AN ANALYSIS OF ALLIED BANK OF NIGERIA PLC RURAL BANKING PROGRAMME. A CASE STUDY OF SAMINAKA AND GWANTU BRANCHES. (1989 - 1993)

BY

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DEDICATION

I, ABBAS, ABDULRRAHAMAN MORA, declare that to the best of my knowledge, the data contained in this project has not been submitted to any other University for examination. all references in this work have also been duly acknowledged.

ABBAS ABDULRRAHAMAN MORA

CANDIDATE

To my father Alh Dr. Abdulrrahaman Mora,

My wife Umm Abbas Mora,

and my brothers and sisters.

CERTIFICATION

Tne project entitled "AN ANALYSIS OF ALLIED BANK OF NIGERIA PLC RURAL BANKING PROGRAMME. A CASE STUDY OF SAMINKA AND GWANTU BRANCHES. (1989-1993)" by ABBAS ABDULRRAHAMAN MORA meets the regulations governing the award of the degree of Masters in Business Administration of Ahmadu Bello University and is approved for its contribution to knowledge and literacy presentation.

(Name and Signature)

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ABSTRACT

The low level of economic activties coupled with the viscious circle of low productivity and low income in our rural areas forced the authorities to initiate some rural based programmes so that some of the inadequacies which are militating against rural development can be adressed. One of the strategies employed by the Government in this regard is the extention of banking services through the Rural Banking Programme to the rural areas which were until recently denied these essential services. The Rural Banking Programme is expected to address the issue of rural credit, it is expected provision of credit facilities to the rural populace will raise rural productivity and income level thus reversing the viscious circle trend that pervades the rural economy.

The rural banking programme in the country was iniated in the year 1977. Some of the aims and objectives of the scheme are, inculcating banking habit to the rural people, saving, mobilisation and investing same in forms of loans and advances to the rural people. The scheme which was implemented in 3 phases have been able to record some success in achieving the stated objectives of the programme

The project study examines the contribution and performances of Gwantu and Saminaka Rural Branches of Allied Bank of Nigeria PLC. In mobilising saving and investing same as credit to the people of the two areas. The study also examines the attitude of the people to the two branches.

The finvide of the study was able to reveal that the two branches of the bank have been able to mobilise deposit and the deposit trend has been showing growth. Similarly the credit extention to the ruralites has been showing growth but at slower rate compared with the deposit growth. This findings confirms the hypothesis that rural bank can mobilise deposit and provide credits to the rural people. The reseach findings also confirm the hypothesis that rural banks enhance rural productivity.

Finally the study reveals that credit is still a problem in the rural economy despite the existence of rural banks. The study was also able to reveal that greater percentage of the rural population have not been sufficiently mobilised. This finding is manifested even where there is the existence of a rural bank . The local people still shun away from the bank. Some recommendation were made to the authorities so as to make the rural banks more effective and popular. Some of the recommendations are re-activation of scheme which seems to have been abandoned.

The Government should embark on publicity campaign among the rural populace so as to creat more awareness. The Government should continue to provide essential infrastructural facilites in the rural areas. Processing of Certificate of Occupany which is normally tendered as security for obtaining of bank loan should be made easier. Priority should be given to agricultural credit by the banks.

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CHAPTER ONE
INTRODUCTION

1.1 The rural economy in Nigeria like in most developing countries of the world is characterised by low output (productivity) low income, low saving and low investment.

The full potential of the rural economy in Nigeria is still yet to be realsied not even to talk about maximising same. This is becuase the necessary machinery for growth and development are never in place, in greater part of the rural areas.

In Nigeria statistical result have shown that over 70% of the entire population of the country live in rural areas unfortunately most of these rural areas are denied banking services. In 1977 satistics had shown that there were about 470 Bank Branches serving about 80 million people of the country out of this number over 100 are located in the city of Lagos. States like Niger, Bendel and Gongola had fewer than 10 Bank Branches each. Even with each states the few Bank Branches were located in the urban centre. The significance of this lack of access to banking facilites is better appreciated when one realises that the bulk of the rural population are engaged in agriculture, handcraft and other basic small scale enterprises. Apart from the lack of access to Bank credit to promote these essential sectors of the economy in which the rural population engages the stock of money in their hands kept outside the banking system, it

is estimated that such fund accounted for about 50.4% of the total money supply in 1975. This compares poorly with the ratiow of 21% for United Kingdon and 19% for United States of America. With the above picutre of the total neglect of rural communities in the scheme of Bank expansion and the inadequacies of banking services generally relative to the size of Nigeria's territory and population, it is easy to appreciate the concern which the monetary authorities and indeed the Government as a whole expresses for establishment of a diffused branch network of banks to all parts of the country in a bid to develop banking habits among the people and build up banking system that could sustain rapid and balanced development of the country.

The idea of Rural Banking Scheme in Nigeria was floated by the Government through the Apex Bank, CBN in 1977. In order to develop banking habit to the rural communities, under the scheme it is expected commercial banks will be given allocation of branches in some selected rural zones. It is envisaged the scheme will correct the geographical distribution inbalance of commercial banks between rural and urban areas; this inbalance is heavily in favour of urban centres particularly the big cities. The scheme is also expected to remove the dualistic financial metwork in the economy where we have organised formal financial structures in the urban centres against fragmented and unorganised structure in the rural areas. Other benefits to be derived in establishing rural bank are rapid and balance development of the economy. The scheme will serve as vehicles for the creation of credit to rural

areas. The provision of credit facilities at reasonable term to the rural dwellers is expected to increase productivity of the rural communities. High productivity will boost the income level, investment, and the propensity for rural dwellers to save. Thus removing the viscious circle of low income, low saving and low investment. The rural banking scheme is also expected to transform and develop agriculture and commerce. Reducing to the barest minimum. The rural urban drfit is also one of the objectives of the scheme.

Allied Bank of Nigeria PLC is one of the commercial banks occupying a front position in the rural Banking Programme. In line with the Government policy of Rural Banking Scheme Allied Bank of Nigeria PLC has in its kity over 25 Rural Branches spread across the country providing essential banking services to the rural areas.

As at 31st December, 1993, the branches network of Allied Bank of Nigeria PLC stood at 82 of which 30 are located in the rural areas. It is expected more rural branches will be opened in the near future.

1.2 STATEMENT OF THE PROBLEM

In Nigeria the rural community who are the submerged majority of the population of the country are still suffering from the problem of vicious circle of low income, low output (productivity) low savings and low investment. They are also considered backward in terms of development. successive Government since independence has been trying to initiate activities of

transforming rural environment like provision of water, light social amenites, infrastructural facilities and of recent banking facilities.

In Nigeria the rural population constitute more than 70% of the over all national population, and that agriculture is the nerve centre of all the economic activities. However, the extent to which agruculture can meaningfully contribute to increased income, production and employment and living condition to the rural people in rural areas is limited by lack of finance. Lack of credit and savings are major constraint militating against agricultural development. Supply of credit also facilitate the adoption of improved techniques of production there by accelerating increased productivity and boosting farm incomes. Credits are also tools for transforming the rural economy. similarly credit plays a major role in mobilising rural resources in order to maximise their full potential.

Before the introduction of the Rural Banking Programme in the country, the system of credit administration in the rural areas is very crude and is unorganised, the supply of credit to those in need was exploitative at a very exorbitant interest rate and on harsh terms and conditions. Similarly the level of credit disbursement from these sources are never adequate, hence the government decision to introduce formal banking institution in the rural areas with a view of overcoming the credit contraints that pervades the rural areas.

the focus of this study is to assess the performance and contribution of Gwantu and Saminka Rural Branches of Allied Bank of Nigeria PLC, in their areas of operation.

1.3 OBJECTIVE OF STUDY.

The major objective of this study is to examine the contribution of Gwantu and Saminka Rural Branches of Allied Bank of Nigeria PLC in the areas of:-

1. Building and developing Banking culture of their environment.
2. Deposit mobilisation and extention of credit to the rural dwellers for financing of agriculture and other small scale industries.
3. Improving rural productivity and income levels and
4. Identifying bottlenecks and constraint facing them and designing measures to remedy them.

1.4 SIGNIFICANCE OF STUDY

The study is aimed at evaluating critically the effectiveness of the two branches (Gwantu and Saminaka Allied Bank of Nigeria PLC) in their areas of operation; towards achieving the stated goals of the Rural Banking Programme. It is also aimed at identifying problems of the branches with a view of coming out with solutions to their problems so that their operational efficiency can be improved. The study can also provide basis upon which conclusion can be made on the success or failure of the programme.

the 2 branches. Another method employed as source of primary data is personal interview to bank staff and customers, this was done at random. The two questionnaires distributed to the Branch Managers were returned duly completed. Questionnaires distributed to Bank's employee were duly completed. as for the customers 65% of the questionnaires were returned with some few questions unanswered by the respondents.

1.7 SECONDARY DATA

The study has to rely on some secondary data in order to support the primary data obtained. some of the sources computed were Allied Bank quarterly magazines, some Allied Bank Annual Report, CBN publication, journals prepared by other Commercial Banks and some relevant text books.

1.8 LIMITATION OF STUDY

One of the problemencountered in the study is the reluctance of Bank's staff official interviews to release vital information as they regard some information very confidential to give. Some of the questions were avoided while some were not adequately answered by staff.

The unco-oprative attitude by some of the customers interviewed was also another problem. Many of them have not been approached to supply information for a research work. The high number of illitrate people interviewed and those that responded to the questionnaires also constitue a great problem, the interview in many cases had to take a long time before information can be obtained which

Additionally the study is of great significance to Government in reviewing and appraising the Rural Banking scheme initiated by it from 1977 - 1989. The study will also assist the authories in designing policies for rural development.

1.5 SCOPE OF THE STUDY

The research is limited to Rural Banking Operation of Gwantu and Saminka Branches so as to evaluate their performance within Allied Bank as a whole. In addition the research is limited to these branches becuase of the need to understand the benefit, impact and relatinships derived by the people living in their areas of operation.

1.6 RESEARCH METHOLOGY

In this study the survey research method has been used. The primary data were obtained through two sets of questionnaires designed and administered to Branch Manager s of the selcected branches and their customers.

The questionnaires administered to Bank Managers sought information, people's attitude towards banking services, deposit mobilisation, request for and supply of loans and their contribution for productivity the information required from the customers covered their interaction with banks in terms of savings, loans and loans procedures and the impact of such loans on income productivity. Random sample was used in distributing questionnaires to the customers. 100 questionnaires were administered in each of

ordinary should take few minutes.

The study coverage is limited by distance even though the two branches are loacted in the same state the distance between them is about 200 KM. Lack of sufficient money to cover the high transportation cost was also another problem.

CHAPTER TWO
LITERATURE REVIEW

In Nigeria like in most developing countries of the world that suffered the same colonial experience, Banks were predominantly situated in urban areas to the total neglect of the rural areas. This development was not accidental but a deliberate policy followed by the colonial powers to achieve their selfish interest. Statistical result showed that greater percentage of the population residening in the rural centres is over 70%. Yet it is this rural population that contributes the bulk of food of the country. The growth and development of Banking Industry initiated by colonialist only succeeded in creating dualistic economy with the more modern formal financial system in the urban centres as against that of traditional informal one in the rural setting. The rural population in the country are still being submerged, denied and deprived of opportunities to achieve and realised their potentials fully. The required rural transformation is yet to take place, and until it does the country will continue to witness the desperate desire of peasants to escape from their rural disabilities to seek refuge in the few congested urban centres. Economic development are bound to fail unless effective measures are devised to deal simulteneously with rural development. One way of transforming the rural areas in the country is through rural credit.

2.2 WHAT IS RURAL BANKING?

Rural Banking is a concept. The whole idea stemp from a realisationof the pavcity of facilites in the rural areas of the country that has genuine potential for making a subtantial contribution to the nations total economic development. Two basic approaches exist in this important concept. One is to create special institution which will establish their presence in this "unbanked" areas and secondly is to persuade coerce or direct the existing banking institution to open rural branches.

In developing countries where the problem of "unbanked" rural areas is acute. It is only relatively recently that planning authorities have started to consider seriously the concept of rural banking. The need to take modern banking facilities to the rural areas is now fortunately very widely appreciated in these countries. In light of this realisation rural banking has become a strategy which is potentially capable of helping to transform economically and socially the rural communiteis of developing countries by assisting the process of savings mobilisation and investment. surprisingly as it might be to many people . It is now realised that the rural poor may have a greater capacity to generate savings than has been generally assumed. the review of a samll holder credit in Kenya undertaken by the African Rural Deveopment Study (A.R.D.S.) points out for instance, the deposit by small farmers under the co-operative thrift scheme reached the quite unanticipated figure of $2M by 1973 which was the scheme's third year

of operation. In Nigeria today inspite of all enlightenment campaign in encouraging saving by the population it is still a common thing to find people in the rural areas keeping money idly under their beds or under the ground. It is expected the rural banking programme to address this possitively by mobilising these idle resource and channelling for more economic use.

2.3 WHAT IS RURAL COMMUNITY?

There is no universal accepted definition of rural community. However, in view of the differences in both the extent and type of urbanisation from country to country and even within the country. It is quite possible that rural community in one country will be urban community in another. Similarly, an urban community in a state or region of a country may only qualify as a rural community in a more highly urbanised part of the same nation. The United Nation in an attempt to define a rural community states that: it is one with a population of less than 10,000 person and characterised by a highly inter personal realtion and work habits.

The Central Bank of Nigeria has arbitrary but drastically to a large extent designated rural communities which are entitled to bank s offices on the basis of:-

1. Being a local government Headquarters

2. Having a population of 5000 and above
3. Experiencing considerable economic activities
4. Having established institution such as schools, hospitals or Government institution.

2.4 EVALUATION AND HISTORICAL BACKGROUND OF RURAL BANKING IN NIGERIA

It is very pertinent and imperative to discuss the origin of the Nigeria Banking system before jumping to discuss the evolution of rural banking in Nigeria. In this project it is also important to note that the concept of Rural Banking is a recent one. The concept was given much prominence about 18 years ago when the government through the CBN observed that after more that half a century in banking the banks refused to extend their services to the rural areas but rather concentrated their operation in cities.

The origin of Nigerian Banking system dates back to colonial period. The activities of the extra territorial merchants in former West African colonies and establishement of settled territorial government created the need for locally based financial institution. In 1893 Bank of British West Africa was established in Nigeria and the first branch was opened in Lagos 1894 by the colonial expertriate to develop and consolidate their exploitative activities in West African Coast. The branches that follow were located in urban centres as well.

The primary objective of the European banks that were established at the time was to facilitate trade and commerce

with the metropolitan headquarters. The expatriate banks including those that were established later were more concerned with the finance of import/export and other locally based expatriate enterprises. They therefore concentrated these operatins in the big cities and financial centres. Between 1928 - 1952, 25 indegeneous banks were established primarily to assist indegeneous business which were denied financial assistance by the foreign banks unfortunately most of them failed because of lack of expertise and capital. To worsen the inbalance again state banks that were establsihed about 15 years ago concentrated their activities in cities to the total neglect of rural areas.

In April 1977 after over 3/4 of century there existed only 470 bank branches to serve a population of about 80M on@branch per 170,000 per 1957 square KM. In comparism with the distribution of banks in other countries for example United Kingdom 1/4000 person. The United States 1/600 person, in India 1/5200 person despite its large population. which is the second most populated country in the world. Nigeria certainly is one of the countries worst supplied with banks in the world. The picture that emerged from geographical distribution of the 470 bank branches was even more disturbing, more than 100 of 470 bank branches were located in Lagos and served an area of 1587 square KM while states Niger, Gongola had fewer than 10 banks. Surprisingly and unforturnately the trend of concentrating banks in Lagos.

other commercial cities in the country is still the order of the day.

2.5 RURAL BANKING - THE NIGERIAN EXPERIENCE

The rural banking was introduced in Nigeria following the reluctance of banks notably the east while foreign banks to extend services to the rural areas of the country. The scheme which came into being in July 1977 after a report of committee on finance system set by Federal Government through the Central Bank of Nigeria. The scheme which was a cumulation of so many years of research and planning had the following objectives.

- Inculcating the banking habit of the rural dwellers
- Bringing banking facilities specially credit to the rural farmers, the Nigerian population began to engage largely in agriculture
- Mobilisation of savings from rural areas for the purpose of chanelling same to profitable use.
- Bringing monetary policy practiced by Government to the grass root.
- Reducing to a comfortable extent the drift of young men and women from the rural areas to urban centres.

At the initial stage of rural banking scheme the role of CBN was more of persuasion encouragement for commercial banks to extend their services to the rural areas. This inspite of the powers it has under section of banking decree of 1969 to refuse or to approve opening of any branch by commercial banks in the country.

This provision in the decree was applied in achieving the same objective by denying banks the approval to their request to open more branches in urban centres unless such request were matched by proposal to open branches in rural location either simulteneously with or in advance of the new urban branch.

Banks stated given excuses in refusing to open branch in rural areas. The CBN was therefore to place embargo on the branch expansion of the major banks in urban areas. In the hope that banks will seek expansion in the rural areas. However, the expectation did not materialise. Some of the smaller foreign owned banks were making so much profit in their few branch location that they considered expansion even to the urban centres unncessary, let alone bothering themselves with establishing in the rural areas.. The major banks refused to expand to rural areas by simple device of choosing not to open new branches even in the urban centres hence choronic congestion which characterised banking services in the urban centres. The CBN was accordingly forced to modify the strategy which was designed to encourage the banks to seek rural presentation. It became obvious that mere persuasion on suble rises would not be enough to get the banks to establish branches in the rural areas.

The India model was later adopted when it became evident that mere persuasion by CBN for bank to open branches in the rural areas failed to achieve the desired result. Under the Indian model the country was divided into 3 zones, the six major banks are the three largest foreign countries and three largest indigeneous banks were paired and given a lead role in each 3 zones. However the plan was abandoned for some reasons.

1. The inadequacies of banking services in the rural sector are not uniform nor of equal intensity in the three zones, and as such the burden would not be shared equally among the leading banks.
2. Banks other than leading banks might not feel obliged to participate in the rural banking programme and might continue to restrict their operation to nove to profitable urban centres without undertaking any sacrifice for the social and economic development of the country.

3. The banks might not be competing to go to the same location while other centres may not be receiving adequate attention thereby existing a fresh inbalance.

4 The objective might be restricted by this means, because it would give the banks too much option similar to the previous method of mere persuasion.

With the failure of the Indian model in the country, a new formular was adopted to avoid these problems. It was decided to allocate the identified rural centres to banks on the basis of a formular relating the number of each bank's rural branches to its total branches network throughout the country. To mitigate the problems of commercialisation in making the allocation adequate, consideration was given to the proximity of existing branches of each bank to the proposed centres. This new formular was implemented in phases. Two hundred centres were identified and allocated to commercial banks. (See table I & II) The 1st phase of the programme covered a period of three years July 1977 to June 1980. Under the 1st phase priority was given to local headquarters that were not enjoying banking facilities. In allocating centres under the 1st phase of the programme, consideration was given to the extent of investment of each bank in rural banking. These banks that were already operating actively in the rural areas were allocated fewer centres while those who concentrated their operation in the urban towns were allocated comparatively more centres. On the basis of that allocation banks were brought into the same level in the ratio of thier rural branches to urban centres.

FIRST AND SECOND PHASES ALLOCATION BY BANKS

TABLE 1

NO	BANKS	1ST PHASE	2ND PHASE
1.	African Continental Bank	16	19
2.	Allied Bank of Nigeria Limited	6	7
3.	Bank of Credit and Commerce Int.	-	6
4.	Bank of the Morth Limited	6	19
6.	Co-operative Bank Limited	5	8
6.	Co-oprative & Commece Bank Limited	7	8
7.	First Bank of Nigeria Limited	40	37
8.	International Bank For West Africa	11	13
9.	Kano Co-operative Bank Limited	6	6
10.	Kaduna Co-operative Bank Limted	3	6
11.	Merchantile Bank of Nigeria Limited	3	6
12.	National Bank of Nigeria Limited	15	19
13.	New Nigeria Bank of Nigeria Limited	14	9
14.	Nigerian Arab Bank Limited	7	6
15.	Pan African Bank Limited	5	6
16.	Savannah Bank of Nigeria Limited	7	11
17.	Union Bank of Nigeria Limited	27	36
18.	Societe Generale Bank of Nigeria	-	6
19.	United Bank for Africa	27	32
20.	Wema : Bank Limited	5	6
	TOTAL	200	266

TABLE II

A summary of Rural Banking allocation under the 1st phase (July 1977 - June 1980) and the performanace of banks up to 13 March 1979.

NO	BANK	NUMBER	NO OPENED AS AT 13.3.79
1.	African Continental Bank Ltd	16	5
2.	Nigeria Arab Bank (Nigeria) Ltd	7	2
3.	Allied Bank of Nigeria Ltd	6	2
4.	Bank of the North Ltd	6	NIL
5.	Union Bank of Nigeria Ltd	27	18
6.	Co-operative Bank Limited	6	2
7.	Co-operative Bank of E.N. Ltd	7	2
8.	International Bank for W.Africa Ltd	11	6
9.	Kano Co-op Bank Limited	5	2
10.	Kaduna Co-op Bank Limited	3	1
11.	Merchantile Bank of Nigeria Ltd	3	NIL
12.	National Bank of Nigeria Ltd	15	6
13.	New Nigeria Bank Limited	4	3
14.	Pan African Bank Limited	5	1
15.	Savannah Bank of Nigeria Limited	7	3
16.	First Bank Nigeria Limited	38	22
17.	United Bank for Africa	27	15
18	Wema Bank Limited	5	2
19.	Societe General Bank Limited	-	-
	TOTAL ALLOCATED	198	
	NO. OPENED AS AT 13.3.79		92

The 1st phase was a 100% succuess.

The second phase commenced from 1980 with 266 bank brnaches to opened but only 258 bank branches were actually opened during the period 1980 - 83. see table III. Under the 2nd phase priority was given to population industiral and commercial centres. State Government provided the list of towns and villages which in their opinion required priority consideration and to facilitate the exercise the CBN provides the format.

FIRST AND SECOND PHASES ALLOLACTION BY STATES

TABLE III

NO	STATES	FIRST PHASE	SECOND PHASE
1.	Anambra	19	19
2.	Bauchi	10	15
3.	Bendel	9	15
4.	Benue	8	12
5.	Borno	12	15
6.	Cross River	7	17
7.	Gongola	15	13
8.	Imo	14	21
9.	Kaduna	3	12
10.	Kano	18	14
11.	Kwara	6	12
12.	Lagos	2	8
13.	Niger	8	8
14.	Ogun	10	9
15.	Ondo	16	19
16.	Oyo	16	18
17.	Plateau	10	13
18.	Rivers	9	12
19.	Sokoto	11	14
	TOTAL	200	266

The over all performance of the banks under the 2nd phase of the programme had not been impressive only three banks were able to open all the branches allocated to them within the period by the phase. Please see table IV and only 68% of the allocation centres were opened within the stipulated period of three years and five months.

ANALYSIS OF SECOND PHASE OF THE RURAL BANKING PROGRAMME AS AT 31/12/83

NO	BANKS	ALLOCATION	NUMBER OPENED	OUT-STANDING
1.	African Continental Bank Ltd	19	15	4
2.	Allied Bank of Nigeria Ltd	7	7	-
3.	Bank of Credit & Commerce Int.	6	4	2
4.	Bank of the North Ltd	19	8	11
5.	Co-operative Bank Ltd	8	6	2
6.	Co-operative and Commerce Bank Ltd	8	4	4
7.	First Bank of Nigeria Ltd	37	35	2
8.	International Bank for W. Africa Ltd	13	7	6
9.	Kaduna Co-operative Bank Ltd	6	1	5
10.	Kano Co-operative Bank Ltd	6	3	3
11.	Mercantile Bank of Nigeria Ltd	6	4	2
12.	National Bank of Nigeria Ltd	19	5	14
13.	New Nigeria Bank Ltd	9	2	7
14.	Nigerian Arab Bank Ltd	6	4	2
15.	Pan African Bank Ltd	6	1	5
16.	Savannah Bank of Nigeria Ltd	11	11	-
17.	Union Banl of Nigeria Ltd	36	30	6
18.	Societe General Bank Nigeria Ltd	6	6	-
19.	United Bank for Africa Ltd	32	24	8
20.	Wema Bank Limited	6	4	2
	TOTAL	266	181	85

The third phase started in 1985 after the 2nd phase was extended to last up to 1984 ending. A total of 300 bank branches was slated to be opened. However, as at April 1989 only a total of 121 branches were opened. In all the total bank branches schedule to be opened in all the three phases was 760 of which a number of 579 branches were established by end of the third phase. However as at December 1991 the target of 768 was reached. The outstanding branch was for National Bank which was unable to open as at 1991 - See table .

TABLE 8.6

RURAL BANKING PROGRAMME, 1ST, 2ND AND 3RD PHASES: ALLOCATION OF BRANCHES AND COMPLIANCE BY COMMERCIAL BANKS AS AT 31ST DECEMBER, 1991

No.	Bank	1st Phase			2nd Phase			3rd Phase			TOTAL		
		Allo-cation (1)	Opened (2)	Out-standing (3)	Allo-cation (4)	Opened (5)	Out-standing (6)	Allo-cation (7)	Opened (8)	Out-standing (9)	Allo-cation (10)	Opened (11)	Out-standing (12)
1	African Continental Bank Ltd.....	16	16	-	19	19	-	14	14	-	49	49	-
2	Allied Bank of Nigeria.....	6	6	-	7	7	-	11	11	-	24	24	-
3	African International Bank Ltd.....	-	-	-	6	6	-	16	16	-	22	22	-
4	Bank of the North Ltd.....	6	6	-	19	19	-	14	14	-	39	39	-
5	Commercial Bank (C.Lyonnais) Ltd.....	-	-	-	-	-	-	5	5	-	5	5	-
6	Co-operative Bank Limited.....	5	5	-	8	8	-	9	9	-	22	22	-
7	Co-op & Comm. Bank Nig. Ltd.....	7	7	-	8	8	-	9	9	-	24	24	-
8	First Bank of Nigeria Ltd.....	40	40	-	37	37	-	28	28	-	105	105	-
9	Gamji Bank of Nigeria Ltd.....	-	-	-	-	-	-	5	5	-	5	5	-
10	Habib Bank of Nigeria Ltd.....	-	-	-	-	-	-	6	6	-	6	6	-
11	Afribank Nigeria Limited.....	11	11	-	13	13	-	15	15	-	39	39	-
12	Lobi Bank Limited.....	-	-	-	-	-	-	6	6	-	6	6	-
13	Mercantile Bank of Nigeria Ltd.....	3	3	-	6	6	-	8	8	-	17	17	-
14	National Bank of Nigeria Ltd.....	15	15	-	19	19	-	10	9	1	44	43	1
15	New Nigeria Bank of Limited.....	4	4	-	9	9	-	8	8	-	21	21	-
16	Nigeria-Arab Bank Limited.....	7	7	-	6	6	-	9	9	-	22	22	-
17	Nigeria Int. Bank Limited.....	-	-	-	-	-	-	5	5	-	5	5	-
18	Nigeria Universal Bank Ltd.....	3	3	-	6	6	-	5	5	-	14	14	-
19	Owena Bank Nigeria Limited	-	-	-	-	-	-	6	6	-	6	6	-
20	Pan African Bank Limited.....	5	5	-	6	6	-	5	5	-	16	16	-
21	Progress Bank of Nigeria Ltd.....	-	-	-	-	-	-	5	5	-	5	5	-
22	Savannah Bank of Nig. Ltd.....	7	7	-	11	11	-	14	14	-	32	32	-
23	Societe Generale Bank Nigeria Ltd.....	-	-	-	6	6	-	15	15	-	21	21	-
24	Tropical Commercial Bank Ltd.....	6	6	-	6	6	-	5	5	-	17	17	-
25	Union Bank of Nigeria Ltd.....	27	27	-	36	36	-	28	28	-	91	91	-
26	United Bank for Africa Ltd.....	27	27	-	32	32	-	28	28	-	87	87	-
27	Universal Trust Bank Nigeria Ltd.....	-	-	-	-	-	-	5	5	-	5	5	-
28	Wema Bank Limited.....	5	5	-	6	6	-	6	6	-	17	17	-
	Total.....	200	200	-	266	266	-	300	299	1	766	765	1

1. Formerly Bank of Credit & Commerce International Limited.
2. Formerly International Bank for West Africa Ltd.

RURAL BANKING IN SOME DEVELOPING COUNTRIES

2.6 Many countries of the world especially the 3rd world countries have realised long ago the importance of extending banking services to their rural settlements as one strategies of developing, transforming rural areas. India; Philipines, Brasil and Ghana are some of the developing countries that initiated programmes for rural banking scheme before Nigeria joined the club in 1977. Many of these developing countries have so many things in common. They have suffered colonial experience. their economies are backward, income per capital in these countries are very low greater percentage of population of these countries who are mainly primary producers reside in the rural areas. The thirst to catch up with the developed countries of the world necessitated Government of some developing countries to develop rural based programmes so as to transform the submerged majority economically and socially. Rural credit through rural banking programme was seen by these developing countries as one of the ways this goal can be achieved. The basic objectives of the rural banking programme are more or less similar but the method of approach and implementation differ from country to country.

In the Philipines the scheme came into being by rural banking act of 1952. The Central Bank of Philipines went further to create a department to solely take care of the programme through provision of leadership, guidance and supervision to the rural banks. The rural banks established as stock corporatin were organised and managed by private citizens. The Philipine model stipulated provision of credits to only rural areas and at low interest rate. Bulk of these credits were in the form of short term loan in agriculture and some small scale enterprises. The banks were also prohibited to extend credits to wealthy borrowers they were similarly prohibited from lending at more than 10% of their paid up capital and surplus to a single

individual or firm. The Bank were further required to maintain a maximun ratio of capital to risk assets of 29%. The scheme was a success as by 1980 the number of such bank hikad up to 1906. In the Philipine the role of the rural banks is to promote and expand the rural economy in an orderly and effective manner by providing the people in the rural communities with the means of facilitating and improving their productive activities and to encourage co-operatives. To encourage the growth of rural banks the Central Bank of the Philipines incorporated in the rural banking scheme. Some features which served as an incentive like tax exemption free training programme, technical assistance Rediscounting priveleges advisory services etc.

In India the rural Banking scheme was introduced in the year 1968. However the 1st formular of promoting the development of the scheme failed because it created inter state and intra state disparities in banking facilites. A new formular was therefore adopted in 1978, this formular linked the openeing of offices in the urban banked centres to the opening of offices in rural unbanked centres. In pursuit of the programme lead bank were appointed and allocated district based on four creteria namely contiguity Competition capacity, and coverage of at least two states. The lead banks were responsible to their lead district for conducting Techno economic surveys, identifying areas with economic potentials and credit gaps and preparing co-ordinated branch expansion and credit plans for the area. The lead banks shared these responsibilites with other non lead banks and development agencies operating in the district. The approach however failed to remove intra - disparities and unsatisfactory credit gaps in the lead district. The weekness was attributed to the absence of authrity on the part of the lead banks toforce other non lead banks and development agnecies into implementing the programme.

Secondly the agencies were not required to refer their plans to the lead banks. Consequently there was an absence of co-ordination between the agencies and lead banks. Similarly poor allocation arrangement whereby banks were allocated district far removed from spheres of their influence gave rise to poor bank staffing., poor effective control and guidance of branches. Other methods employed in India in promoting rural banking are the village adoption scheme and the agricultural development branch scheme. Despite al the foregoing attempts to extending banking facilities into Indian rural areas, a large part of the areas remained unbanked. Consequently a political dimension was employed to cater for areas into high credit gaps. Under the lead bank approach the success was that within 10 years it was able to lend 13380M rupees to 5M agricultural borrowers.

In Ghana the rural banks are unit banks without any branches elsewhere. The rual banks are private banks organised in the rural communities for specialising in the extension of credit to small peasants farmesand other enterpreneurs. The banks belong to the people in the region and its management control and general operation are vested in the people....

The role of bank of Ghana is first that of supervisory role, actiengas a central bank in terms of the bank of Ghana act 1963 (Act 182) and the banking act of Ghana 1970 (Act 339). In Ghana the first pioneer rural bank was established in 1976 (Nyakrom Rural Bank) by the year 1990 the number of rural branches reached an impressive number of 122 banks. As at 1976 pioneer had 1124 account holders generating a total deposit of 0.058 million cedis by June 1990. The total account opened in the 122 rural banks reached a figure of 509,618 generating a total impressive deposit of 4.740780 million cedis.

2.7 PROBLEMS OF RURAL BANKING IN NIGERIA

The Rural Banking Programme which was conceived in 1977 by the Federal Government through the apex bank the CBN in order to correct the inbalance of banking services between urban and rural areas to promote rural development to develop banking cuture and to reduce ratio of banks per person from current inbalance of banks per person from 1700000 to a reasonable limit among other objectives has not been without problems. Numerous problems started reqring their head right from implementation stage of the first phase of the programme. The problems of development of banks in rural areas in Nigeria are problems centres towards 1 Traditional 2 institutional and 3 infratructural constraints. Nigerian problems of rural banking do not differ much from those faced by other nations that have gone through our kind of colonial economic and political development.

In Nigeria as in many developing countries of the world banks were traditionally established to service bussiness organisation from their centres of origin. As these commercial business were primarily situated in cities these banks did not consider it worthwhile setting up branches in the rural areas. Having practiced their trades in these cities for so long and come to undertand the city "man" (both alien and indigeneous) going to the rural areas even when the potential may be obvious. Hence the marked lethargy on the part of the large foreign banks in moving to rural ar as. Unforturnately the indigeneous banks which were established to correct some of the deficiencies in the banking practices of foreign banks have extended themselves in the urban areas like ther competitors as they tend to [illegible] them later.

The delay in granting licence for banks to open branches including the rural areas is also another problem faced by commercial banks in

opening rural branches. The institutional restraint though unlikely to exist now did discourage the development of rural banking or at least slow its pace.

Infrastructural facilites in the rural areas are inadequate for instance lack of regular supply of electricity, drinking water, good roads ~~and~~ medical facilities, SECURITY which are required to protect bank propetties including cash are lacking in these centres. The lack of suitable accommodation both for office and staff as well as difficulty in obtaining land and certificate of occupancy. There are also some factors millitating against developing of rural branches. The high cost of renting properties in view of the fact that prospective tenent is a bank is another problem. Banks are also very reluctant to erect their own building in rural areas because of the high capital cost which they could not justify by an assement of the economic returns. The diffusion branch network to the rural areas are also being affected by poor and inefficient communication in the country, these facilities are very necessary for bank to discharge its responsibilites efficiently and effectively.

Another serious problem which were not under the traditional, institutional and infrasturcutral contraint is the question of viability of rural branches. The income of the rural population is low because the rural economy was not adequately monetised and consequently banks were not attracted to venture into such places where there were doubts as to their viability particularly in the short run.

The Inadequate publicity on the role and function of rural banks to the rural community by Government and the CBN is also another important problem encountered in the succesful implementaion of the rural banking scheme. The apparent reluctance by bank's staff to work in rural areas has seriously affected the committment of banks official posted to rural areas to make the programme a success. Many banks' staff posted to work in rural areas view such transfers as a punishment or demotion; that is

why we have a very high turnove r of staff in rural branches. The general dearth of personnel in the banking industry is yet another problem in the programme. The extension of banking services to the rural areas further stretch the banks capacity. The rampant cases of bad and doubtful debts in some rurral areas is also another serious problem facing the successful operation of the scheme in Nigeria. This problem put a lot of pressure on the ability of banks to lending, it also affect the income inflow through interest charges which is the major source of banks revenue.

In order to confront the problems that emerged at the inception of the rural banking scheme, the CBN decided to offer some incentives to commercial banks willing to establish branches in the rural areas. Some of these are:-

a. Waiving the requirement for a feasibility survey report as a prerequisite for the establihsment of rural branches.

b. Allowing bank the monopoly of providing banking services in the allocated centres for a period of three years as a compensation for the sacrifice it will make for the social and economic development of the area.

c. Phasing of the programme into 3 in order to ease unnecessary pressure to the commercial bank and also to ensure easy monitoring and control.

e. Enjoining state and local Government by CBN to give maximum assistance and co-operation to banks in finding suitable building or providing for the errection of new building required for the successful implementation of the rural banking programme.

f. Provision of improvement of infrasturcutal facilities in the rural areas by the Federal Government. The Federal Government in the last twenty five years had committed huge amount of money for the development of roads, provision of water and electricity and medical facilities in rural areas of the country which were neglected.

g. As regard to the death of personnel in CBN had initiated a programme which is aimed at accelerating the training of banks personnel both in the long run and short run.

Prior to the establishement of the financial system review committee by the Federal Government, it is pertiment to say that the problem of transforming the rural economy and, indeed, the expansion of bank branches to the rural areas had engaged the constant attention of the Central Bank. The various policy instruments available to the bank were being applied progessively to achieve the objectives. In various speeches to the bankers either at the Institute of Bankers' Annual dinner or at the Bankers' committee meetings, the Governor of the Central Bank had always appealed to the bankers to adopt a new approach, to rural development and the expansion of credit to support the agricultural sector, which is essentially rural based. In one of his speeches, the Governor, talking about the need to spread banking services to all parts of the country said:-

"Closely related is the need for a conscious policy on your part to open branches in the rural areas. This itself will afford you the opportunity to move to the more challenging, but in the long run more rewarding ventures in the rural areas from the stand point of economic and social development of the neglected rural areas and any short term sacrifice we have to make will eventually prove to be very worthwhile for banking community and the nation at large". This was a speech delivered in 1976 by the them CBN Governor.

Three years after the CBN Governor in 1979 at an annual dinner of Nigerian Institute of Bankers presented a paper summarising the objective of CBN un initiating the rural banking programme and they are not far from the advantages of rural banking tothe rural economy; the statement was quoted as follows:-

"The Agricultural Credit Guarantee Scheme and the rural banking programme provide banks with a very good opportunity to participate in

Governments efforts to "Feed the Nation".

Your financial and moral support are crucial to the success of the programme for mechanising and modernising agriculture - medium and small scale industries also require your special attention if they are to grow rapidly. Agriculture and rural development are very important not only becuase of the large number of people involved but also in view of the contribution that growth in this sector will make to increases in food and raw materials supplies and the promotion of social stability. An efficient and rapidly developing agriculturl sector will help in many ways to reduce the intractable problems associated withrapid urban growith and in spreading widely the benefits of development to many more of our people".

The upsurge in economic activity all over the country following the so-called 'oil-boom' affected the inflow of money to the rural areas and increased the level of income of the population. The economy of the rural sector had been further boosted by a number of measures taken by Government in recent years. It has, for instance, created more states: established a new local government administrative structure which has brought Government and development closer to the grass roots, set up Operation Feed the Nation, which placed greater emphasis on agriculture, established more commodity boards; and introduced the Universal Primary Education (UPE) scheme. These developments inthe past few years have greatly increased the demands for banking services in the rural areas, and removed the reservation of banks about the viability of rural branches.

2.8 THE IMPACT OF RURAL BANKING PROGRAMME

Basically the objectives of rural Banking scheme in all developing countries that are encouraging the programme are similar. Some of the objectives expected to be achieved in Nigeria are, developing and promotion of formal banking habits in the rural areas, deposit

mobilisation and credit facilites extention to rural dwellers of reasonable terms, to the rural dwellers improving the rural productivity promotion of economic development are among some of the expected objectives to be acheived. The successful attainment of the stated objectives of the programme will ensure transforming the rural life thereby raising their standard of living. The story of the rural banking programme from 1977 when the scheme was initiated up to 1989 when the 3rd phase of the scheme terminated in Nigeria is rather a mixed one. Howver, inspite of numerous problems that stood on the way of the scheme, the programme has made a significant impact to the lives of the rural dwellers that benefited directly from the scheme i.e through presence of a bank in their environment. The scheme has also made impact to the commercial banks involved in the programme and to the economy as a whole.

The scheme through the Federal Government and the Central Bank of Nigeria have been able to generate awareness among commercial and that commercial banks have a social responsibility to the society to help develop rural areas. The interest generated among these banks especially those who do not wish to be left behind in the race to tap the potential deposit of the rural areas has achieved some positive result. The scheme has overwhelmingly improved the banking habit in the rural areas. For example, many communities petitioned the authorities when they were exempted from allocation in the first phase of the programme. It is therfore obvious that the exercise has at least inspired sufficient consciousness for banking services in most rural areas of the country.

By the time the 1st phase of the rural Banking Programme ended in 1980 a total of 188 branches were opened, this stride made an improvement of the number of rural branches in the rural areas of the allocated centres. This has further reduced the geographical inbalance between urban and rural branches which was heavily in favour of urban centres.

The first pahse and the other two subsequent phases bave been able to improve the ratio of banks per person in the country, in Nigeria the ratio of banks per person is considered to be one of the lowest in the world.

The assessment of the three phases has revealed that full banking services are provided at most of the rural branches, this has resulted in better understanding of the economic potentials of the rural communities. It has in fact brought economic development to these areas as loans and advances are given to borrowers to develop their local talents potentials and local development needs in view of their conditions. Because of scheme many rural dwellers have benefitted from the financial assistance received from rural banks.

With the rural banking scheme there hasbeen effective monetary control, prior to the rural banking scheme majority of the rural savings were banked in the traditional way; sometimes buried in the ground or under the pillor. with the scheme, the level of money buried under the ground has been reduced. also it has increase the amount of currency to the banking system and brought a correct estimation of the nations Volume of currency. This had led to a better monetary policy execution.

Other contribution made by the programme is increase of number of branches throughout the country as at the end of the 3rd phase a total of 579 bank brances were opened. It has also ameliorated the problems of travelling to urban centres by rural people to make use of banking services. For example, money transfers, purchase of drafts can now be done easily by the rural dwellers with the establishement of branches in their environment. The scheme had helped to reduce the unemployment situation in the country. The number of of branches opened from first phase of the programme to 3rd phase of the programme necessitates employing people to man the rural branches. The scheme has also been

able to reduce the rural -urban drfit by rural dwellers. the scheme has also been able to mobilise idle funds which were hitherto kept outside the banking system. This mobilisation of idle resources made it possible for the banks to increase their ability to lend.

Looking at the other side of the story, it has been observed that the development of the programme is known to have increased staff and management problems of the bank and this has manifested itself in the poor services offred in some of the rural branches. Most of the commercial banks at the implementation stage of the 1st phase had no sufficient manpower to man the newly established rural branches; and particularly staff of the senior cadre.

Losses sustained through loans and advances granted to rural dwellers was yet another problem faced by the programme. Because of the low volume of business activities in the rural areas, loans granted to rural dwellers are not always repaid; thereby leading to banks losses through bad and doubtful debts. The occurence of bad and doubt debts in banks affects the ability adversly to lend, further cases of bad and doubt debts is also aggreviated by lack of better understanding what bank loans constitute to the bank by the rural dwellers. Many loan beneficiaries in the rural areas for some reasons best known to them shown repayment.

At the beginning of the rural banking programme most rural branches established were not able to make profit in their first few years of operation becuase of the high operating cost and low business volume in the rural areas, many were tagged as lost centres because they were not making profit and instead becoming a liability to their banks. The income drived from other branches were used to run the newly established rural banks. The drain of banks scarce resources to operate rural branches continued for some period up to the time they broke even and started making profit.

The loss trend in most of the rural branches is now rapidly reversing as they have been able to turn things around in their areas of operation

by posting profits in their books thus contributing to the over all profitability of the banks.

The assessment of the three phases of the scheme has revealed that full banking services are provided in most of the rural branches from the returns rendered as at 30th July 1983 by the fifteen out of twenty banks that participated in the scheme. It has been possible to ascertain that rural branches accounted for ₦350,863863 or 0.3% of the ₦13,475600,000 deposited generated within the banking system. they also accounted for ₦110,029650 or 1% of the total loans and advances of ₦877,242521 granted by banks in the country. These figures are expected to grow as more and more rural branches are opened.

CHAPTER THREE

HISTORICAL PROFILE AND OPERATION OF ALLIED BANK OF NIGERIA PLC.

3.1 Allied Bank of Nigeria PLC commence operation in Nigeria in September 1962 as a Branch of Bank of India Bombay. Before the name Allied Bank of Nigeria PLC came into being, the bank on commencement of operation in 1962 was known as Bank of India (Nigeria) as a branch of India with its Headquarters in Bombay. Bank of India having established firm root in Domesti: Banking in India rightly thought of Moving at of Indian shores. Again having well established itself in other south east Asia and far east, the bank continued its search for new geographical frontiers to diversify its operation and Nigeria offered itself as a natural choice. Just like other foreign bank the Bank of India (Nigeria) restricted their operations in the city for more than a decade without bothering to extend their operation to the other parts of the country. Again the bank concentrated their operation to export and import business. During that period the bank was mostly patronised by the Indian community, over 90% of the Indian Community were residing in Lagos then. In 1972 another branch of the Bank was opened in Lagos again, it was only in 1973 the bank opened a branch outside Lagos in Ibadan another large city.

Following the promulgation of banking decree of 1968 in the country the bank became incorporated in Nigeria as a Bank of India (Nigeria) limited in May 30th 1969. Another turning point is when the name was Changed from Bank of India (Nigeria) Ltd to Allied Bank of Nigeria Limited in 1976 this was effected in pursuance of enterprises promotion decree of 1976.

As a result of this change the ownership of the bank also changed, with Nigerian Government and other citizens taking 60% while the bank of India was given 40%. This arrangement also has some bearing on board members of ten (10) Directors of the Bank six Nigerians and four directors nominated by the Bank of India. In 1991 the name of the bank changed to

its present name as Allied Bank of Nigeria PLC. This is in compliance of companies and Allied matters decree of 1990. Today Allied Bank of Nigeria is among the few branches in Nigeria quoted in the stock exchange. As a result of this change the banks authorised share capital changed to ₦1,000,000,000 with ₦75,000,000= fully paid. The last change to public limited liability necessitated the change in the ownership structure with 86.7% for Nigerian citizens and staff of Allied Bank. The remaining 13.3% was for the Bank of India Bombay. This change indicated divestment of Federal Government stake in the Bank through the T.C.P.C. (Technical Committee on Privitisation of Companies). Allied Bank of Nigeria PLC has its Headquarters in Lagos with branches opened across the country.

Allied Bank of Nigeria PLC is essentially a commercial bank providing wide range of banking services. Among the services provided by the bank are current, saving and fixed deposit account facilities. Savings accounts attract interest on a monthly basis and customers can withdraw money at any given time. Current account enables customers to draw money by use of cheques, the current account also attract interst lower than that of savings account. For facility of fixed deposit account ranges from 7 days; call and to one year. The deposit account attract different interest rates depending on the tenure. The bank also provides financial assistance services to the deserving customers in form of laons overdraft and other forms of advances. Allied Bank is actively involved in all foreign exchange transaction which enables opening of letters of credits, bills for collection export transaction, domicialliary account. The bank also assist the customers in procurring business travel, Basic travel and other personal remittances: Other services provided by the Bank include money transfers within the country. The bank also process bank drafts, certified cheques, and handles standing order.

Another services provided The bank also provide customers with up ✓ to date information trends and techniques. All these services provided by the bank are expected through the retail outlets of branch which are the branches and the Head Office in Lagos. Inorder to facilitate the effective delivery of the bank's services to the numerous customers spread across the nation. The bank has computerised its operation in all the urban branches and some of the rural branches.

Apart from the essential commercial banking services provided by the Allied Bank of Nigeria PLC, the bank has been identifying itself with laudable scheme. These are like the rural banking services to the rural areas. Agricultural guarantee credit scheme which is oriented towards financing small scale farmers in order to boost food production in the country. Again in response to the economic demands of the day, Allied Bank of Nigeria PLC has lunched a number of banking schemes over thelast few years. These schemes are aimed at granting soft loans to people for various activities. This include:-

1. Agricultural loan scheme got small scale farmers to assist peasants farmers to produce more food to feed the growing population.
2. Graduate agricultural loan scheme to encourage unemployed graduates to adopt careers in farming.
3. Fund for the promotion of Nigerian craft for export - to help the indigeneous craftmento produce more crafts for export.
4. Self-employment credit scheme to aid unemployed youths in establishing and managing their own business ventures.
5. Shares loan scheme to enable the people to buy shares in the privitised companies.
6. Commodity financing scheme - to support buying in the purchase and distribution of agricultural produce.

These schemes were in direct response tothe economic demands of the day and shows the committment of the bank to make meaningful contribution to the nation's socio-economic development.

3.2 ALLIED BANK OF NIGERIA PLC BRANCH EXPANSION

In the beginning the bank whichwas opened as a branch of Bank of India Bombay, never pursued the policy of branch expansion. For almost a decade the first branch was the only branch opened providing banking services; mostly caring for the Indian business. This is because of the ownership of bank which is owned by an Indian Bank i.e Bank of India Bombay. The low customer base of the bank during that period was also attributed to that factor, for example as at 1973 there were about 365 current customers with eleven years of operation. In 1973 a second branch was opened in Ibadan another big city in Nigeria. A third branch was opend in Lagos 1975. As at 1980 there were only 8 branches in the whole country. This goes to show that for almost 20 years the growth of the bank in terms of branch expansion was very low. The period between 1980 - 1990 was considered in the bank as the era of branch expansion. During this time about sixty branches were opened across the country. Further inpetus from branch expansion was given when the rural banking programme was introduced in the country. It should be realised the rapid branch expansion occured at a period when the Federal Government and private indigenes through equity participation began to take ownership of the bank. Today Allied Bank of Nigeria PLC has about 70 branches in its kitty out of these branches about 30 are located in the rural areas. The city of Lagos alone has a number of nine branches. As at the year 1989 when the federation was divided into 21 states Allied Bank of Nigeria PLC had its Presence in all the states including the Federal Capital Abuja. See table I and II below showing the list of branches state by state in 1983 and 1993.

TABLE I

LIST OF BRANCHES/SUB BRANCHES

STATE	NAME/ADDRESS OF BRANCH/ SUB-BRANCH	DATE OPENED	TYPE OF BRANCH	TOTAL OF BRANCHES FOR THE STATE
Lagos	Head Office			
	Breadfruit	10/9/62	Urban	2 Branches
	Matori	2/12/75	Urban	
Oyo	Ibadan	15/6/73	Urban	
	Moniya	7/2/78	Rural	
	Idi-Ayunre	31/3/80	Rural	
	Iyana Offa	6/6/80	Rural	
	Ojoo	17/5/82	Rural	5 Branches
Rivers	P/Harcourt	8/3/82	Urban	1 Branch
Cross Rivers	Calabar	11/10/92	Urban	1 Branch
Kaduna	Ahmadu B. Way	31/3/81	Urban	
	Saminaka	12/12/83	Rural	
	Musawa	12/12/83	Rural	3 Branches
Kano	Kano	13/7/81	Urban	
	Kiru	12/12/83	Rural	2 Branches
Anambra	Onitsha	30/01/81	Urban	
[illegible]	Ozubulu	1/2/82	Rural	
[illegible]	Achalla	16/9/83	Rural	
	Adani	12/1283	Rural	4 Branches
Ogun	Ikenne	28/7/78	Rural	
	Iperu	18/6/79	Rural	
	Ishara	9/7/79	Rural	
	Abeokuta	27/9/82	Urban	4 Branches

TABLE II

LIST OF BRANCHES

STATE	NAME OF BRANCH SUB/BRANCH	TYPE OF BRANCH	TOTAL OF BRANCHES FOR THE STATE
Abia	Aba	Urban	1
Adama	Yola	Urban	
	Garkida	Rural	2
Akwa Ibom	Uyo	Urban	
	Enwang	Rural	
	Ikot Abia	Rural	3
Anambra	Oguta	Urban	
	Niger Head Bridge App.	Urban	
	Ozubulu	Urban	
	Awka Etiti	Rural	
	Achalla	Rural	5
Bauchi	Bauchi	Urban	
	Sakwa	Rural	2
Benue	Makurdi	Urban	1
Borno	Maiduguri	Urban	1
Cross River	Calabar	Urban	1
Delta	Warri	Urban	1
Edo	Benin	Urban	1
Enugu	Enugu	Urban	
	Agbaja	Rural	
	Adani	Rural	3
Fed. Capital	Abuja	Urban	1
Imo	Owerri	Urban	1
Kaduna	Yakubu G. Way	Urban	
	Kuyello	Rural	
	Ahmadu B. Way	Urban	
	Zaria	Urban	
	Saminaka	Rural	5
Kano	Kano	Urban	
	Sabon Gari	Urban	
	Kiru	Rural	3
Katsina	Katsina	Urban	
	Musawa	Rural	2
Kebbi	Kaoje	Rural	
	Zuru	Rural	2

STATE	NAME OF BRANCH SUB/BRANCH	TYPE OF BRANCH	TOTAL OF BRANCHES FOR THE STATE
Kwara	Ilorin	Urban	
	Ijagbo	Rural	
	Eruku	Rural	3
Lagos	Breadfruit	Urban	
	Broad Street	Urban	
	Allied House	Urban	
	Matori	Urban	
	Allen Avenue	Urban	
	Victoria Island	Urban	
	Oba Akran	Urban	
	Apapa	Urban	
	Enu Owa Branch	Urban	9
Niger	Minna	Urban	
	Kafin Koro	Rural	
	Kontagora	Urban	3
Ogun	Abeokuta	Urban	
	Ikenne	Urban	
	Ishara	Urban	
	Iperu	Rural	4
Ondo	Akure	Urban	1
Osun	Oshogbo	Rural	1
Oyo	Ibadan	Urban	
	Ojoo	Urban	
	Moniya	Rural	
	Idi Ayunre	Rural	
	Iyana Offa	Rural	5
Plateau	Jos	Urban	1
Rivers	Portharcourt	Urban	
	Ikwerre	Urban	
	Onne	Urban	
	Bonny	Urban	4
Sokoto	Sokoto	Urban	1

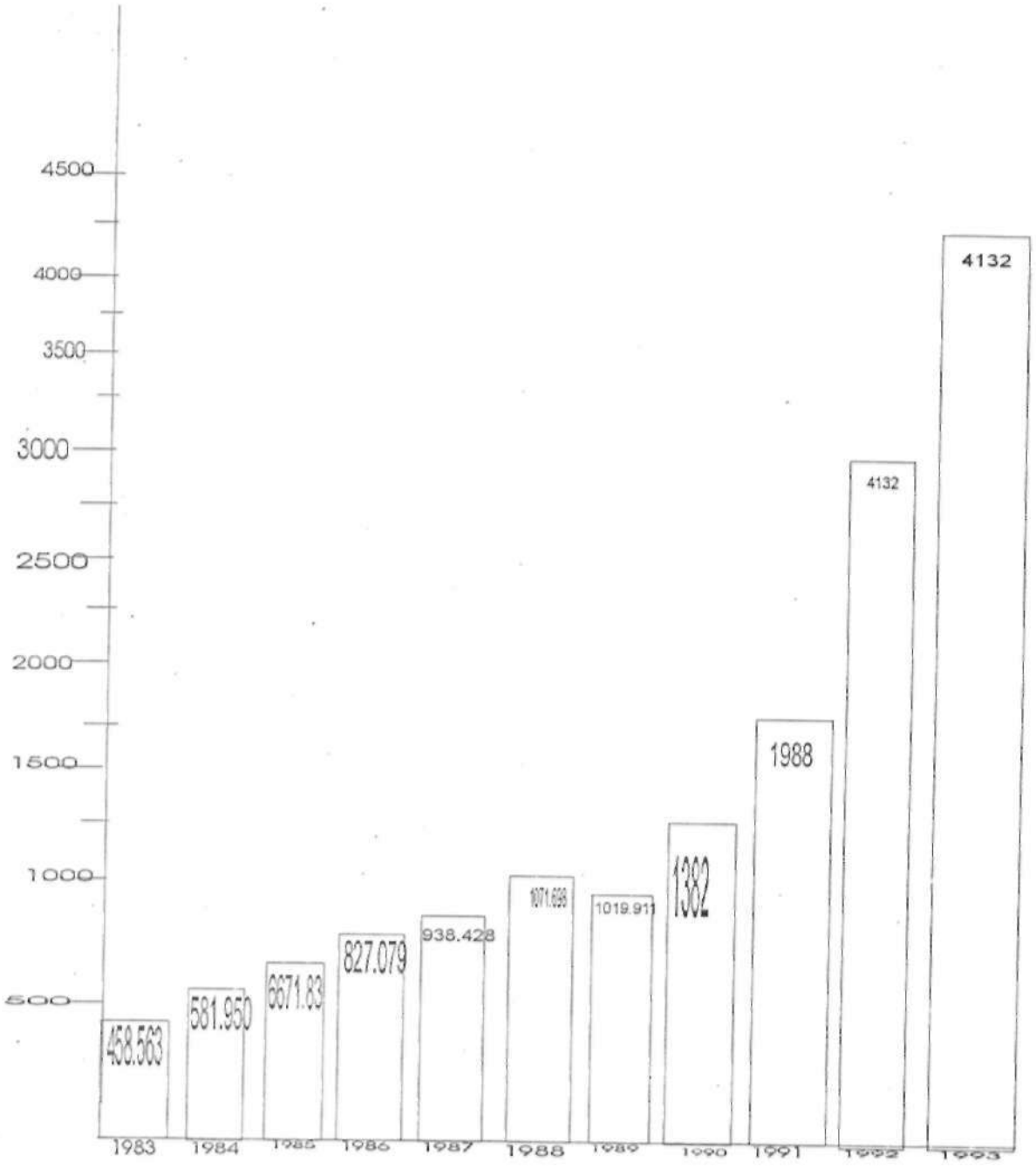
PERFORMANCE AND OPERATIONAL RESULT OF ALLIED BANK OF NIGERIA PLC FROM 1983 - 1993

3.4 Since indepence in 1960 the country has been under going different economic climate of so many dimension, in the last 30 years the country has witnessed features of recovery recession boom etc etc. Inspite of all the changes in the economy of the country Allied Bank has been able to weather the storm by achieving appreciable results. Allied Bank of Nigeria PLC has performed creditably to justify its existence. Especially in the last five years its financial position has been strengthened considerably reviewing the bank's operation resulting in the last ten years 1983 - 1993. It is evident that tremendous success was recorded. The gross earning rose from ₦36,000,000 in 1983 to ₦1111000,000 in 1993. The total deposit increased from ₦442,908,000 in 1983 to ₦3,161,000,000 in 1993. consequently the loans and advances portfolio expanded from ₦1334467000 in 1983 to ₦835,500,00 in 1973. The gross profit which stood at ₦6591000 in 1983 rose to ₦126,954,000 in 1993. The total assets ammounted to ₦4,152,446,000 in 1993 compared with the ₦458,563,000 recorded in 1983. The above picture depict a very exellent result of the bank. Table A to E shows the gross earning shareholders funds, total deposit, total advances and total assets from 1983 to 1993. Graphically in 1989 the profit level of the bank fell because of huge provision of bad and doubtful debts in that year. Since then the bank has continued to record substantial growth.

Table F & G shows the banks balance sheet for 1983 and 1993.

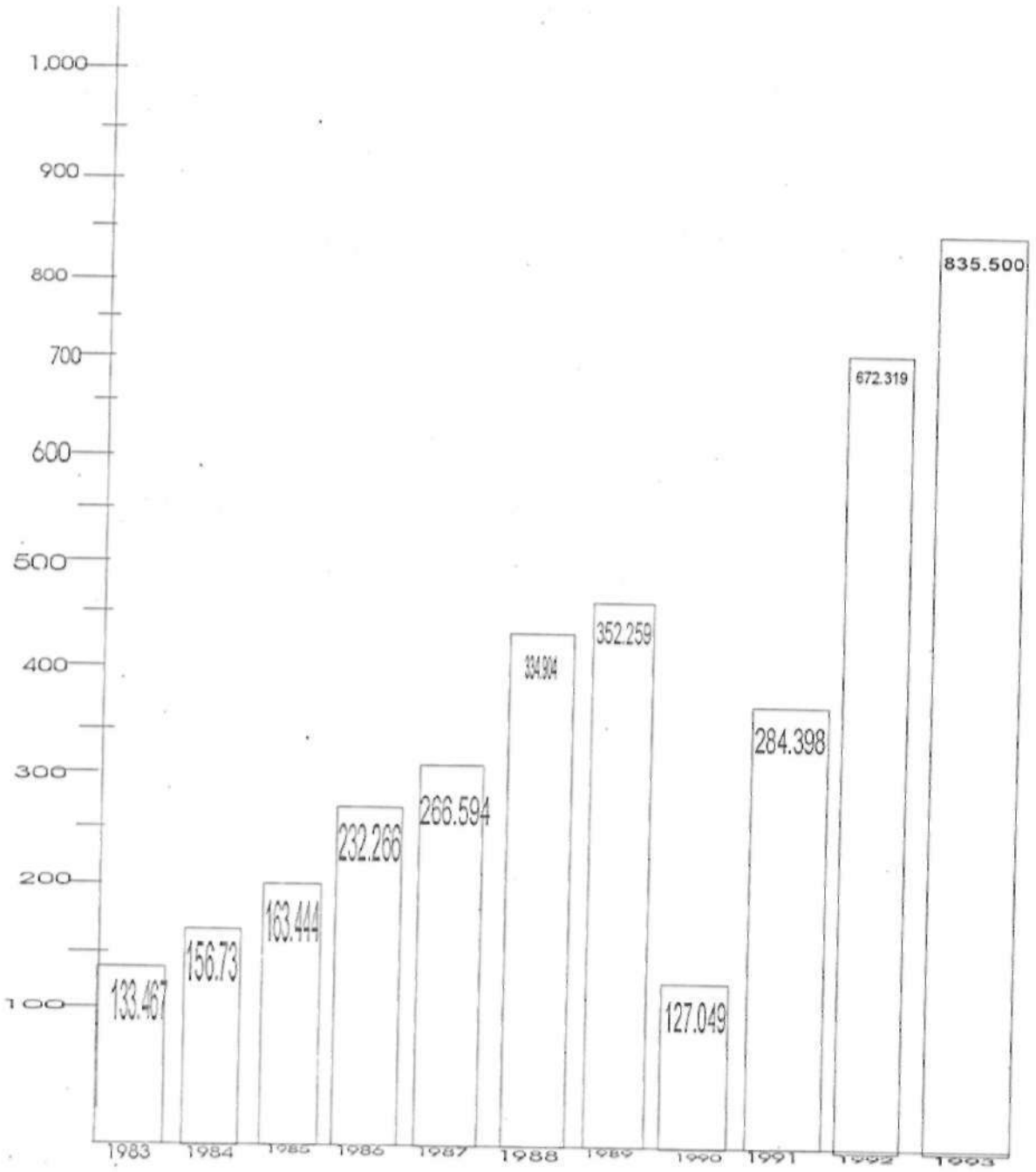
TOTAL ASSETS

(₦000,000)



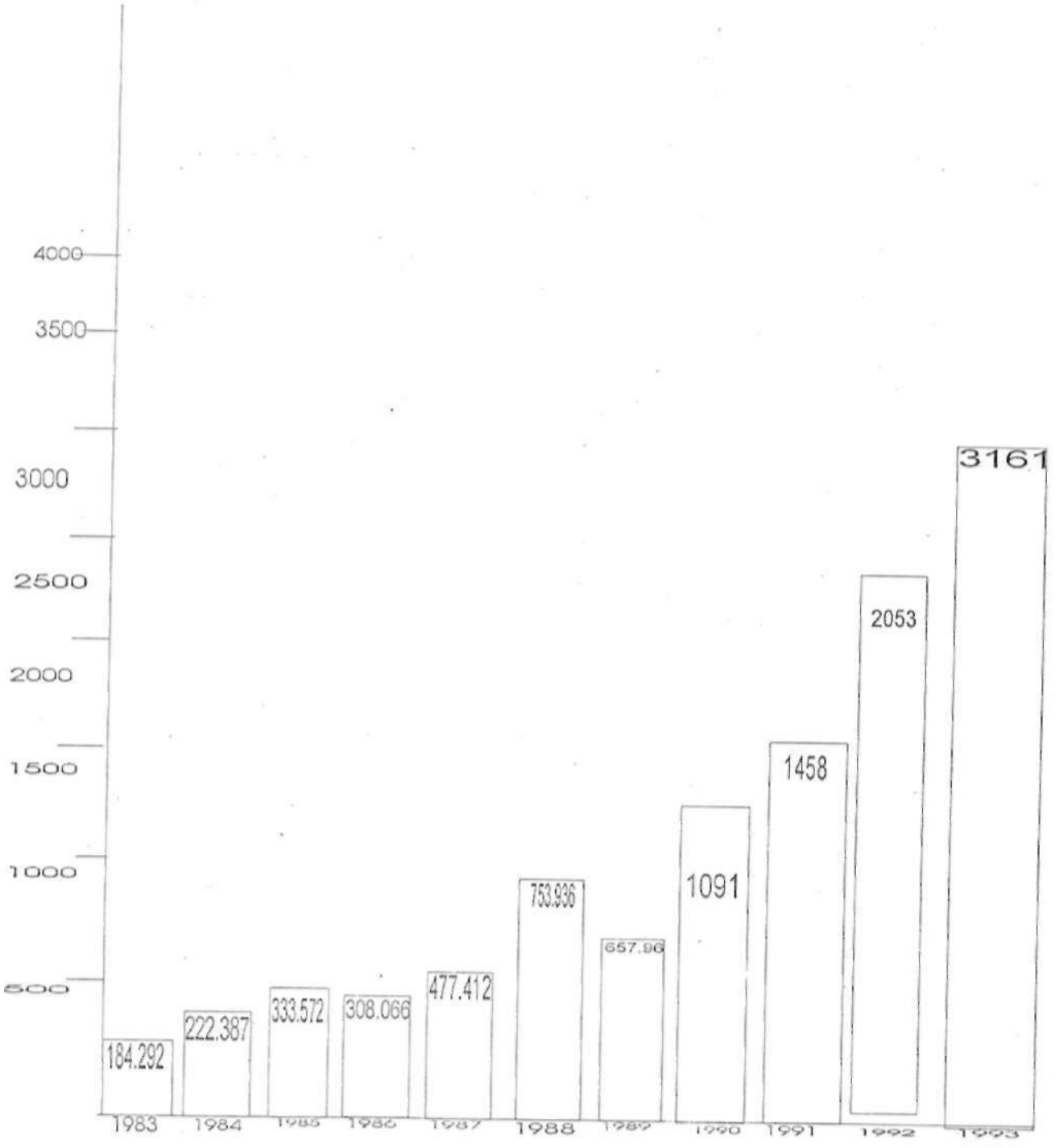
TOTAL ADVANCES

(₦000,000)



TOTAL DEPOSIT

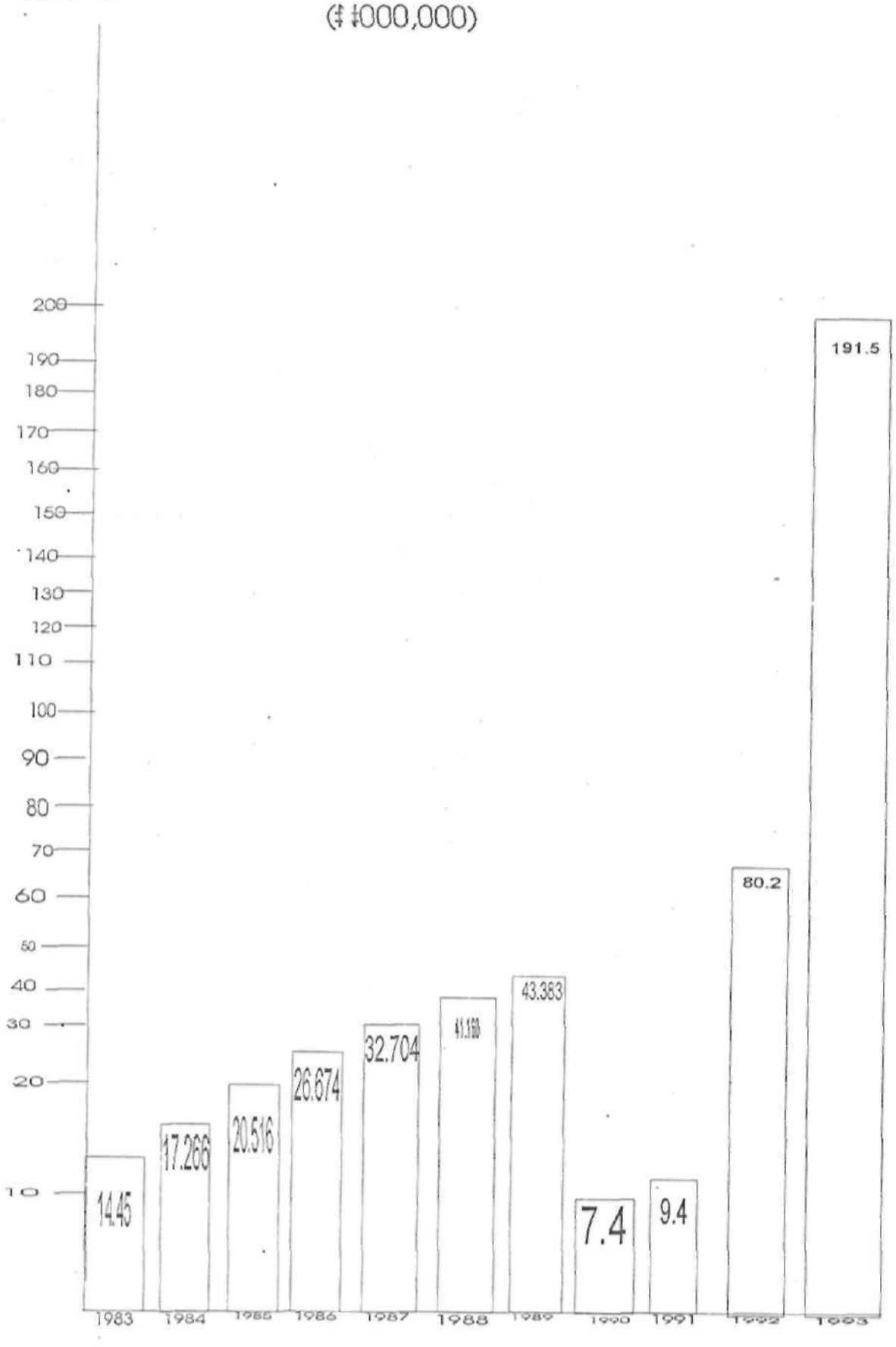
(₦000,000)



SHARE HOLDERS FUNDS

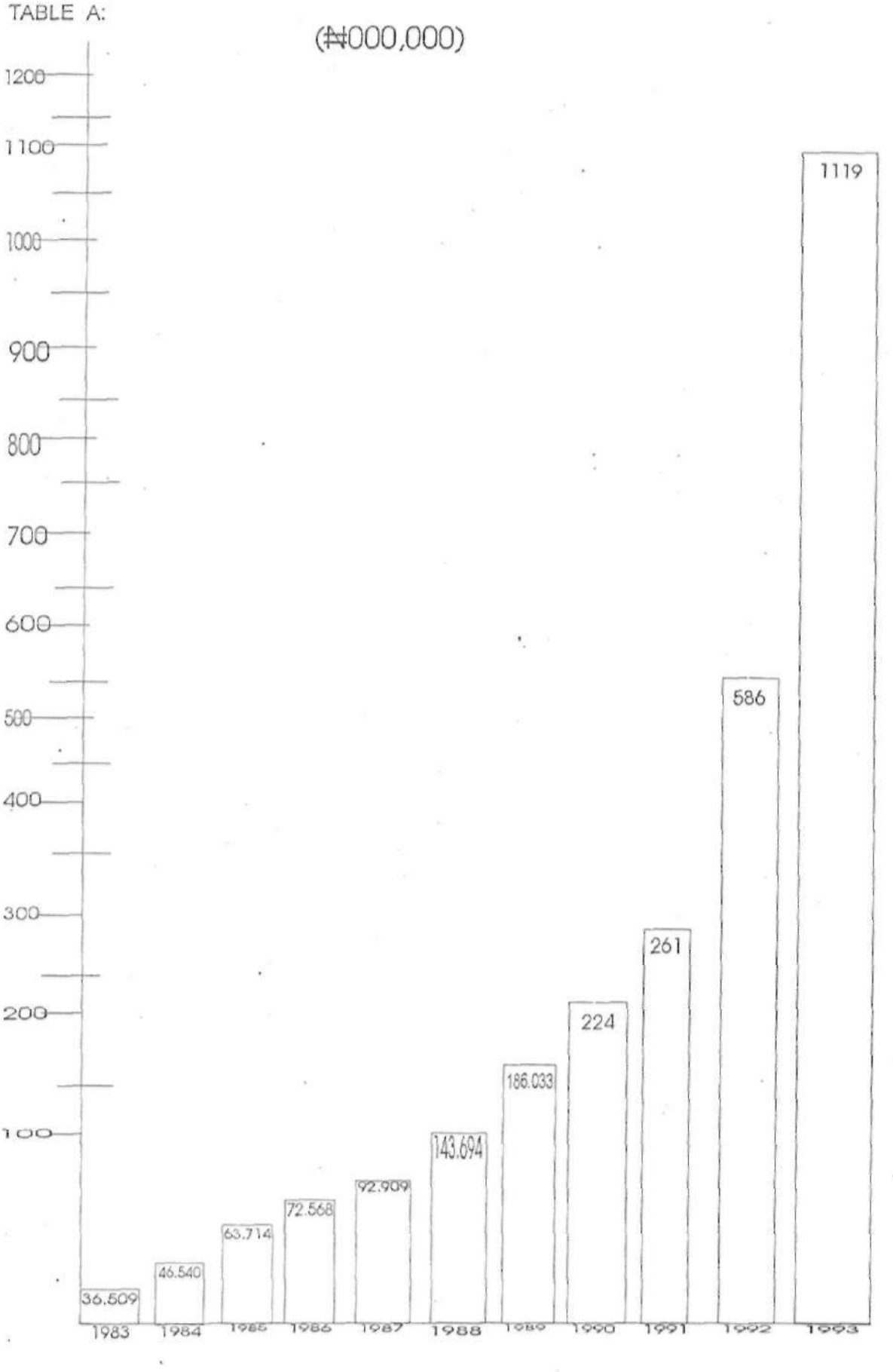
TABLE A:

(₦'000,000)



GROSS EARNINGS OF ABN PLC FROM 1983-1993

TABLE A:



1983 AND 1993 FINANCIAL SUMMARY - YEAR ENDED 31st DECEMBER, 1983.

	1983 ₦
BALANCE SHEET	
UDE OF FUNDS	
Cash, Short-term funds and bills discounted	299,903
Investments	1,418
Loans and Advances	133,467
Other assets	19,199
Fixed assets	4,576
	458,563
SOURCE OF FUNDS	
Share Capital	6,000
Amount set aside for bonus issue	-
Statutory reserve	4,754
General reserve	3,550
Profit and loss account	151
Shareholders' funds	14,455
Borrowing from banks	60,504
Customers' account	327,899
Taxation, divided and other liabilities	55,750
	485,563
Confirmed credits and guarantees	207,169
Balance sheet total	654,732
PROFIT AND LOSS ACCOUNT	
Gross earnings	36,309
Profit before taxation	6,591
Taxation	(3,542)
Profit after taxation	3,542
Statutory reserve	(936)
General reserve	(1,400)
National Economic Recovery Fund	-
Dividend	(1,200)
Unappropriate profit brought forward	143
Unappropriate profit carried forward	151
Earnings per share (adjusted)	23,6k
Dividends per share (adjusted)	8k

ASSETS	1993 ₦000
Chash and short term funds	2,000,552
Due from other banks	43,000
Bills discounted	200.480
Omvestmemts	11,239
Loans and advances	835,500
Other assets	752,202
Fixed assets	309,473
	4,152,446
LIABILITIES	
Deposits	3,160,514
Other accounts	257,166
Due to other banks	20,000
Dividend payable	6,095
Long term loans	-
Taxation payable	12,488
	3,900,952
Debenture	60,000
	3,960,952
CAPITAL & RESERVES	
Share capital	75,000
Statutory reserve	51,738
Revaluation reserve	55,380
Amount set aside for bonus issue	-
General Reserve	3,075

3.4 RURAL BANKING IN ALLIED BANK

Allied Bank of Nigeria is one of the commercial banks in the country that identifies itself fully with the rural banking programme in the country. Immediately the programme took off in 1977 the bank went into operation. The first rural branch opened in the bank was Moniya Branch in Oyo State on 7/02/78. The second one was opened in some years in Ikenne Branch of Ogun State. As at 31/12/80 the bank had seven (7) rural branches.

In the first phase of the programme the Central Bank of Nigeria allocated 6 (six) branches to the banks. As at the end of the first phase which lasted for 3 years from 1977 - 1980 June. The bank had opened all the six branches allocated to it in the second phase of the programme. The Bank was allocated 7 (seven) branches. The opening of all were done on shcedule. The second phase lasted from 1980 - 1983 December. In the third phase of the programme the bank successfully completed fifteen months ahead of schedule date of all the eleven branches allocated to the bank. The third phase terminated in 1989. After completion of the eleven branches the bank requested for two (2) extra rural branches which were subsequently opened. The request by the bank to be given extra two more rural branches earned the bank high commendation.

Today Allied Bank of Nigeria has in its kitty 30 rural branches spread across the country providing essential commercial banking services to their areas of operation. All kinds of commercial banking services can be transactioned in any of the rural branches of the bank. Allied Bank of Nigeria PLC again is one of the few commercial banks that successfully completed all the rural branches allocated to it in the third phase of the programme which terminated in 1989. In all the three phases of the programme a total of 24 branches was allocated to the bank. This figure was however boosted by six more branches which goes to show the priority attention given to cater for the financial needs and requirements of the

rural people who are playing a vital role in the economy of the nation by producing the bulk of the food requirement of the country.

Allied Bank rural branches since their establishment have been playing a vital role and contributing to the development of their areas of operation. The rural branches opened by the bank have been able to extend banking services to their environment which were non existence before the rural banking programme. Rural people now do not have to travel to cities to transact their business as they now have bank in their neighbourhood.. The presence of the banks have now removed untold suffering faced by the rural people prior to the opening of the banking services when ever they want to transact business. The rural banking in Allied bank have also been able to offer employment opportunities to the rural people within the areas of operation particularly the lower cadre staff. The rural branches in Allied Bank have been able to generate sufficient awareness on the nature and kind services they offered to the rural communities thus, inculcating and developing the banking culture. The branches have also been able to mobilise deposit for the rural people hitherto kept outside the banking system. The branches most importantly have been to provide financial assistance through loans and overdraft to the poeple and some basic handcraft business. The financial assistance redered in most occassion had resulted in increasing the beneficiaries production (out put) and income level. The incease of productivity and income levels was also manifested in their standard living. To the bank the rural branches have afforded the bank to expand and exploit other spheres which were neglected before the introduction of the programme. The rural banks significantly boosted the bank's deposit thereby increasing the ability of the bank to lend and earn income. Many of the rural branches . after about three (3) years of operation have found their grand and have been making profit, this turn of event has also contributed to the over all profitability of the bank.

To the economy as a whole rural banking in Allied Bank has contributed in number of banks to the country, it has reduced the inbalance between the location of bank from urban and rural areas. It has also improved the ratio of person per bank in the country. The rural banks have also generated sufficient deposit which were kept outside the banking system. This has enable the authorities to estimate the amount of money in circulation in the country. The rural banks have been able to attract some development to their areas of operation. These are like roads, telephone, pipe borne water etc etc. The banks have also removed the crude banking system in the rural areas. The rural banks have been able to monetised the rural economy. The rural banks have been able to provide employment opportunities to the people. Thus, helping in easing at the unemployment situation in the country.

The extension of banking services to the rural areas by the bank has not been without problems. Some of the problems encountered by the bank in opening branches in the rural areas are the poor infrastructural facilities in most parts of the rural areas of the country. Some of the rural areas allocated to the bank to open branches are very remote and inaccessable. Good and efficient infrastructural facilites like good roads, availability of good drinking water, electricity, telephone services, good buildings, hospitals etc etc are very essential for successful operation of commercial bank. The problem of poor and lack of banking culture in the rural areas was yet another problem that confronted the bank, particularly at the early stage of commencement of operation

of the newly opened rural branches. The bank had committed a lot of its scarce resources in enlightening the people about the operation. Another important problem faced by the bank is the high operating cost of most of the rural branches. In most cases the bank had to erect its own building structure, provide its own water system through sinking boreholes, provide its own electricity through purchase of generating set etc etc. All these entails huge financial committment by bank, to compound the issue again, is the low business volume in the rural areas which makes it difficult for rural branches to generate enough business to make profit that is why many of the rural branches were not able to break even in the first few years of their operation. Personnel problem was yet another issue faced by the bank at the beginning of the rural banking programme. The bank had to immediately recruit, train new hands to man the newly opened rural branches, so much pressure was placed on the bank as they had not planned their staff requirement for the scheme. Movement of some experienced staff from urban centres to the rural centres also became a problem as staff involved were often reluctant and oppose to moving to rural areas. The rampant cases of bad and doubtful debts in many of the rural branches is also another serious problem affecting the successful operation of rural banks. Because of misconception what is credit facilities and what constitutes to the bank's due to illitracy by the most rural people. Greater percentage of loans and advances in the rural branches turn out to be had or doubtful. Because of the rufusal of beneficiaries to repay. The occurence of this phenomenom affects the bank's ability to lend. In some instances where recovery of loans are made by the bank it extend beyond the stipulated period and at extra cost to the bank.

The table below indicates the list of rural branches of Allied Bank opened in the three phases of the programme.

1st Phase 1977 - 1980	2nd Phase 1980 - 1984	3rd Phase 1984 - 1993
IKenne Ogun State	Ojoo Oyo State	Ewang Akwa Ibom St
Iperu Ogun State	Saminaka Kaduna St.	Ekot Abia Akwa Ibom St
Ishara Ogun State	Musawa Katsina St.	Awka Etiti Anambra State
Iyana Offa Oyo St.	Ozubulu Anambra St.	Agbaja Anambra State
Idi-Ayunre Oyo St.	Achalla Anambra St.	Garkida Adamawa State
Moniya Oyo St.	Adani Anambra ST.	Sakwa Bauchi State
	Kiru Kano St.	Kuyello Kaduna State
		Gwantu Kaduna State
		Onne Rivers State
		Bonny Rivers State
		Kaoje Kebbi State
		Ijagbo Kwara State
		Minna Niger State
		Kafin Koro Niger State
		Zuru Kebbi State
		Kontagora Niger State.
TOTAL 6	7	16

Note third phase of the programme terminated in 1989. But many rural branches were opened after 1989 by the bank.

CHAPTER FOUR

GWANTU AND SAMINAKA RURAL BRANCHES OF ALLIED BANK OF NIGERIA PLC.

DATA ANALYSIS

4.1

The capter focuses its attention on the examiniation of data collected through questionnaires administered to the two rural bank Managers of Gwantu and Saminaka branches of Allied Bank of Nigeria PLC. The chapter also examines the data collected from customers of the two branches through questionnaires administered to them. The primary aim of the chapter is to assess the efficiency and contribution of the two rural banks to development of the areas they are located as well as the people's attitude towards the rural banks.

4.2 DESIGN OF QUESTIONNAIRES

Two sets of questionnaires were designed for the purpose of the survey. The first was designed and administered to the Branch Managers of the two rural branches. The main question raised includes:-

- deposit mobilisation programme
- Specific objective of rural banks
- Number of accounts opened.
- Types and position of deposits generated for five years under review 89 - 93.

The information will reveal whether the deposit is increasing, decreasing or stagnant.

463142

- Loans granted to rural dwellers control over utilisation of loans.
- Demand and supply of loans, the analysis will also reveal the ability of the rural bank.

The data will reveal not only the extent of the bank's commitment in provision of credit to ruralites but also the relationship between deposit generated and credit extended in the areas of study.

The second set of questionnnaire which is desigend for customers focuses on issue such as

- The level of people patronage viz a viz:-
- Types of account opened
- Demand for credit
- Adequacy of credits
- Factors that motivate people to patronise banks
- The impact of bank credit on beneficiaries output

4.3 ALLIED BANK OF NIGERIA PLC GWANTU

Gwantu Branch of Allied Bank of Nigeria PLC was opened in 1988 April. Gwantu town is located in Jema'a Local Government of Kaduan State. The Bank building is owned by the bank itself and has sufficient rooms ans space for future expansion of its operation. apart from serving Gwantu town the branch also serves some neighbouring villages. The Gwantu branch has been recording growth in the number of accounts opened since it started operation. In the first year of its operation the branch had 122 savings accounts, 14 current and 1 term deposit account. The growth in the number of account in the branch continue to increase over the years. By the end of 1993 the branch had 2009 savings accounts, 200 current and 4 term deposit

account. The growth in the number of accounts opened implies that the bank's campaign for patronage was good and that people were becoming more aware and conscious of the importance of modern banking. The dominance of saving accounts over the other two types of accounts implies the simplicity in opening procedure and maintaining savings account.

In areas of deposit mobilisation the bank has been experiencing growth since its establishment. A look at table 4.1 reveals that deposit generated by the branch during the period under review has been on the increase. In the first year of its operation in 1989 the bank was able to generate a deposit of ₦42344=88, ₦594840=57 and ₦100,000= in current savings and term deposit accounts respectively. Four years later the three accounts shot to ₦282,902=72, ₦1,890,727=10 and ₦880,000. Thus giving a total deposit of ₦4,055,689=82. This shows over 400% increase in total deposit over the result of 1989. The impressive result confirms the hypothesis that establishing rural banks will generate deposit in the rural areas. The results also implies increase in channeling economic activities to the banking system by the ruralites

One of the objectives of rural banking programme is to promote economic development in the rural areas. One way of achieving this is investing the deposits generated to the rural areas in form of loans and advances at a reasonable cost. The financial assistance in form of loans and advances is expected to improve the well being of the rural people. To ensure there is no financial drain from a given locality the CBN have set 40%

of deposit generated in given area to be channeled as loans and advances in the areas the deposit were generated. Any shortfall below the % (percentage) set by C.B.N. is a deviation and constitutes a financial drain to the locality and its people. Table 4.2 reveal that out of 81 people that applied for credit only 15 had been granted credit by the end of 1989. The amount disbursed was ₦71597=66 representing a very low loan deposit rationof 9:71%. By the year 1993 the ratio was just above 10% out of 115 applications only 7 were granted credit facility. The total amount disbursed as at 1993 stood at 40732=83 this compared poorly with a deposit of over 4M.

Table 4.3 further puts Gwantu Branch ratio of credit to deposit at 9.7% 15.62%. 7.22% 10.08% for the years 1989m 1990, 1991 and 1992. The inference here is that deposit generated in the locality was siphoned out of the area thus constituting a rural financial drain. This trend is very inimical to the development f the areaa. The picture depicts increasing deposit and falling loans and advances in other words deposit generated is not proportional to the growth in share of deposit invested in the form of loans and advances.

In the areas of viablilty the data obtained revealed the branch is viable and making profit for about a year now. Though in the beginning they were not able to break even in the first three years of their operation. The viability of the branch suggest that rural areas have potentialities that can be tapped and developed successfully.

4.4 ALLIED BANK OF NIGERIA SAMINAKA

Saminaka Branch of Allied Bank of Nigeria PLC is one of the early rural bank established by the bank. It was established long before Gwantu Branch came to existence. The bank was opened in December, 1983. the building like that of Gwantu Branch is owned by the bank and it has sufficient room and space to cater for future expansion. The branch is located in Saminaka town the Local Government Capital of Lere Local Government of Kaduna State. the pattern, of deposit mobilisation increase in the number of account opened since it started operation is not very different from the Gwantu Branch. The branch has done very well in mobilising rural savings. By the end of 1989 the total deposit of the branch was ₦2,115,362=94 with saving account having a balance of ₦1,375,920=26, current account ₦608,442=68 an term deposit ₦134000= see table 4.4. By the end of 1993 total deposit increased astronomically to ₦8,414,709=33 indicating a percentage increase of about 400%. The saving account was accounting for over 60%. The edge saving account is having on current account implies its simplicity in opening procedure and operating the account becasue of high rates of illitracy in the rural areas, most customers opt for saving. The impressive deposit mobilised over the years under review confirms the belief that rural banks will mobilise deposit. The increase of number of account over the years confirm also the idea that rural banking will develop the modern banking culture of the people, it will aslo influence the ruralites to be patronising bank in all their economic activities.

Table 4.5 shows the trends of loan application and amount disbursed in the five years under review. The data revealed that the number of people applying for credit facility and amount disbursed has been on the increase. Position of loans and advances has 1182294=20 as at 1989, four years later it reached a remarkable balance of over 6M indicating a growth of about 600%. The data therefore revealed that one of the objectives of rural banking which is extending of credit to the rural dwellers is being pursued by the branch.

As for loan deposit ratio the branch has been able to channel a good percentage of the deposit generated in the areas to the locality. Data obtained in the five years under review revealed that only in 1990 the bank failed to reach the minimum of 40% loan deposit ration set by CBN. See table 4.6. The data therefore implies that a very good percentage of deposit generated from the locality was invested in form of loans and advances in the development of the area.

Samirnaka branch since its establishment has been able to exploit the resources abound in the area to enable it to operate profitably. The bank only had some problems in the first two years of its operation since then it has been recording profit. the viability of the branch removes the fear by many people that most rural branches are a financial drain and lost centres.

The reports of the two rural branches thus shows that their deposit generation since their establishement has been tremendous owing to their vigorous campaign for deposit and secondly to the

increased economic activites in the areas:- The campaign for deposit mobilisation take the form of advertisement, visiting individual by bank's staff and visiting community and traditional leaders. The growth in patronage by the people is a manifestation that people have now started appreciating the importance of using the modern banking institution in their daily business transaction.

The dominance of savings account over other two account i.e current and term deposit in the two reports of the suvery implies many people opted to saving because of the simplicity in opening procedure and mode or opeation. On the other hand opening of curent account involves a lot of procedure and documentation. Most of the people in the two areas under study reveals that current account are usally for business people and people that have attained some level of education, these category of people are small in number in the two areas.

The reports of the two areas under study show a different picture in the loan deposit ratio while the loan deposit ratio for Saminaka branch were all above 40% in period under review with the exception of 4990 when the ratios fell below 20%. The ratio for Gwantu Branch in the five yeard under review were all below 20%. This scenerio represent a financial drain of the area by the bank; meaning substantial part of deposit generated in the area. the reason for the low ratio here revolves around the inability of the local people to present colleteral acceptable to the bank and the likelyhood of ruralites to abuse the credit facilities granted them.

To compound the poor ratio again is the high number of savings account holders which in most cases do not qualify for credit facilites, apart from the Agricultural Credit Guarantee Scheme for Farmers (ACGSF).

On the question of viability the two rural banks have proved that they are viable and capable of justifying their existence as a profit making organisation. Their viability lend credence that the idle rural resources can be successfully mobilised and developed with a well organised programmes, such as the rural banking programme.

4.4

POSITION OF DEPOSIT OF SAMINKA BRANCH OF ALLIED BANK OF NIGERIA PLC FROM 1989 - 1993 IN (₦)

YEAR	CURRENT DEPOSIT	SAVINGS DEPOSIT	TERM DEPOSIT	TOTAL
1989	605,442=68	1,375,920=26	134,000=00	2,115,362=94
1990	1,437,839=50	3,122,148=42	520,000=00	6,342,304=37
1991	1,261,524=70	3,294,211=65	1,067,531=10	5,623,267=20
1992	522,227=70	4,754,934=36	79,000=00	5,366,162=06
1993	2,234,774=93	6,129,934=40	50,000=00	8,414,709=33

SOURCE: ALLIED BANK OF NIGERIA PLIC - SAMINAKA

4.5

POSITION OF CREDIT DISBURSED BY ALLIED BANK OF NIGERIA PLC SAMINAKA BRANCH FROM 1989 - 1993

YEAR	NUMBER OF APPLICATIONS	NUMBER OF APPLICATIONS APPROVED	TOTAL AMOUNT DISBURSED
1989	45	24	1,118,294=20
1990	110	36	11,710,860=59
1991	114	12	2,252,905=05
1992	89	7	2,842,433=99
1993	76	21	6,224,844=80

4.6

RATIO OF LOANS AND ADVANCES MADE BY ALLIED BANK OF NIGERIA PLC SAMINAKA BRANCH TO DEPOSIT GUARANTEE

YEAR	A TOTAL DEPOSIT	B ADVANCES	RATIO OF B TO A
1989	2,225,362=94	1,118,244=20	52:86
1990	6,342,304=37	1,171,866=09	18:47
1991	5,623,267=20	2,252,908=08	40:06
1992	5,366,162=06	2,547,433=99	47:47
1993	8,414,709=33	6,274,844=80	80:51

TABLE 4.1

POSITION OF DEPOSIT OF GWANTU BRANCH OF ALLIED BANK OF NIGERIA PLC FROM 1989 - 1993 IN (N)

YEAR	NO. OF CURRENT A/C OPENED	CURRENT A/C	NO. OF SAVINGS ACCOUNT OPENED	SAVING A/C	NO. OF TERM DEPOSIT OPENED	TERM DEPOSIT	TOTAL
1989	44	42,344=88	122	594,840=07	1	100,000=	737,185=37
1990	26	76,187=52	273	620,047=21	3	270,000=	966,234=73
1991	37	152,033=61	551	1,865,152=47	3	310,000=	2,327,186=08
1992	42	245,012=13	760	2,599,187=19	4	330,000=	3,174,193=32
1993-	56	282,907=72	1343	2,890,777=10	5	880,000	4,053,689=82

4.2

POSITION OF CREDIT DISBURSED BY ALLIED BANK OF NIGERIA PLC GWANTU BRANCH FROM 1989 - 1993

YEAR	NO. OF APPLICATIONS RECEIVED	NO. OF	APPROVED	TOTAL AMOUNT DISBURSED
1989	51		15	71,597=66
1990	63		27	158,971=85
1991	93		38	168,106=98
1992	93		38	186,484=73
1993	115		14	407,325=82

TABLE 4.1 POSITION OF DEPOSIT OF GWANTU BRANCH OF ALLIED BANK OF NIGERIA PLC FROM 1989 - 1993 IN (₦)

YEAR	NO. OF CURRENT A/C OPENED	CURRENT A/C	NO. OF SAVINGS ACCOUNT OPENED	SAVING A/C	NO. OF TERM DEPOSIT OPENED	TERM DEPOSIT	TOTAL
1989	44	42,344=88	122	594,840=07	1	100,000=	737,185=37
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1992	42	245,012=13	760	2,599,187=19	4	330,000=	3,174,193=32
1993–	56	282,907=72	1343	2,890,777=10	5	880,000	4,053,689=82

4.2 POSITION OF CREDIT DISBURSED BY ALLIED BANK OF NIGERIA PLC GWANTU BRANCH FROM 1989 - 1993

YEAR	NO. OF APPLICATIONS RECEIVED	NO. OF	APPROVED	TOTAL AMOUNT DISBURSED
1989	51		15	71,597=66
1990	63		27	158,971=85
1991	93		38	168,106=98
1992	93		38	186,484=73
1993	115		7	407,325=82

4.5 REPORT FROM CUSTOMERS.

For the purpose of ensuring good understanding on the attitude of customers to Allied Bank of Nigeria PLC Gwantu Brancch, 100 set of questionnaires were randomly distributed among the branch customers. 69% response was recorded out this number only 43 of the number returned their questionnaires completely answered. The rest were only partially answered. The data obtained coveres different studies of life. 51 were farmers, 7 local business men 9 civil servants and two students.

On the use of modern banking the data obtained from the survey revealed that about 92% of the customers operate saving account while the rest operate current account. The breakdown showed 63 maintain savings. The data went further to reveal that 48 of the saving account holders and 2 of the current account holders are farmers. Out of the seven local business men five operate current account and the outher two savings account. All the civil servants run a current account. among the people that responded to the questionnaires only 6 were illitrates while others have some level of education or the other. Rural areas in the country have high concentration of illitrates therefore one can make some inference here. A large nuber of people in the locality were not mobilise to patronise the bank, perhaps this phenomena may be due

to the alien nature of the banking institution, poor publicity and lack of surplus income due to poverty to patronise the bank. Despite the rapid development level happening in the country, many people particularly the rural community consider bank is only for previledged few.

On their reason for patronising the bank the sample survey revealed that 26 out of 69 customers that responded were motivated by security reasons i.e they save to guard against theft., and natural hazards. 14 were motivated by credit 3 for convenience and the rest gave no reasons.

In the areas of demand and supply for credit, the data showed that among the 69 people that responded to questionnaires only 38 had ever applied for credit. 24 farmers, 9 civil servants and the rest local business men. 16 farmers were approved credit facility, 9 civil servants and one local business man. Applications were also approved. The high percentage of loan approved in respect of civil servants was due to the short term nature of the facility. Ease of repayment and the secured nature of facility because their salary flows regularly to the bank where deduction can be easily made. Default rate for civil servants is very very low. Greater percentage of account maintained by farmers are saving account and only loans under agricultural credit guarantee scheme can be given to saving account holders. some reasons for the low approval rates to farmers are the longer repayment period and inability of most farmers to provide acceptable colleteral to the banks.

Information received from farmers customers that enjoyed some credit facilities through the questionnaires administered reveal that 24 had recorded increase in output from their farms, which also resulted in increase of their income. The farmers however complained of the inadequacy of credit approved because the bank usually slashed the amount applied, they believe if the bank will be able to grant them their requirement and allow a longer repayment period to ensure favourable prices of their farm products and assuming everything is equal with the weather, their output would increase by a higher percentage. Another area which affected their income derived from their products is the escalating cost of farm inputs like fertiliser, and insecticide.

The data obtained showed that repayment rate was encouraging among the farmers. The few exception are usually refered to community leadership and in extreme cases to local courts. In instances of default cases, they are sorted out at community leaders level before even refering some to the local courts.

For Saminaka branch the data obtained through administering of 150 questionnaires to some customers which were randomly selected were not much different from that of Gwantu Branch. The survey revealed that there are a lot of things in common between the two rural branches, only few areas some marked difference were observed. For the purpose of obtaining data from the customers of the branch on the attitude of rural banking programme, 150 set of questionnaires were randomly administered to customers of the branch. Out of this number 122 customers responded

completely while 14 were partially completed. The remaining set of questionnnaires were however not returned. The respondents were majority farmers numbering 82, 41 were civil servants 9 were local business men and traders. 4 were students.

On the use of bank the survey revealsed that over 60% were maintaining saving account and the rest current account. The data also revealed that 16 of the respondents maintain both saving and current account in the bank. 79% of the saving account holders are farmers. All the 35 civil servants that responded maintain current account. The four students have saving accounts and all the business men that responded have cureent account. The conclusion showed that the bank has been able to mobilise deposit from different shade of life from the locality. The data obtained from the survey went further to reveal that out of the 136 customers that responded only 12 were illitrates. While the rest have different educational qualification from adult education to tiatiary level. Considering the high percentage of illitracy in the country particularly in the rural areas, one can conclude here a high number of the local people in the area have not been mobilised by the bank. Another inference that can be made here is the alien nature of banking institution, and low income to generality of the population also contributed to low patronage of the people

On their reason for patronising the bank 41 of the respondents have been motivated by security reasons. This category includes people who save to avoid hazards like theft, natural diaster. People who save for future are also categorised here. The data also revealed that 10 of the people that maintain account in the bank were motivated by convenience in dealing with banks. This category are usually civil servants that receive their salary through the bank. 40 people have been motivated by the need of bank credit.

On the request for loans the data obtained revealed that only 42 of the respondents had ever applied for credit facility. This represent about 39% of the sample taken. The breakdown of application showed that 26 were farmers 11 civil servants and five business men. Application from twelve (12) of the farmers out of 26 were approved and 10 were approved for the civil servants and only 1 for the business group was approved. The credit extension by the bank showed some discrimination against the farming group looking into the percentage of the loan approvals. The inference that can be put forward here is the banks preference to lend for short term and demand for colleteral which most farmers are unable to satisfy due to poverty. The preference to civil servants is predicated on the short term nature of the loans and the general ease of deduction which are normally deducted from their salaries paid through the banks.

With respect to the impact of the bank credit on rural income and productivity the survey revealed 9 of the farmers that benefited from credit line from the bank have recorded increase in output and their income would have been higher if amount applied for were wholly granted and if repayment period were to be lenghthened. If the repayment period is extended they will be able to sell their farm produce at the time when prices are favourable. The data revealed that the remaining 3 farmers could not witness any increase in output and income levels becuase of crop failure as they were not able to recover their cost.

On the repayment aspect of credit facility enjoyed, 50% of the beneficiaries paid on agreed period. Three of the agricultural loans become deliguents while the rest were only forced to pay when a litigation threat was served to them.

CHAPTER FIVE
SUMMARY CONCLUSION AND RECOMMENDATION

The rural economy in Nigeria like in most developing countries of the world is characterised by viscious circle of low productivity, low income, low saving and low investment. This viscious circule in the rural areas has been identified to be one of the major factors impeding rapid economic development in the rurual areas. It has also been identified the submerged majority of the population of the country who produce the bulk of the food requirement reside in the rual areas. These same submerged majority are being denied essential facilities that can promote their well being and ensure economic development, facilities like good roads, good drinking water, electricity, hospitals schools. and banking services are very vital for rapid economic development of a place.

In 1977 the Government through the CBN floated the idea of rural banking programe because of the belief that provision of credit through the scheme to rural people is one area that can bring about rapid development in the rural areas. The importance of credit in the rural development can not be over emphasized for example a farmer who wants to improve his economic position needs money for investment. In Nigeria the rural potential is still yet to be realised, the rural areas are blessed with a lot of abudnat untapped resources. The realisation of the potential of these idle resources is limited to inadequate financial resources which pervades the rural economy. Hence the need for rural

banking programme to address some of the financial needs through rural credit to the rural people. The basic principle behind the rural banking programme was hinged on the fact that by doing this the banks will not only assist in improving income and quality of life of the rural dweller but also promote agricultural production and rural development. This contribute to the over all growth amd development of Nigerian economy.

The literature review in chapter II of the project reviewed the evolution of rural banking programme in the country, the chapter discusses the problems, inpact, aims and objectives of the programme. The design and implementation of the programme was also discussed in the chapter. The three phtases of the programme was also discussed in the chapter. The experiences of some developing countries of the world who initiated similar programmes before us. The Indians, Phillipines and Ghanian models were the focus in the review.

In chapter III of the project discussion focused on the historical evolution of Allied Bank of Nigeria PLC and its operation, from 1962 to 1993. The nature of services rendered by the bank was also discussed in the chapter. The operational performances of Allied Bank of Nigeria PLC was also critically examined for a ten (10) year period from 1983 - 1993. In the concluding part of the chapter the performance of Allied Bank of Nigeria PLC in the rural banking programme was examined. The review focuses on implementation of the programme of the three phases. The problems encountered, the achievement and impact made by the rural branches of the bank.

Chapter IV of the project review the data obtained from the two rural branches under study for a period of 5 years 1989 - 1993. The chapter also review the data obtained from the sample survey conducted to the customers of the two branches. Findings from the two rural branches revealed that deposit mobilisation in the period under review were on the increase. The number of account opened in the period had also increased significantly. Similarly the study finding showed some increase in the credit disbursed to customers. However, the growth rate is lower than that of deposit. The findings in the trend of deposit and credit of the two branches confirms the believe that rural bank can serve as tool of deposit mobilisation and channeling same as credits in form of loans and advances to the rural community. On the deposit credit ratio, the discovery mqde here revealed that the ratios of Saminaka branch was very satisfactory as good percentage of the deposit generated are re-invested in forms of loans and advances inthe locality. The story of Gwantu Branch is different due to poor deposit credit ratio which was below 20% in all the five years review.

Data obtained from the sample survey of the customers of the two branches revealed that the credit needs of the customers were often not met; most of the beneficiaries complained of the inadequacy of credit apporvied. The customers who complained about the reluctuance of the banks to lend for long terms and the attachment of str_ngent condition before approval of loans and advances can be obtained. With all the reservation expressed by some of the credit beneficiaries. The study has been able to

establish a positive relationship between bank credit and rural productivity through this relation and dependent on other conditions like weather and inflation.

The tempo that greeted the rural banking programme since inception seem to have died down and now abandoned. In reviewing the perforamces and contribution of rural banking programme so far one can rightly conclude some appreciable result have been achieved. Despite the result achieved so far, greater part of the rural areas in the country are still not enjoying banking services. In areas where there are presence of banks greater percentage of population were not properly mobilised to appreciate the importance of the banking institution. The provision of rural credit which is believe to be one strategy that can employ to spread up rural dvelopment has not been fully achieved because of the inability of rural banks to meet the credit needs of the rural people.

In order to improve the effectiveness efficiency and operating performance of rural banks in the country, the following recommendation are given as under:-

1. The programme which seem to have been abandoned by the Governemnt, the CBN and the commercial banks should be reactivated. As it was done previously banks should be allocated in areas where they are to open branches in the rural areas. Greater part of the allocation should be made to the new bank that come at the expiration of the last phase of programme which terminated in 1989.

2. The Government should address the issue of infrastural facilities in the rural areas. Infrastructural facilities in the rural areas are in a very deplorable state, and in some places they are non existense. Good and efficient infrastural facilities such like good roads, electricity, pipe borne water communication system etc etc are very vital for for smooth and successful operation of banks.

3. Problems relating to issue of certificate of occupancy and other title deeds over all landed properties be properly addressed. As we have discovered, banks are not humanitarian organisation and as such they are not ready to extend credit to the ruralites without making sure that their credit exposure is fully covered against default. The Government should therefore simplify all procedures involved in the processing and issuance of certificates of occupancy and other title deeds so that all holders of landed property can without headache be obtained and pledge such documents to support their application for bank credit.

4. The Government should review its publicity campaign with vigour on the rural banking programme so as to bring the desired awareness of the rural people on the importance and relevance of the programme.

5. Rural farmers should be encouraged to take agricultural insurance, by so doing banks will be more willing to provide credit facilites to the farmers. As cases of default resulting from crop failure will be taken care by the insurance.

6. Apart from the existing incentive to banks opening branches in the rural areas, Government should consider defraying part premillary cost in establishing rural branches by any bank. This is necessary because of high take off cost associated with rural branches.

7. Since almost all the rural economy in the country is agricultural based, the Government should make a legislation so that only agricultural based project should be extended credit facilities by all the rural bank. This will boost food production in the country and will avoid situation where credit faciliteis are given to non productive areas by the rural branches.

8. More study should be encouraged in areas where the economic and social welbeing of the rural populace will be improved as they constitute about 70% of entire population by the country.

9. The Central Bank of Nigeria should be forthcoming in fulfilling its obligation to the lending commercial banks under the agricultural credit guarantee scheme in cases of default. This will encourage the banks to continue financing agriculture.

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