banking system in the last 5 years has been the low level of the ratio of shareholder's equity to deposits. The ratio of equity to loans and advances was equally low. This resulted in inadequate capital base for many banks.

In spite of the general lull in economic activities in 1997, Afribank performed reasonably well. The group's consolidated gross earnings showed an increase of 6.6% from N5.128 billion in 1996 to N5.469 billion in 1997 and to N9.413 billion in 1999. The Group's total assets increased from N30.869 billion in 1996, N40.117 billion in 1997 to N45.414 billion in 1999. The Bank's total asset also maintained a similar growth as it increased from N26.763 billion in 1996 to N34.366 billion in 1997 to N41.400 billion in 1999. Afribank's gross earnings also increased from N4.620 billion in 1996 to N8.332 billion in 1999.

14. Onosode G. Three Decades of Development Crises in Nigeria, Malthouse 1993 page 208

In addition, despite the fierce competition for deposits, the Bank's deposit base increased significantly from N18.446 billion in 1996, N26.342 billion in 1997 to N33.877 billion in 1999. This shows the type of confidence the public is having in the bank. It indicates that depositors have confidence of the safety of their funds and reliability of Afribank.

Afribank's profit after taxation stood at N207 million in 1997 and increased to N321 million in 1999. This is an increment of 64.4%.

It is therefore noted that Afribank has a sound financial base. It has been able to sustain a healthy financial state due to clear goals and objectives. It has set out for itself, solid management team, highly motivated staff, good product mix and effective strategy for accomplishing the set goals and objectives.

5.3.2 Product Mix

Afribank product include:

a. SWIFT – Society for Worldwide Financial Telecommunication

b. On Line/Real Time Service

c. Home Banking

d. Afribank Smartcard Scheme

e. Afribank JAM/WAEC Forms Sale

f. ICSAN Payment/Collection Scheme

g. Afribank Cash Evaluation Scheme

h. Short Term Working Capital

i. Payment Acceleration Scheme for Students

j. EU VAT Recovery Service

k. Money-Net

It is noted that Afribank in addition to normal commercial banking service, has a good product mix to satisfy the various customers needs ranging from top class businessmen with national and international connections, students, professional bodies to local businessmen and market women.

Under the SWIFT financial messages could be transmitted globally within seconds while also receiving a spot confirmation. This will satisfy the needs

of the international businessman who needs to transmit and receive spot confirmation of financial messages.

The On-Line/Real Time Service satisfies the convenience of today's bank customers. A customer based in Kaduna and on a trip to Lagos can access his account balances and can also make deposit and withdrawals in Lagos. The Kaduna based customer, after a financial transaction in Lagos, could deposit the money in Lagos Afribank branch. A customer of the bank does not have to carry large sum of money if he is on a trip to another location. He could conveniently withdraw his money when he gets to his destination.

Home banking enables a customer to access transaction from the comfort of his home or offices based on the on-line/real time services. This is a convenient way of banking. The system is being perfected by Afribank.

Afribank is a member of the consortium of 19 Banks handling the smart-card project in Nigeria. A customer can transfer money from his account unto the card and subsequently spend the money in any retail outlet without having to carry cash. Nigerians have the inconvenient habit of carry large sums of money about which could be lost to robbers. A customer operating the smartcard scheme could purchase things without

necessarily carrying cash. This scheme has become popular with many Nigerians.

Students are also consumer target group of Afribank. Students could easily purchase JAMB and WAEC forms through Afribank without having to face difficulties associated with the purchase of the examination forms from the two bodies. Also, students can make payments to their educational institutions through Afribank.

Professional bodies are also not left out. Members and students of Institute of Chartered Secretaries and Administrators of Nigeria can make payment to the body through Afribank. This enables members and students to effect payment to the body in all parts of Nigeria by not necessarily having to travel to Lagos.

Money-net enables expatriate and Nigerians all over the world by accessing Afribank website on the internet to send money to their families in Nigeria quickly and conveniently. How Nigerians abroad can send money to their loved ones or families in Nigeria has been a big problem in the past. Most people have to go through friends and relations in order to send money home. In most cases, the money does not get to the intended. Thus, Money-net is a welcome relief to most uses of the scheme.

The Afribank Group is also involved in equipment leasing, financial advisory services, insurance brokerage, real estate and security management, trusteeship and stock brokerage through its various subsidiaries. All these are aimed at satisfying the various needs of its customers and thus being able to win a substantial part of the market share.

5.3.3 Internal Cohesion

When management is divided, individual staff lose valuable opportunity for sharpening their skills in project appraisal and in the technicalities of banking generally. Such a state is deplorable not only because of the damage done to the economy and customer relations but also because of the contribution it frequently makes to poor financial management.

A house that is divided will sooner or later collapse. It is observed that Afribank has been able to stay together because of the clear and well defined goals and objectives of the bank. Responsibilities are clearly defined. This has made it possible for workers to work towards an established goal or target. Thus, there is internal cohesion at Afribank.

5.3.4 Operational Efficiency

Related to the problem of capital adequacy is the evident deficiency in the quality of financial and operational management in some sections of the

banking system. For any bank to perform well it must have capable and sound management staff. Afribank takes training seriously. Staff are trained and re-trained to be able to operate efficiently.

Computerization programme of Afribank has led to more operational efficiency. Customers can now easily withdraw their monies with minimum discomfort. The waiting time in the banking hall is shorter as funds are withdrawn or deposited much faster by customers. Thus we have higher service quality.

There is high worker morale in Afribank because of attractive renumerations. Workers are given adequate loans for things such as housing, Car and other basic needs. This has contributed to higher operational efficiency as workers are highly motivated. A total of 3326 or 78% of the work force benefited from training both within and outside the bank. Also the outstanding performance of 1037 members of staff were rewarded through promotions in 1979.

In a strategic view, a company has to decide how to gain the leadership position and build up competitive position through differentiation. In the case of Afribank, the bank has above average products and has been able to achieve above average profitability.

Afribank, has been able to distinguish itself from its competitors through some of its unique products design, advert and public relations. The bank has been able to open new distribution channels by moving closer to its customers. Customers can withdraw their money in any branch of the bank in Nigeria. The home banking scheme enables customers to access their accounts from their homes and offices.

Afribank has been able to come up with all these new products through innovation. Thus, Afribank has been able to concentrate on meeting customers requirements that are not yet fully satisfied.

5.3.5 Customer Relations

The crisis of efficiency has found ready victims in members of the public who have to deal with the banking system, in particular the commercial banks. As earlier mentioned in this report, the factors which contribute to the inability of commercial banks to provide satisfactory service to customers are:

a. High incidence of fraud or irresponsibility on the part of the public which limits the use of cheque for settlement of debts.

b. Limited use to which computerisation has been adopted in streamlining the recording of transactions and retrieval of information.

476360

c. Physical environment of most banking halls

d. Indifference to customer satisfaction on the part of bank staff.

Like most other banks, Afribank uses certified bank cheques for the settlement of debts by members of the public. This is aimed as checking the incidence of fraud by members of the public on the issue of cheques for settlement of debts.

Computerization programme has been implemented by Afribank aimed at not only improving efficiency but also improving customer relations. Customers can now easily withdraw cash from their accounts and also collect their statements of accounts. Also based on the computerization programme of Afribank, customers can operate or withdraw money from different branches of the bank other than where they have their accounts.

To improve services and customer relations, Afribank has made banking halls more comfortable. The halls are air-condtioned. TV sets and comfortable seats provided. There is little wonder that the depositors fund has increased from N26,341,784 in 1997 to N35,278,447 in 1999. Most customers interviewed expressed satisfaction with the physical condition of the banking hall of Afribank.

The slogan of Afribank is "the efficient and courteous bank". It is no wonder that customers are well treated by the staff. Out of 30 customers interviewed 25 or about 83% expressed satisfaction with the attitude of bank staff, 2 or about 7% expressed indifference about the behaviour of bank staff while 3 customers or about 10% were undecided how to rate attitude of bank staff. There, the bank staff of Afribank could be said not to be indifferent to customers satisfaction. Also some Afribank staff were interviewed on the behaviours of customers, 10 or 66% noted that they had cordial relations with most customers, 3 or 20% noted that some customers were difficult to satisfy while 2 or 13% failed to answer the question. In any case, the interview results indicates that the staff are trained on how to be cordial to customers.

To improve customer relations, it is noted that a complaint section has been established for complaint by members of the public. The complaint could be in the area of service or misbehaviour by any bank staff.

5.3.6 Promotion

Promotion is aimed at informing potential customers of the existence of products and persuade them that these products have need satisfying capabilities. Thus, promotions of products of an organisation has to be taken seriously.

It is therefore little wonder that Afribank takes promotion seriously. Afribank uses advertising in the newspapers, magazines, billboards, posters, radio and television to promote its various products and services.

Afribank also uses personal selling for the purpose of making sales through its commercial department. The staff of commercial Department of Afribank conducts visits to individuals and organisations to conduct conversations with prospective purchases of its products and services with the aim of making sales.

Sales promotion method of promotions is used by Afribank to stimulate consumer purchasing and dealer effectiveness. Afribank has taken part in various trade fairs such as the Lagos and Enugu International trade fairs. Publicity has also been used by Afribank to stimulate purchase of its products.

Therefore, it could be concluded that Afribank has effectively used promotions to inform potential customers of its various products and services. Afribank has effectively done this through publicity, advertising, personal selling and sales promotion.

5.3.7 Social Responsibility of Afribank

Its not enough for an organisation to take out of the society without putting something back in return.

Afribank has performed fairly well in the area of social responsibility. The bank has endowed funds for research at some universities in the areas of telecommunications, agriculture, and finance and banking. It is also involved in the sponsorship of sporting activities.

Afribank has made monetary donations totaling over N600,000.00 in 1997 to various organisations such as the Committee of Medical Doctors, Nigerian Stock Exchange, Diabetes Association of Nigeria, Nigerian Society for the Blind.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.1 SUMMARY

Deliberate attempt was made to examine viable banks in the banking industry with a particular attention on Afribank Nigeria Plc. This is due to the imperative need of x-raying the financial health of our banks to rebuild confidence in the banks by creditors, shareholders and other stakeholders.

The work was carried out in six divisions. The first focussed attention on introduction, statement of the problem, objective of study, significance of study, scope, limitations and definition of terms.

The second division formed chapter Two which discussed literature review covering the historical development of banking industry in Nigeria, banks and unviability of banks, regulatory agencies and marketing strategies and their applications. The third part focussed on research methodology while the fourth part made up chapter four. This section paid attention to historical development, structure and organization of Afribank Nig. Plc.

Chapter Five is devoted to data presentation and analysis with focus on financial report and strategies applied by Afribank. On the final part, the work was summarised with concluding remarks and recommendations made.

6.2 CONCLUSION

This study has taken a look at the performance of a viable bank in Nigeria with particular reference to Afribank Plc. The past financial record of the bank shows a relatively good performance and therefore does not fall into the category of distressed banks in Nigeria.

The performance is no doubt credited to human factors with the bank i.e board members, management team and other bank staff including the owners, shareholders and creditors. This takes us back to early 1930's at the famous University of Chicago (Graduate School) when a professor of banking asserted that "bad and doubtful loans do not make themselves, but that it is the loan officers or managers (human factors) who make these bad debts or doubtful loans. The human factor of Afribank played a major role in shaping the organisation and putting it in the healthy state it has found itself today.

The top class management was able to come out with effective marketing strategies that brought about the viability of Afribank today. It is one thing to map out good marketing strategies but it is another thing to apply those strategies for the survival growth of the organisation. In this case, Afribank has done well in coming out with good marketing strategies. It is noted that the bank has good product mix, used promotion effectively to sell the products and thus having a good share of the market.

On the whole, the ratio summary, profit and loss accounts examined and analysed give a reasonable picture of the banks area of strength and weaknesses. The bank's liquid position is satisfactory and has made steady improvement over the years.

6.3 RECOMMENDATIONS

Having examined the financial performance of Afribank and came out with some findings and conclusions, there is need to make some recommendations to the operators of this bank. It is hoped that these recommendations would be taken into consideration in adjusting their monetary and corporate policies, future cooperate policy formulation and strategies for policy implementation. Even though these recommendations may not be a panacea for any future ills, but will go a long way to strengthen the bank and to succeed in business.

The recommendations are made under three main subdivisions namely production, personnel and corporate resources, and finance and accounting. The recommendations also cover other financial system operators.

a. SERVICE PRODUCTION

In the area of production the bank should ensure that:

i. The cost of production is reduced in order to improve profit margin.

ii. It links all its 137 branches on an on-line real time basis

iii. Efficient and effective facilities must be put in place to enhance good output.

iv. The need to strategically expand to increase the market share of the bank.

v. Efficient and effective inventory control system should be put in place for constant checks and balances.

vi. Efficient and effective quality service and maintenance of policies would enhance the realization of corporate objectives.

b. CORPORATE RESOURCES AND PERSONNEL

i. There is need to improve total asset turnover through increase service/sales

ii. Afribank should ensure good corporate image and prestige in order to attract potential investors.

iii. The bank should continue to reorganise based on experience, skill, qualification and natural talents for total quality output.

iv. Strategic and effective management and information systems should be given top priority to give the bank the right direction and the desired communication network for maximum output.

v. High quality and skilled employees should continue to be employed for total quality output.

vi. A balanced functional experience and track record of top management is recommended.

vii. Afribank should ensure efficient and effective market research system to locate customers, develop new product/ service and lead in the industry.

viii. Training and retraining of personnel should continue to be given adequate attention.

c. FINANCE AND ACCOUNTING

i There should be good relations with shareholders and creditors in order to build confidence to encourage or attract investors and potential investors.

ii. There is need to constantly re-assess financial plans and budgeting procedures for efficient and effective performance.

iii. Efficient and effective accounting system for costs, budget and profit planning to be in place.

d. There should be continuation of the strategic focus of the bank, reading market/customer signals correctly and ensuring the prompt and timely execution of strategic plans.

e. There should be monitoring of the performance of plan through a well thought out systematic feedback mechanism so as to take corrective action in case of deviations.

f. The CBN and NDIC should be overhauled and reformed to cope with momentum of change.

g. The monitoring functions of CBN and NDIC should be strengthen so as to be in a position to compel the various sub-sectors of the financial system to operate within their boundaries.

h. A review of bankruptcy law is recommended to speed up recovery efforts

i. The CBN should put in place a mechanism to identify problem debtors and prevent current practice where such debtors move from one bank to another.

j. The NDIC should mount extensive campaigns to enlighten the public about its functions.

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QUESTIONNAIRE

The questionnaire below is design primarily to collect data for a research on the "Effective Marketing Strategy as a tool to a viable financial institution" case study of Afribank Nig. Plc, Kaduna branch. The research is undertaken as a prerequisite for the award of MBA.

Therefore, I shall appreciate your sincere opinion and maximum co-operation in supplying the requisite information. Please be rest assured that this request (for data supply) is not intended to reveal the operational secrets of your organisation, neither will it implicate you in any way. I pledge that all data supplied shall be treated with absolute confidentiality and limited to the scope of academic study and research only.

Thank you for your co-operation in advance.

INSTRUCTIONS:

1. Do not write your name on this questionnaire
2. Feel free to express your opinion on any question
3. Make a tick to any option of your choice as considered appropriate
4. Fill the gap provided where applicable
5. Where you have no special answer for a particular question, you may omit it and proceed to the next one.
6. Be sincere as much as possible.
7. Kindly return the complete questionnaire to the researcher (or his representative)

SECTION 1

1. What is the name of your organisation.....
2. What Branch are you in the organisation.....
3. What is the name of your department.....
4. What is your length of service in the organisation.....
   (a) Less than 5years ☐
   (b) Between 5-10 years ☐
   (c) Between 10-15 years ☐
   (d) Between 15-20 years ☐
   (e) 20 years and above ☐
5. What is your present designation position/post in the organistion?

SECTION II

1. Are you a customer of Afribank?

   YES..... NO.....

2. Do you have an account with Afribank?

   YES..... NO.....

3. Why are you banking with Afribank?

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

4. Are you satisfied with the services of the bank?

   a. I am satisfied.....
   b. I am not satisfied, there is need for improvement

5. In which areas do you think the bank should improve its services?.....

6. How long have you been banking with Afribank?.....

7. What has been your relationship with the bank staff?.....

8. What is your opinion about the performance of the bank?

9. Do you intend to continue your transactions with the bank? .....Why?.....

10. How did you assess the performance of the bank compared to other banks around?.....

11. Has your organisation been recently involved in developing her work force for effective marketing and service delivery to customers?

    a) Strongly agree ☐ b) Strongly disagree ☐

    c) Agree ☐ d) Disagree ☐