THE GROWTH OF ALTERNATIVE CREDIT SYSTEMS IN NIGERIA 1990-1993

BY

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DEDICATION

Parents are a beautiful gift from God, for mine I am most thankful. I dedicate this noble work to the sweet loving memories of my late mother Hajia Zainab (Tine) and her late husband (my father) Alh Musa Kyauta.

May their gentle souls continue to rest in perfect peace. Amin.

DECLARATION

I hereby declare that this project is original and a product of my research work. All materials used have been acknowledged in the references accordingly. I alone is responsible for all the short comings found therein.

TIJJANI A. MUSA ....

CERTIFICATION

This project entitled the "GROWTH OF ALTERNATIVE CREDIT SYSTEMS IN NIGERIA - 1990-1993" by TIJJANI A. MUSA has been supervised, read and approved as having met the regulations governing the award of the degree of Master of Business Administration (MBA) of the Ahmadu Bello University Zaria.

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ABSTRACT

No bank, be it commercial, Merchant, Community or specialised can survive in the long run without a credible and properly coordinated credit policies. This particular function is so fundamental to banking that no mission statement of any banking institution can be meaningful without proper regard to its credit policy objectives.

A community bank has been defined as a self sustaining financial institution owned and managed by a community or a group of communities for the purpose of providing credit, deposit, banking and other financial services to its members largely on the basis of their self recognition and credit-worthiness. The concept of community banking therefore, is hinged on the provision of credit to the rural and sub-urban populace. As former President Ibrahim Babangida said in his address on 31st December, 1990, "We are convinced that such a revolutionary transformation of credit provision in the rural areas, where most of our communities reside will lead to enormous benefits to the rural and sub-urban populace as well as to the overall growth of our national economy".

The position of community banks within Nigeria's Finance Industry lies in between the two extremes of financial institutions, that is the Merchant Banks who deal with big customers and handle heavy accounts and the Peoples' Bank which initially provided credit of only N2,000 for any one person at a time. However as the Naira continued to loose its purchasing power and credit expansion becoming more and more difficult for existing banking institutions and inspite of the imposition of ceiling after ceiling, year after year by the regulatory authorities specified limits were therefore only attained by adding accumulated interest to unpaid balances on borrowers or debtors accounts. Consequently therefore, commercial banks who could have provided some respite for the needy were severely handicapped.

Thus while the value of Naira continued to dwindle, the relevance of the Peoples' Bank as a source of credit also dwindled considerably. The Government observed that the sophisticated mode of operations of the commercial banks, their legalistic insistence on collaterals, and then very limited geographical coverage, rendered than inadequate and incapable of dealing with the unsophisticated rural dweller and the less privileged in the lower strata of our society. It was therefore the unsatisfactory outcome of these banking systems that prompted Government to conceive other more appropriate systems of credit delivery. However what the Government did not tell us is whether the Peoples' Bank as a source of credit for business development was no longer adequate.

From all that have been said above, one fact is clear, rural dwellers, who constitute the real productive sector of the largely agrarian Nigerian economy must be adequately given access to credit. Credit is thus intended to be a very important function of all community banks.

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PROJECT TOPIC:- THE GROWTH OF ALTERNATIVE CREDIT SYSTEM IN NIGERIA, 1990-1993.

CHAPTER I

THEORETICAL/CONCEPTUAL FRAMEWORK

1.1 INTRODUCTION

One of the basic tenants of free market economy is the sustenance of the system through creation and re-creation of wealth. Issues of contentious nature under such an economy among other things is the credit system through which the creation and recreation is done.

Nigeria being a mixed economy with some basic manifestations of free market economies is not an exception as far as the need for a virile system of credit obtaining is concerned. Typical of the mixed economy syndrome, certain bottle-necks feature very prominently in the management of credit delivery in the country.

Our aim in this piece is to critically study the system of credit delivery (obtainance) vis a vis the rise of different institutions established and formed with the aim of advancing entreprenеurial growth in the country. Our study is also aimed at going beyond the surface to observe and critically too. the alternative credit system emerging in the country between 1990-1993.

It is a matter of economic reality that one basic obstacle to the growth of the National economy is not unrelated to the inability of both the local producers especially and the middle class to have easy access to credit facility. In Nigeria, attempts have been made by the APEX BANK (the Central Bank of Nigeria) to

have commercial banks to open rural branches as a step forward towards making not only banking facilities available to the grassroots but also making credit available to the local producers.

This development yielded very little positive results due to perhaps too many reasons that would be mentioned in the course of our discourse.

Credit delivery in the country therefore is an area we sincerely believe that needs a concerted study.

1.2 STATEMENT OF THE RESEARCH PROBLEM

Before wealth is created, transactions revolving around the exchange of money from one hand to another must inevitably take place. This research is intended to investigate the problems of credit delivery in Nigeria - in the past. It is also intended at identifying and studying the rise of an alternative system between 1990-1993.

The study has become necessary given the fact that no economy strives without an effective credit delivery system. The mass of the Nigerian people are living in abject poverty. Quite a lot of entrepreneurs are forced to pack off their respective businesses simply because they cannot obtain even the smallest of the scales of loan. This has affected in no small measure their capacity to grow and for their business to prosper, thereby ensuring a multi-structural and multi-dimensional growth in the economy.

Of recent however, the respective Governments in the country have tried to address these chaotic problems of credit bottlenecks by evolving some policy measures within the economy. Among such measures are the rise of institutions like the Peoples' Bank of Nigeria, the Finance Companies/Houses and Mortgage Banks. Also prominent in this measure and which is of primary

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significance to our study is the rise and proliferation of Community Banks in every nook and corner of the country.

While the Commercial Banks through their branches have failed and woefully too to provide credit facilities to local producers who are predominantly in rural areas, the Government of General Ibrahim Badamasi Babangida thought the missing link could be found in the Peoples' Bank. This therefore led to the establishment of such small banks all over the country beginning in 1989.

To further ensure that the economy is stimulated from within as a result of making more investible funds available, the Federal Military Government under the leadership of General Babangida yet decided to relax the obvious difficulties and bottlenecks associated with the establishment of financial institutions. This gave rise to the proliferation of Finance Houses and Mortgage Finance Industry.

The aim is not to have mushroom ventures all over the place, but to make investible funds readily available. The Finance houses and mortgage banks could not perform this role effectively due to a lot distortions within the Nigerian economy. This goes further to show in relatively clear term the genuineness of intentions on the part of the policy formulators. The question of success or failure however must be understood within the context of implementation of the policies.

Government still in search of the missing link decided during the 1990 budget speech to start-up yet another policy with the aim of addressing the credit inavailability of the past. In this regard the community banking scheme was evolved with the first ever commissioned in Kaduna State on 31st December, 1990 - The Alheri Community Bank.

The aim in the Community Banking system is primarily community development. Government saw the obvious lapses in the former systems evolved to address the problems, i.e. the Peoples' Bank and thought that the only way out is

to allow and encourage individuals at the local levels to own their Financial institutions. Institutions that can be capitalised, managed and sustained by the local communities. This was seen as the only way credit facilities would be made available to local artisans, craftsmen, etc.

This research is therefore intended at briefly but thoroughly understudying the rise of credit systems in the country but with specific reference to the community banking system in Nigeria spanning between 1990 to December, 1993, a time when over 750 of such banks have sprang throughout the nooks and corners of the Nigerian nation, with every state of the Federation having more than ten (10) of such banks. We are of the opinion that the area of study is both virgin and fertile and therefore worthy of study.

1.3 OBJECTIVES OF THE STUDY

This study is intended to generally:

a) Investigate the reasons behind the inefficiency in the credit delivery system in the country over time.

b) Examine the various systems evolved especially in recent times to tackle the problem with a view to postulating possible suggestions on how to make the system even better.

c) Contribute knowledgeably to the growth of the noble system (the community bank concept) that makes credit easily and readily available to those entrepreneurs especially those at the bottom of the societal ladder.

However other specific objectives of this write-up include:

d) Examining the capacity of community banking system to deliver credit to investors at the local level.

e) Appraising the operations of the community banking system to ascertain its level of responsiveness to the credit needs of the entrepreneurs.

f) Identifying factors that affect or inhibit the performance of community banking in the area of credit delivery and overall performance.

g) Making recommendations that can facilitate the responsiveness of community banking to the credit needs of their customers and overall performance.

1.4 SCOPE OF THE STUDY

The study is also intended to cover the period between 1990-1993. This is in order to be very specific and make our study relevant to the time limit and space.

1.5 RESEARCH METHODOLOGY

This study is essentially descriptive and historical. We were able to use numerous methods of collecting data so as to be able to produce a comprehensive and well researched write-up.

Inputs for this write-up were thus collected from all relevant documents and literatures we could lay our hands on. The study was conducted in such a way as to obtain data and information necessary for arriving at scientific and meaningful findings and conclusions on the impact of community banks in

transforming the social and economic lives of the rural populace through the provision of credit facilities to boost trade and industry in Nigeria and the likely success or otherwise of the programme in the nearest future. The context analysis, and interviews and secondary data were the main methods or procedures used for data collection.

1.5.1 Primary Data

These are data collected by the researcher for the purpose of the study at hand. The main instruments used being:

a) Context Analysis Method -

This involves an analysis of documented records of transactions, established policies, rules and procedures designed by the NBCB, the CBN and the NDIC. These records are kept in the Documentary/ Computer Section of the NBCB. This enabled the researcher access to first hand information required for the purpose of the write-up.

b) Interview -

Verbal discussions were also held by the writer with officials of the NBCB, the community banks as well as customers. Friends and classmates were also not left out. The non-directive depth interview approach was applied to allow discussants talk freely and fully on the topics covered.

1.5.2 Secondary Data

Secondary data used in this write-up were mainly based on publications of the NBCB as well as publications of the first, second and third year

anniversary conference papers. CBN publications like the *Bullion* were also exploited. The study also made extensive use of magazines and newspapers like the *Nigerian Banker*, the *Nigerian Accountant* as well as other weekly financial newspapers. Experiences outside Nigeria were mainly drawn from foreign textbooks.

1.6 LIMITATIONS OF THE STUDY

The period of study is just three (3) years and three years in the history of development of institutions that deal particularly on Finance may rather be too little to give a true and comprehensive pictorial views on actualities. Therefore time is a constraint.

Both systems under study especially the community banking system are new, and therefore virgin areas with little works already done on them. This is a fundamental limitation. However despite the odds, we are determined to present a relatively comprehensive study.

1.7 PRESENTATION OF THE PROJECT

This project work is organised into five (5) chapters. The first chapter is the introductory part. Chapter two reviews literature on the development of credit systems in Nigeria and the Nigeria's financial sector over the years. Chapter three presents the alternative credit systems developed over the years. While chapter four discusses on the latest option, i.e. the community banking concept and its ability to stimulate growth and development of the ruralites.

The concluding chapter which is the fifth chapter gives a summary of the preceding chapters, an analysis of the new option in terms of successes and shortfalls and drawing conclusions from them as well as recommendations as to how community banks could be effective as a vehicle for grassroots development.

CHAPTER II

LITERATURE REVIEW

2.1 HISTORY OF CREDIT SYSTEM

What is credit?

People progressed, as we have seen from barter to a common medium of exchange and standard of value, to the more convenient coined commodity, money. These process halted for 2000 years until in about 17th century, when the foundations of banking and credit were laid. today, most of our payments are made by means of banking deposits. More importantly, the development of banking made possible for the first time a discretionary control over money. Monetary policy although not a panacea can often be a powerful tool of control, useful in restraining inflation and countering recession. Out of fashion for a generation, monetary policy has received a renewed emphasis since 1968.

Until the invention of bank credit creation, there was no way to flexibly expand or contract money or to smoothly adjust interest rates to the credit need of the moment. Even when in the 18th century when the foundations of modern commercial banking were being laid, a unified monetary policy could not develop. That development had to wait until the second stage of banking evolved - the central banks which control the many competing individual commercial banks.

Today we take these changes for granted. Yet the development of our system of credit and banking came slowly and painfully with little previous knowledge and experience on which to build up and money misconceptions to lead us astray. So intangible a thing as credit, cannot be marketed as simply and obviously as can wheat. Yet a bank's primary business is to buy and sell credit,

a bank creates money which is transferred by credit instruments.

Most economic activity is two sided. If there is to be a transaction, there must be both buyer and seller, both an expenditure and receipt of money. So it is with credit. For every Naira of credit created, there is a Naira debt created. For every asset, there is a liability. Unless there is a borrower, there can be no lender.

There is a peculiar quirk in most peoples' thinking about debt and credit. They tend to think of debt as a burden, something that stimulates the economy and the lifeblood of trade. They are happy to read that bank deposits are rising, but worried to read that the Government, businesses or consumers are going into debt. We could just as consistently be happy to see that more people were employed, but disturbed because employers now have larger payrolls to meet.

The confusion arises from the fact that from the point of view of individuals, it does make a difference whether they are debtors or creditors. As debtors, they are turning over part of their income to pay interests on and repay the principal of loans. As creditors, they are on the receiving end. For society as a whole however, these payments all cancel out.

The most elementary fact about credit is that there must be two parties to the transaction. The borrower is a debtor, while the lender is a creditor. One is impossible without the other. Also whatever constitute a debt to one persons - whether based on a an oral contract or evidenced by a written document - constitutes an asset to someone else. When we are considering the economy as a whole, therefore, debt and credit are always two names for and two ways of looking at the same thing.

"Credit therefore involves giving (receiving) goods or purchasing power now in return for a promise to receive (repay) the goods or purchasing power later. Sometimes a specific commodity or good will be lent, and repaid, as in the case of

the speculator who sells shares that he does not have. The speculator borrows the shares/stock to deliver to the buyer and later buys the same stock at a lower price if the speculation is successful, and turns it over to the lender. The speculator thus borrowed stock and repaid with stock. However, people generally borrow money and repay the debt with money. The borrower may want to speculate, expand a business, meet a payroll, or perhaps buy some household equipment. A money loan, later repaid with money, is by far the most convenient.

Often the borrower does not actually receive money. A person may sign an instalment contract, promising to make monthly repayments over a period of time, and in exchange receive a new car rather than a cheque or a handful of currency. Basically however the bank or other lending agency is, in such a case, lending money; but the lender, rather than the borrower, turns the money over to the automobile (motor) dealer. In the exposition that follows, we shall generally ignore this superficial difference and discuss credit based on money transfers from the creditor to the debtor and back to the creditor.

Whether or not a corporation or Government can obtain credit depends upon whether people are confident that the loan or other credit will be repaid when it is due. For business loans, lenders carefully consider the borrowers credit ratings before parting with their money. Lenders base their decisions on four (4) characteristics of the borrowers, often said to be the four c's of credit: Character, Capacity, Capital (net worth) and collateral. Infact, the fundamental basis of credit is trust. Borrowers' credit ratings are established by their character, capacity and capital. Character is the most important. Their collateral will also be important if they are required to put up security for the loan.

2.2 TYPES OF CREDIT

When we classify anything, there are usually different bases of classification, all of which overlap. When we classify the various types of credit, we find

there are at least four common divisions - namely:

2.2.1 Product Versus Consumption Credit

The first division depends on whether the credit is for production or consumption. The traditional concern of commercial banks has been with credit for production or creation and recreation of wealth capable of stimulating economic growth.

The consumption credit which the commercial banks initially looked with jaundiced eye refers to loans disbursed for consumption only. E.g. loan to buy a car. The contention of the commercial banks then was, if one lacked the money to buy something one should save the money and then buy what he wants instead of going into debt. However, with the rapid emergence of other lending institutions and the huge profits they were making from loans to consumers, bankers began to solicit actively for this kind of business.

2.2.2 Long, Short and Medium term Credit

Credit may be extended for as short a period as a part of a day, or it may run for fifty years or more. Short term credit includes anything up to a year. Medium term credit on the other hand runs from one year to five years; while long term credit runs for over five years.

2.2.3 Public Credit

Credit may also be extended to the public sector, including Governmental unit (i.e. federal, state and local governments).

The credit of the public sector of the economy depends primarily on its ability to tax. Since this ability represents its capacity for repayment character is

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also important to a Government's credit standing. A Government finds it difficult to borrow if it has repudiated its debts in the past.

Public credit, like private credit may be long term, short credit, also it may be for production or consumption.

2.2.4 Direct Versus Indirect Credit

Originally all credit was direct. Someone lent money or goods directly to the borrower. Much credit today is still of this form. Individuals and non-financial institutions buy bonds and other evidences of debt, sell goods on credit make personal loans and in other ways credit available directly.

But an important characteristic of modern society is the financial institution, developed for the purpose of indirect credit extension. Funds are left with the bank by depositors. The bank then takes over the responsibility of finding save and profitable lending opportunities.

2.3 FORMS OF CREDIT

Credit may also be classified as to whether it is extended on the basis of formal documents called credit instruments or otherwise.

2.3.1 Informal Credit Arrangement

Some credits are handled informally with little or no actual evidence. Small sums are often lent out with only an oral promise to pay.

2.3.2 Credit Instruments

These are formal documents drawn up as evidences of credit. They are of

two (2) types: Promise to pay and orders to pay. Most instruments may be transferred from one person to another. Some, such as cheques, are so readily transferable that they are regularly used as a means of payment, almost entirely replacing coins for all but the smallest transactions.

Commercial banks and other financial institutions create credit, sometimes as creditors, sometimes as debtors. Their principal assets are credit instruments, which they buy and sell. By one type of credit instrument (cheques) the public continuously changes, the ownership of the credit liabilities of the commercial banks.

2.4 PERCEPTION OF CREDIT SYSTEM IN NIGERIA

In general banks are ret to perform two fundamental functions. The first is to mobilise savings from those who can afford to put away some part of their income for some time until they need it. The second is to provide credit to household enterprises and government to enable them enhance their capacity and effectively and profitably. Particularly for enterprises, credit is the oil that keep the wheel of production turning. It is thus not very easy for enterprises of any description to grow without having easy access to credit.

2.4.1 Savings and Credit in Traditional Societies

In traditional, pre-capitalist societies, before the concept of banking was actualised, there had been various ways by which savings and credit provision wee mediated. In most parts of Nigeria, for example, some forms of rotating savings and credit associations were common. They were called by different names such as *esusu*, *bam*, and *adashi*. In most forms of these associations, a group of individuals come together and agree to contribute specified unit sums of money at the end of some specified period such as a week or a month. An individual can offer to contribute more than one unit.

At the end of each period, a member of the association takes the total amount of savings collected. This is done in rotation until every member has collected on the basis of the units of subscription he is entitled to. Such fraternal source of funds provided much of the credit available to individuals in these societies.

Rotating savings and credit associations, however, suffer from three major weaknesses:

a) they were never meant to be permanent. At the most, they lasted for a year. At the end of it, the group involved has a major feasting and disbands; this, among some groups in Benue State, id referred to as "Kampke bank" or "breaking the bank".

b) they usually involve small groups, invariably individuals who know one another or a even relations. This immediately limits the amount of savings they can mobilise and, therefore, the amount of credit they can provide.

c) they have very minimal transactional costs since everybody knows every other person, and there is no need for any major overhead costs.

These weaknesses mean that the operational span of the rotating savings and credit associations is greatly circumscribed and the volume of credit if can offer and the number of beneficiaries are greatly limited.

Rotating savings and credit associations, on the other hand have one incomparable advantage. Their operations entail on the whole minimal risks. A member may default in his periodical contribution. Usually, a peer pressure can be brought to bear on him to make good his commitment.

Even when he dies, the pressure can still be brought to bear on his relations to the same end. In general, therefore, the risks entailed in the rotating savings and credit associations are easily contained.

2.4.2 Modern banking and the Risk Element

Modern banking, on the other hand, has turned these weaknesses round and made strength out of their opposites. They attempt to be permanent financial institutions that last, if possible, over many centuries. They bring together a large group of people whether as depositors or as borrowers. In consequence, their operations entail a wide range of transactional activities giving rise to a large amount of overhead costs. For these reasons, modern banking involves a high degree of risk-taking. Indeed, it can be said that the art and science of modern banking is all about calculated risk-taking.

Nonetheless, whether one is talking about the traditional rotating savings and credit associations, or modern banking both systems depend on two principal factors, namely: knowledge and trust.

To give credit to any individual, a person must be assumed to know that individual fairly well - where he lives, what work he does, what means he has to pay back other peoples' funds credited to him and so on. Equally, there must exist some basis for believing that the individual concerned is sufficiently trustworthy that he can be expected to pay back what has been given to him by way of credit as and when due.

2.4.3 Risk Sanctions in Traditional Societies

- The Role of Peer Pressure

It is this factor of trust that underscores the risk element in both the rotating

savings and credit and the modern banking systems. And it is this manner in which both systems deal with this problem that differentiates them most startling one from the other. As already pointed out, the rotating credit system deals with the risk element largely on the basis of sanctions provided by peer pressure. Given the small size of the group, such sanctions have been found on the whole to be adequate. Hence the fact that the system continues to be used by small groups in different places over the centuries. But it is clear that modern banking would have great difficulty depending on this type of sanctions alone. To appreciate how modern banking came to resolve the problem of evolving sanctions adequate for its type of risks requires an understanding of how present-day developed societies transformed their economies from traditional and pre-capitalist to a fully fledged capitalist system.

2.4.4 Risk Sanctions in Capitalist Societies

- The role of the collateral.

In developed countries, modern banking revolved within the framework of capitalist revolution (i.e. commoditization). Consequently in dealing with the risk element in credit provision, the emphasis became the presentation of a safe, secure and marketable collateral, something which the borrower cannot disappear with when he has failed to pay what he owes. Quite obviously, the best collateral from this point of view is "commoditised" land. this is especially so where the land is securely titled, the title is registered by the state and where transactions involving the land is also monitored and registered by the state. A bank giving a loan is thus prepared to accept as the security, or collateral for the loan the title deed of the borrower to his plot of land or his real estate. It is also prepared to accept stocks or share certificate (or in some cases even insurance certificate) which it can sell or redeem in case of the borrower defaulting in paying back the loan he contracted. This is the situation in all developed

countries. It is this which allows the credit risks of banks in these countries to be more easily calculated and sanctioned. The right of a bank to sell the land and stocks which a borrower has used as collateral for a loan provides a veritable sanction against default.

2.5 THE GROWTH OF THE FINANCE INSTITUTION

The Rise of the Banking Industry

The first Nigerian bank was established in 1892 as the African Banking Corporation later known as the Bank of British West African but now known as the First Bank of Nigeria. The Back days Bank Dominion now known as the Union Bank was established as the second bank in 1917. While the British and French Bank now known as the United Bank for Africa was established in 1949. Much of the banking business had been dominated by these three (3) originally foreign banks. A major economic development problem until the early 1990's purported discrimination of the foreign owned banks against indigenous Nigerian business enterprises particularly in lending activities. This phenomenon gave rise to the establishment of several indigenous Nigerian banks in the early 1950's. Un fortunately many of these banks suffered from several problems prominent among which were under capitalisation and poor management; and thus failed. Only a few of the indigenous banks that were established in the 1950's survived of the time of the Nigerian independence in 1960.

The dominance of the "foreign" banks of the economic activity in Nigeria is still with us today. To redress the purported discrimination against Nigerian enterprises, the Federal Government of Nigeria acquired initially 40% but later 60% of the equity of the foreign banks. The major reason for the Government equity participation has been stated as to control the commanding heights of the economy and to get intimately involved in banking activities so as to guide them to operate to the maximum benefit of the economy.

In addition to the existing commercial and merchant banks, the Federal Government established a number of Development Banks to fill gaps in the banking needs of the economy. The Nigerian Industrial Development Bank (NIDB) was established to provide a mix of equity and debt long term capital to business enterprises. The Nigerian Industrial Development Bank was however purported to have extended its services to mainly big enterprises. Hence, the Government established the Nigerian Bank for Commerce and Industry (NBCI) to focus particularly on long term (equity and debt) capital needs of medium and small Nigerian Enterprises. Nigerian banks both foreign and indigenous do not readily extend credit facilities for agriculture.

To redress this problem the Government established the Nigerian Agricultural and Cooperative Bank (NACB). In a similar vain the Federal Mortgage Bank was established in 1977 to cater for housing finance.

In spite of these efforts to extend the scope of banking services, the rural economy of Nigeria was largely neglected. At best the rural economy provided deposits for the banks but enjoyed very little lending services. To correct this anomaly, the rural banking scheme was produced whereby the Central Bank of Nigeria as the APEX BANK stipulated the number of rural branches commercial banks should establish within a stipulated period of time. This move was also initiated in July, 1977.

The objective of the rural banking scheme was to facilitate the development of agricultural and agro-allied industries in the rural communities and thereby facilitate the attainment of self-sufficiency in food production. By the end of 1989, though 646 bank branches were established under the rural banking scheme, the objectives were not really being achieved as the attitude of the banks towards lending to rural enterprises did not change. The Government reacted to this problem of financing development in the rural areas with first, the establish-

ment of the PEOPLE'S BANK in late 1989 and second the establishment of the community banks and Finance Houses and Mortgage Finance houses in 1990, then abandoned the rural banking scheme.

The community banks have their primary role as the provision of banking services solely at the rural communities of Nigeria.

In general therefore, the Nigerian finance industry has witnessed several developments since 1986 with the introduction of the Structural Adjustment Programme (SAP). Important developments relevant to the finance industry of the post-SAP relevant to the Nigerian finance industry include.

- Great increase in the number of newly established banks both commercial and merchant banks.

- Phenomenal growth in other financial institutions like Finance Houses, Bureau De Change and other stock brokerage companies.

- Investment companies - Unit Trusts were established with several of them already in operation.

- Several aspect of bank management were deregulated. Most important of these are perhaps the interest rate on deposits as well as loans, and the foreign exchange rate.

- New guidelines for the prudential reviewing and the reporting of the performance of licenced banks.

- Increase in minimum bank equity capital from N12 million to N40 million for merchant banks and from N20 million to N50 million for commercial banks.

The foregoing indicates that the Nigerian Finance industry has become highly challenging and competitive. It is therefore pertinent for those charged with the management of any bank or financial institution in the country to appreciate these radical transformation in considering how it can effectively perform in the emerging competitive Nigerian finance environment.

2.6 COMMERCIAL BANKS AND RURAL BANKING SCHEME

Banking in Nigeria from its inception which dated far back to the colonial period had been urban oriented due to the fact that the primary objectives of establishing the banks were to facilitate trade and commerce with the metropolitan headquarters and finance import and export trade and other locally based expatriate enterprises. Even the state Government owned banks that were established within the last 20 years failed to see themselves as instruments for rapid transformation and development of the rural sectors of the states that owned them, rather, they were anxious to stay in the commercial centres where they could generate profitable business quickly.

Consequently in their anxiety to survive, indigenous banks generally have deviated from the objectives of their founders to serve the needs of the small investors, particularly the rural population and instead focused their strategy on the big cities. Though some of the banks were pressurised politically to extend their operations to some semi-urban or new rural areas most of the rural areas in their states of origin did not receive the slightest consideration for banking services.

Thus Government's quest for a sound and sustainable rural development programme saw to the birth of among others the rural banking programme of the Central Bank of Nigeria. When in 1976 this policy programme was formulated it was informed by the realisation that - A sound and sustainable economic develop-

ment programme must have a sound rural base.

The such sound rural base is only possible if all the agents of economic development - human and financial resources in the rural areas are mobilized, brought together and galvanised towards this end.

That the banking system has proved to be very efficient and effective in the mobilization and allocation of resources, and since in our rural economies banking services as a vehicle for effective mobilization are absent, it implies that this efficient mobilization and allocation of resources will be lacking.

The Central Bank of Nigeria in an effort to address this problems initiated the rural banking programme on the established commercial banks. It was made mandatory upon them to open branches of their various banks in rural areas. For instance they were directed to among themselves establish 466 rural branches by the end of 1983. The aim of the scheme is that of making credit facilities available to the rural poor as well as "vulnerable small-farm holders and entrepreneurs". However the only meaningful achievement which the rural banking programme could be said to have recorded was their number. As at 1990 there were 765 rural bank branches located all over Nigeria.

Although one would expect that the operations of these newly licenced rural banks that were mandatorily skewed towards the rural areas to achieve their objectives of harnessing grassroots development through the provision of credit facilities. The programme has woefully failed since ruralites were exposed to the same bureaucratic red tapism of loan processing. For instance, it takes the same procedure to process a facility of N1,000,000 in an urban bank by a big time entrepreneur and with a rural entrepreneur looking for a credit of a meagre N10,000. This is true because, when Central Bank decided to come-up with rural banking scheme, it imposed the programme on the existing banking system with their orientation, and their ownership structures unchanged. Their basic objec-

tives, that of improving the financial position of the owners remain the same. As DR. PIUS OKIGBO once said "this programme requires... for its success in reaching those who really need the credit, a special orientation, special training, special facilities and total acceptance of the philosophy itself". Unfortunately these are the characteristics the programme lacked.

Secondly too, the negative attitude to credit facilities on the part of the citizenry-republican nature of some communities, in cases where the loan is available, it is often rejected due to some archaic customs and traditions.

2.7 SIGNIFICANCE/EFFECTIVENESS OF CREDIT TO ECONOMIC DEVELOPMENT

Advocates of credit provision as a necessary condition for development that economic development involves effective linkages between and among in puts supply, appropriate technology marketing and loan utilisation. They note that the step towards modernisation and economic progress is blocked by inadequate credit provision. The importance of credit, it is posited, is that it generally enables idle resources to, be tapped and adequately utilized. For instance, Baker and Bharegara (1978) had argued that capital shortages significantly constrain the economic development of small farmers in developing countries. Supporting this view point Galbraith (1952) felt that at a certain stage in agricultural development credit can become a strong force for further development when a man with energy and initiative who lacks only the resources for better and more efficient productivity is enabled by the use of credit to eliminate the only block in his path to improvement.

Arguing in the same view, Miller (1973) had submitted that very great hope lay in increasing total production and resource productivity through technological change, while Garg et al (1978) opined that traditional farms would keep pace with modern technology only through laudable credit scheme. Both arguments are in

line with Oluwasanmi and Alao's (1965) position, that the adoption of non-traditional farming techniques results in an increasing demand for loanable funds which most farmers are unable to meet from their resources. Similarly Chawdhar and Sharma (1970) maintained that, in order to produce more, farmers need to spend more on improved inputs which must be financed either out of savings or borrowings.

With regards to traders, it could also be argued that the acquisition of raw materials, their transportation and storage as well as their disposal and sale which involve huge sums of capital funds in many instances could only be facilitated through laudable credit and supporting schemes. Kahlon (1983) had posited also that the ultimate success of any strategy for the domestic market will depend upon the development of an efficient market infrastructure, which includes regulation of markets, grading and quality control of the commodities, development of transport, storage and marketing facilities and adequate financing without which orderly marketing becomes difficult. Unfortunately, however, there are usually some impediments in accessing necessary credit facilities to achieve ultimate success.

Anyanwu (1992) argued, that, in Nigeria, the size of womens business and income, lack of collateral and perceived risk costs act as limitations to their access to commercial bank credit. In Malawi, Chipeta and Mkandawire (1992) noted, that only few informal financial institutions provide term finance or generate resources for the future security of the populace. They lamented that despite its success, the informal financial suffers from lack of adequate loanable funds. They therefore recommended an integration of between the formal and the informal financial sectors.

2.7.1 Credit as a Tool for Growth and Development

Business, Government and the consumer depend upon credit. Business

uses short term credit to finance inventories, and long term credit to expand its plant and machinery and or equipments. Thus, for both consumer and government, credit is an indispensable tool for growth and development in the economy.

a) Economies of Scale

Credit allows mass production economies to develop. If manufacturers only used retained earnings to expand their production, many companies would never be able to expand. Extension of credit provides manufacturers with capital to expand their production and the more a company produces, the more profit potential it has because of its increased sales-potential. Also in some industries, the larger the production volume, the cheaper the production costs. Thus the larger sales volumes and cheaper production costs mean more profit for manufacturers - funds with which the manufacturers can again expand production and renew the cycle. In this cyclical expansion pattern, credit is almost indispensable.

b) Regulation of the Economy -

Like fire, credit is a dangerous servant of humanity. Its use can be disastrous. It must be watched and regulated, kept within its proper bounds which can never be defined exactly. It contributes to a rising prosperity, an increasing flow of goods and jobs for all. Out of control, it can induce roaring inflation followed usually by painful depression.

The Central Bank and more especially commercial banks are largely responsible for credit conditions in our economy. They can encourage credit expansion or force a contraction. When inflationary pressures are strong, the banking system is primarily responsible for containing

them by putting the brakes on credit expansion. In the case of recession however, they can encourage recovery by making credit easier. The regulation of commercial bank credit by the Central Bank together with the allocation of credit are the primary functions of the financial institutions. Through its dominant role in the banking structure, the banking industry/system carries a formidable responsibility for regulating the economy.

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CHAPTER III

THE ALTERNATIVE CREDIT SYSTEMS IN NIGERIA

Prior to the establishment of community banks, several issues had been raised about bank and banking system in Nigeria. Okafor (1988) condenses the issues into four (4) namely - accessibility to banking services; efficiency of banking operations and services; relevance of banking operations to societal needs (that is) the social responsibility argument); and excess profitability. In his address at the commissioning ceremony of the Eko International Bank on June 8th, 1988, President Ibrahim Babangida raised other issues, including high interest rates on loans, high level of fraud, speculative biddings for foreign exchange by bankers and "unhealthy inter-bank foreign exchange transactions". Another serious challenge is the lengthy bureaucratic procedures that pose obstacles. Elegallam (1978) and Onochie (1985), for instance, reported an average waiting time for selected banking transactions in urban areas of between 44-62 minutes. In addition to general inefficiency in the banking system, other issues often raised against the banks is that they (particularly the Commercial Banks) are "risk average and liquidity-sensitive". This tendency among the commercial banks, it is argued, stem from the very nature of their deposit liabilities.

With particular reference to the role of banks as purveyors of credit for investment, the conventional banks (particularly the commercial banks) have been accused and found guilty of being insensitive to the credit needs of the poor in society. Even more serious is the general complaint about the banks' insistence on collaterals as condition for a customer to be considered for a loan.

It is against this background of the banks' insensitivity to the credit needs of the small-scale operators and their insistence on collateral on the one hand and the inconvertible evidence of serious financial anaemia of small-scale establish-

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ments as well as their incapability of meeting the banks' conditions for loans that the administration of President General Ibrahim Babangida (Rtd.) thought that the missing link could be found by liberalising the banking system and thus the establishment of the People's Bank, Finance companies, etc.

3.1 THE RISE OF THE PEOPLE'S BANK OF NIGERIA

The Federal Government of Nigeria's decision to establish People's Bank of Nigeria as part of the 1990 budget provisions is consistent with existing policy designed to improve access to banking and financial services by a large segment of the economy currently excluded from or inadequately provided with such services. Since it is believed that overall development will be fostered by wider spread of financial services, the authorities had in the past used a variety of strategies to promote the diffusion of banking institutions. To this end, Government had sought to extend these institutions to the "excluded sector" through the use of at least three banking ideas. The first is perhaps the Rural Banking Programme under which largely urban-based, nationally-targeted commercial banks were required to set up rural branches. The implementation of three phases of that programme in the last 18 years has resulted in the establishment of 746 rural branches.

Inspite of this admirable effort, it still appeared that a sizeable segment of the economy has still not been reached or perhaps cannot be reached by the traditional banking sector-given their orientation. This view was supported by the Report of the National Agricultural Credit study carried out by the Central Bank, following which Government approved an alternative banking strategy as a means of delivering banking services to the excluded segments of the economy.

These alternative banking ideas show Government's deep concern with fostering development through improved access to banking services for roughly the same economic and social group which broadly include the rural sector, urban

informal sector, micro-enterprises and disadvantaged groups such as women, etc. The People's bank like similar institutions elsewhere is in concept, expected to focus its services on the economically weakest groups.

In other words the People's Bank or bank for the poor is a target-group oriented credit institution set up to provide loans to the bottom-poor without collateral securities and to improve their quality of life. It is a non-traditional banking system for those who are not covered by existing orthodox banking system.

The People's Bank of Nigeria was fashioned after the Grameen Bank of Bangladesh which was initiated in 1976 by Professor Muhammed Yunus, a professor of Economics at the Chittagong University whose ideas it was to experiment an action research in Jobra Village, close to the University in the wake of the 1974-75 famine. Under the patronage of the Bangladesh Krishi Bank "BKB", the pilot project tested the hypothesis that "If the poor are provided with credit, they can generate production and self-employment without external assistance". The result was the birth of the GRAMEEN BANK.

The success of the Grameen Bank of Bangladesh prompted several other sister countries to borrow and implement the idea. Similar scheme had been introduced in Malaysia, known as IKHTIAR Malaysia, Sri Lanka, the Philippines, Arkansas, Canada and south side of Chicago, U.S.A.

The People's Bank of Nigeria came in the wake of the up turn of the nation's economy coupled with the desire of the Federal Government to cushion the effects of the economic policy of the Structural Adjustment Programme (SAP). The then President Ibrahim Badamasi Babangida approved the proposal to be experimented as a pilot project in eight (8) selected states: Anambra, Benue, Cross River, Lagos, Niger, Oyo and Sokoto. And so on October 3rd 1989 the first or pioneer branch of People's Bank was commissioned at Ajegunle, Lagos.

The people's Bank is being funded by the Federal Government with a handful of Individual Nigerians and State Governments.

3.2 AIMS & OBJECTIVES OF THE PEOPLE BANK

The people's Bank of Nigeria was established with the primary objectives of:-

a) The extension of credit facilities to the unprivileged member of the society who cannot normally benefit from the service of the conventional banks.

b) Provision of opportunities for self employment for the vast unutilized and under-utilized manpower resources of the economy.

c) Compliment government efforts in improving the productive base of the economy.

d) Inculcate banking habit at the grass root level to reduce rural-urban migration.

e) Cushion the painful effect of Structural Adjustment Programme on the poor.

3.3 ACTIVITIES FINANCED BY THE BANK

Since its inception in 1989, the People's Bank of Nigeria has by December, 1993 disbursed the total sum of N350 million.

The sectoral lending of the bank can thus be categorised into 6 (six) major

sectors namely:

a) Petty Trading - this involves general selling of foodstuffs, cosmetics, beverages and other sundry productive menial activities of the informal sector.

b) Vocational Trades - this include mechanics and vulcanizers, carpenters and electricians, barbers, sewing centres and hair dressing saloons, nursery and day-care centres, repair services for radio, vehicles, watches, etc.

c) Handicrafts like wearing, tailoring, dyeing, blacksmith, etc.

d) Farming - small scale farming such as grains and tubers cultivation, etc, sheep and goat rearing, piggery and poultry.

e) Agro Processing - like cassava processing, fish processing, oil processing and grain processing.

f) Mass transit - (People's Bus Scheme), Transport operators loan.

3.4 PROBLEMS AND BOTTLENECKS IN THE PEOPLE'S BANK

The idea of the People's bank is aimed primarily at integrating the less privileged members in the society into the economic mainstream of the nation. Although the idea has succeeded in some countries of the world the Nigerian version is plagued with a number of problems the enormity of which has put a question mark on the banks ability to uplift the socio-economic level of its target customers.

Some of the problems as confirmed by the researcher based on verbal

interviews with customers and staff of the bank include:

a) High Level of Fraud -

Due to the absence of equity participation of the public in the funding of the bank. Loans disbursed to customers are seen as if it is their own share of the national cake, thus loans are hardly repaid by the loanees. Furthermore, it is on record when some management staff, directors as well as staff of the bank were involved in large scale fraud amounting to hundred of millions of the bank's resources which till today nothing has been done by the authorities concerned.

b) The Loan Port folio of the People's Bank is so meagre to make any meaningful impact on the socio-economic life of the citizenry. The bank since its inception has disbursed the sum of N350 million to some 2.3 million people. When we divide the N350 million by 2.3 million, the outcome is N152 per head.

So what is N152 in improving the living standard of a poor Nigerian.

c) Lack of Adequate Record Keeping -

Because People's Bank operate without regards to all banking rules, procedures and ethics, Record Keeping is hardly given any cognisance. Activities are hardly documented for future reference. That is what has partly earned the bank the nick name of "father Christmas".

d) Inadequate Funding -

Governments subvention to People's Bank of Nigeria since its inception in 1989 is N350 million.

This is rather too small for the bank to be able to reach out to its set target of 25 million people by the year 2000.

Other problems of the PBN caused by under funding include:

i) Inadequate Transport Facilities -

Transport facilities such as motor vehicles are lacking, and where available, they are over-stretched. Only 45 branches out of the existing 204 branches have means of mobility. ideally, each of these branches require a vehicle to enable them reach the nooks and crannies of this country.

ii) Inadequate Infrastructure -

People's bank operates in the rural area where basic infrastructures are inadequate. Consequently huge sums of money that should have augmented loanable funds go into the provision of infrastructures such as provision of office accommodation for branches.

iii) Poor Communication -

Because of inadequate public utilities such as good road network, it is increasingly difficult to collate information and data from remote branches. Thus considerable amounts of money would be required to provide modern communication gadgets such as radio equipment, telefax machines, tele-

phones, etc.

c) Dearth of Skilled Manpower -

The calibre of staff of People's Bank were those co-opted from Ministries and government parastatals with very little or no experience on banking. Sometimes novices were just picked and brought from the remotest areas without any formal banking background nor training to work for People's Bank.

Furthermore, the code of conduct of People's Bank of Nigeria states certain things that People's Bank of Nigeria staff cannot do. For instance, People's bank of Nigeria staffers are not allowed to spray money on people during party times, neither are they permitted to own flashy cars. They are supposed to be shrewd, frugal and not flamboyant in their dressing nor adornment of jewellery. In some ways, they are expected to be dowdy.

This constraint is really affecting the calibre of PBN staff. Hence professional bankers are spunning employment from People's Banks. Again, due to its poor funding situation, the PBN cannot attract qualified staff since it cannot afford comparable conditions available in the market.

3.5 THE RISE OF FINANCE HOUSES IN NIGERIA

In most financial systems, banks are seen as the first level of institutions. All other institutions are, of course, non-bank intermediaries. An economy can be considered fully banked only when both the banks and non-bank are well developed. No economy can be more efficient than its financial intermediation process. There is, therefore little wonder why in the effort to restructure the Nigerian economy, the financial services sector have now become the focal point.

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The development of modern finance companies in Nigeria was pioneered by BENTHWORTH FINANCE LIMITED in the late 1950s. since then, their development has been inconsistent. Both public awareness on their operations and the pace of their development in the pre-SAP days were rather poor. Government attitude towards finance companies then was an utter neglect. No appropriate regulatory framework was put in place to enhance their supervision and development. This Government neglect was further illustrated by their non-participation in the ownership of finance companies unlike in the banks and insurance companies - where Government investments ranged between 40% and 60% in some companies prior to the privatisation exercise. Even data on their operations were not being collated for macro-economic planning process.

A part from Government's neglect, the state of public awareness on the operations of finance houses. companies is so poor that even financial experts including some bankers are no exception.

However, inspite of the relative under-development of finance company business in Nigeria, its history predates that of Merchant banking. While merchant banking in Nigeria started with the registration of Philip Hill (Nig.) Limited in September 1960, and Nigerian Acceptances Limited (NAL) in November, 1960 and their subsequent merger in July, 1973.

As mentioned earlier, the first well organised finance company in Nigeria was incorporated in Jan., 1959. By 1973, there were twenty two (22) companies engaged in finance business out of which only three (3) - Benthworth Finance Limited, United Dominions Corporation and the Independent Finance, were finance houses in the real sense of the word, or term. Femi Adekanye, (1956). A major characteristic of finance companies at the formative stage is that like their British counterparts, they were primary engaged in hire purchase transactions and other forms of instalmental consumer credits.

However, the turning point in the growth of Finance Houses came with the introduction of the Structural Adjustment Programme (SAP) in July 1986, and the subsequent deregulation of the Nigerian financial institutions. The number of reputable finance companies grew from about 30 in the beginning of 1987 to 312 as at June 1992.

The major characteristic of this was the emergence of unstructured or multi-purpose finance companies/houses whose activities such as deposit taking and financial consultancy extended far beyond the coverage of the Hire Purchase Act of 1965. The profuse variety of activities claimed to be performed by some of these privately owned finance houses qualify them to be called all-purpose companies. Infact over 1000 finance houses were speculated to be in operation.

In appreciation of this ugly development, the Central Bank of Nigeria issued stringent guidelines to control the proliferation of these mushroom finance outfits. It then issued a deadline of June 9, 1992 to all existing finance companies to meet up with the CBN guidelines on their operation. The purpose being that only finance houses with sound capital base and management structure are expected to be in operation as from the expiration of the deadline. Furthermore, their activities will be defined and supervised by the Central Bank of Nigeria being the APEX regulatory body from time to time. Thus by the 28th December, 1992 about five hundred and one finance companies/houses had done so.

3.6 FACTORS RESPONSIBLE FOR THE GROWTH OF FINANCE HOUSES/ COMPANIES

The critical factors in the development of most sub-sectors of our financial system is Government encouragement and participation. This could be said to be true of commercial and merchant banking, mortgage banking, pension

funds management and Insurance businesses. Government support and participation have however been conspicuously absent in the finance houses sub-sector. Where Governments float development and investment institutions - such as Kaduna Investments Company Limited, Kano Investments Company, etc., their major roles has been that of promoting and management of Government owned companies rather than rendering of finance services to the public. The growth of finance companies despite their neglect by the Government, makes the development of this sub-sector of our financial system unique.

Below are some of the major factors responsible for the growth of the finance companies.

3.6.1 Loop Holes In Services Offered By Banks

In Nigeria, the bank/customer ratio is that of 1 branch bank to 60,000 people. This is considered as being too high compared to the United Kingdom of an average of 4000 people to a branch, United States of America has 6000 to a branch, while India and Kenya have 10,000 and 27000 people to a branch respectively. Thus the combined effect of high ratio of the population to a bank branch and the excess liquidity in the pre-deregulation days were the emergence of arm-chair bankers. Poor quality of services ranging from the neglect of the small and medium scale entrepreneurs to excessive delays in processing application for facilities and rendition of other services became a prevalent feature. The banks being in a sellers market dictating terms on deposits, granting of facilities and other services thereby making super profits.

The finance houses noticed these lapses and the resultant public out-cry against the banks, and converted them to market niches which they explored to their own advantage. They engaged in services hitherto thought as exclusive rights of the banks and attempted to deliver them better than the

banks through speed and customised services. A good number of businessmen were happy to discover an alternative to the conventional banks.

3.6.2 Pegging of Bank Lending Rate in 1991

In 1991 the CBN pegged maximum lending rates of banks at 21%. This implies that they have to pay lower rates on deposits. Some investors who were getting coupon rates of up to 25% on their investments and who were not prepared to settle for the lower rates of about 15% moved their funds to finance houses where they could earn as much as 35%. Also banks that had finance house outfits diverted their funds to such subsidiaries for higher returns. Some banks that were not associated with finance houses either floated theirs or entered into understanding with existing finance companies for the purpose of funds investment. The result was adequate funds supply to and a boom in finance companies business.

3.6.3 Freedom of Entry into Finance Company Business

Before the regulatory guidelines for finance companies was issued by the Central Bank stipulating a minimum paid up capital of N5 million, management requirements and other auditions for licensing of a finance company, entry into the business required only incorporation. Some promoters were said to have started with as low as N50,000 (fifty thousand Naira) only. Furthermore, there was no prescribed management requirements for finance business operation. The ease of entry before the CBN control came into effect therefore largely stimulated the upsurge in the number of finance companies.

3.6.4 Artificial Barrier to Entry into the Banking Industry

The CBN increased minimum paid up capital of merchant banks from N12

million to N40 million and commercial banks from N20 million to N50 million in 1991. The CBN subsequently suspended licensing of new banks thereby holding the number of licensed commercial and merchant banks at 120 since 1991. These barriers were enforced when promoters considered banking business to be very lucrative. The excellent performance of some banks established after SAP was perhaps the best encouraging new entrants.

Having been blocked by the barriers on entry into the banking industry, some investors found solace in finance companies where they could transact barely all banking business without the banking licence. A good number of promoters that had deposited funds with the CBN in pursuance of banking licence withdrew them and floated finance houses. The result of course was a boom to the finance business.

3.7 RELATIONSHIP WITH BANKS - COMPETITION AND COOPERATION

Banks, finance Houses and other non-bank financial institutions play a central role in the evolution of any nation. They play a catalytic role in the quest of the human society to meet the basic requirements of life-food, and shelter. It is for this reason that they are the focus of any nation's fiscal and monetary policy; and Nigeria is no exception in this regard.

One of the policy thrusts of the Structural Adjustment Programme introduced by the Government in 1986 is deregulation of the financial system. The resultant effect however is the astronomical growth in the number of banks and finance houses operating in the Nigerian financial system. the number of commercial banks increased from 28 in 1985 to more than 100 in 1993, while merchant banks increased from 12 to 60 in the same period. Reputable finance companies also increased from about 30 in 1986 to 510 as at December, 1992.

Another significant development in the deregulated Nigerian financial

system and environment is increased customer awareness. Today's customer is much more financially aware and sophisticated than he ever was. He no longer regards credit or shopping for the best possible yield on his funds as something shameful, but recognises its advantages and seeks it more openly, and with less embarrassment.

Thus if we now take a broad overall view of the credit market we can see, on the one hand, a more sophisticated and willing customer and, on the other hand, better organised and more developed banks and finance houses ready to meet his needs. The combine effect of these development has intensified competition between the banking and the finance houses sub-sector. The operators compete with one another in the area like funds sourcing and poaching of competent and experienced staff. As a result of there development, there are no longer such market difference between the banks and finance houses in terms of operational potential and in theory, at least, the degree of competition is total.

It is however necessary to point out that technically speaking finance houses as a sub-sector do not really compete with the commercial banks on deposits, rather they compliment the rise of commercial banks on deposit souding. This is because all clearing accounts of finance houses are kept with the commercial bank just like those of merchant banks. Except for unavoidable between finance houses and their customers involving the movement of funds such as borrowings from investors, disbursement of facilities granted and recovering of debts are done through their accounts with the commercial banks. what happens therefore, is an accelerated multiplier effect through additional monetization of deposit and credits.

Other areas of passible cooperation that could be explored for the common good of the economy is packaging of special finance for small and medium enterprises which are the true engine of accelerated development.

In summary, an important point to note here is that although commercial and merchant banks are the dominant-group in the Nigerian finance system, there is another group of institutions the finance companies that are in many ways similar to the banks. They compete in most of the same markets, offer clearance very much like those of the banks and make many of the same investments. They do tap in a very direct and obvious manner, savings of the surplus sectors.

3.8 THE ROLES OF FINANCE COMPANIES

Finance companies as a sub-sector of the Nigerian finance institution or industry trade play significant roles in promoting trade and industry. Finance houses render barely all conventional banking services. Their intermediation roles cover such services like:

i) Local Purchase Order (LPO) Financing
ii) Project Financing
iii) Leasing Business
iv) Hire Purchase Financing
v) Import and Export Financing

They also engage in corporate finance services like consultancy, electronic funds transfer and handling of mergers and acquisition. Infact only a thin line demarcates finance houses from the conventional banks. The main difference are legally stipulated minimum paid up capital of N5 million and the operational guidelines from the CBN which forbid finance houses from dealership in foreign exchange.

3.9 PROBLEMS AND FAILURES OF FINANCE HOUSES

The operations of Finance Houses are faced with a number of problems, so enormous that the industry has virtually collapsed bringing a lot of pains to

Nigerian they were supposed to bring relief to. In the first instance, Nigerians had no loan from the finance houses and many are finding it difficult to get their deposits back. Unfortunately the money of the depositors was not protected by the statutory deposit insurance scheme of the Nigerian Deposit Insurance Corporation (NDIC).

Infact some finance houses in a bid to out do one another offered mind boggling interest rates to woo depositors - all interest being paid up front. The cost for funds became very high resulting in high interest rate. The finance houses sourced for funds at very high rates of say 120% and above per annum for investment of about N1 million where the tenor is not lower than 180 days. They in turn therefore lend out at very high rates. No wonder that borrowers were unable to pay back as and when due. That's why a good number of finance houses are consequently already saddled with bad debts.

Another major problem is dearth of qualified and experienced staff. The industry grew without adequate preparation in terms of training of human resources to meet up with the challenges. The proliferation of finance houses and other financial institutions brought about enormous pressure on the existing manpower in the industry. People were given positions which they have little experience and qualification to handle. These appointments culminated in making inexperienced and young people becoming CEOs in five or even less years, putting in their hands enormous resources they have little experience and training to properly manage. These half baked unqualified Chief Executive Officers have to show their arrival into the scene all the same. They have to justify their positions. this is done easily through the act of showmanship and extravagance. And all these from the depositors funds, and in the name of corporate image and visibility.

Also in order to create the confidence of the populace in the institution, and in the area of corporate image they buy all sorts of assets that are idle most

of the time. This they call computerisation. No sound businessman should buy assets just for the sake of buying it. All assets must be needed genuinely before they are purchased.

Another reason for distress in finance companies is mismanagement of resources and funds. In a bid to show the world they have arrived, the so called young and upwardly mobile CEO commits fraud to live to his status. Infact no finance house with limited capital and asset base can withstand the level of fraud that goes on in the system today.

One other factor that brings about the collapse of the finance companies is the high salary being offered in the sub-sector. In order to attract personnel to the institutions, fat remunerations are offered. Some of these salaries are far beyond what most finance houses could afford especially given their capital base.

The final reason for the failure of finance companies is greed. The operators were behaving as '419' people. They were just interested in getting people's money. People in this category even started the finance houses with borrowed capital. They borrow the statutory N5 million statutory capital for the establishment of the finance house, which means right from the beginning they have no capital of their own. They then sourced for deposits from innocent unsuspecting businessmen which they used in the first instance to pay for the borrowed capital. Finance houses established through this method is bound to fail even before it begins operations.

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CHAPTER IV

4.0 COMMUNITY BANK AS AN OPTION

4.1 Introduction -

Nigeria, like other countries of the third world,has continued to face two challenges of economic development. The first challenge is the basic level need to attain rapid economic growth and development. In concrete terms, this need involves the problem of harnessing the vast natural and human resources of the country so as to expand her national economic muscle and thereby enable her to catch up with the rest of the civilised world in terms of living standards.

The other challenge is the need to achieve qualitative economic growth by attaining balanced socio-economic development. National development is balanced when it permeates all the social and geo-political strata of a nation and affects all sectors of the national economy. The problem of economic development in Nigeria, as in other developing countries, is therefore not just that of getting the economy to run faster than the rest of the world economy so as to catch up with it, but to get the economy to run on both legs.

The Nigerian economy has manifested symptoms of non-balanced economic development in various ways. This is evident in the near total dependence on oil, the non-diversification of the export basket, the over emphasis on commerce (and now banking) to the detriment of authentic (value added) manufacturing. It accounts for hitherto near total neglect of grassroots development.

The Government of General Ibrahim Badamasi Babangida (Rtd.) has fortunately demonstrated unusual resolve and taken definite moves to grapple with the problem of non-balanced development. This is underscored by the fanatical commitment of the administration to the Structural Adjustment Programme (SAP) which was designed primarily to deal with fundamental economic problems generated by years of fruitless effort at non-balanced economic development. The

policy component of SAP which is relevant for this discussion/write up is the emphasis placed by the programme on grassroots development.

The grassroots sector is an amorphous residual sector which contains some elements of both the formal and informal economic sectors or the rural and urban sectors of the economy. Very often the term grassroots tends to be associated only with rurality. That association is only partially right because grassroots elements exist in both rural and urban areas. The basic distinguishing features of grassroots operators are the atomistic scale of operations as well as the informal and personalised methods adopted.

Grassroots operators exist in both the real goods sector and the financial sector. In the real goods sector, they feature as small scale farmers, cottage industrialists, roadside skilled operators and small scale dispensers of various types of non-financial services. The grassroots financial sector; on the other hand embraces the activities of rotating and non-rotating savings and credit groups, money lenders, pawn brokers, etc.

These groups of grassroots financial intermediaries are the key operators in the informal savings and credit delivery system which constitutes the only financial market that is accessible to the rural and urban poor.

4 Grassroots Development Strategy

Often without making a deliberate choice, most developing countries have tended to emphasis one of two strategies in grappling with the problem of development at the grassroots. Under the first strategy, Governments initiative is concentrated on the creation of highly integrated "Model". Development projects in a few urban areas where the requisite industrial infrastructure already exists. From such urban industrial complexes, development was expected to spread (trickle down) to the grassroots

through factor supply or service supply linkages. This strategy could therefore be characterised as the "top-down" or "trickle down" development strategy.

The top down strategy of socio-economic development has been tried by many past Governments in Nigeria. But very limited positive results were achieved in the process. Indeed the top down development strategy only helped in creating the enabling conditions for the rural-urban drift that has continued to afflict Nigeria in the 1990s.

The alternative strategy in the grassroots development strategy which places emphasis on integrated community (particularly rural) development as building block for national development. The growth development strategy is a bottom-up approach to national development. It is an effort to build a strong foundation of rural economy on which the desired national economic super-structure would be erected.

A strategy of economic development from the grassroots makes a lot of sense because it has immense prospects of generating sustainable economic growth and balanced development. To develop a strong national economy, one should not only start from the foundation but must additionally ensure that such foundation is strong enough to support the demands of economic nation building.

The commitment of the then Government of Retired Gen. Ibrahim Babangida to the growth development strategy was amply demonstrated by the comprehensive institutional framework which it has put in place to tackle the various aspects of development at the grassroots. Thus the Directorate for Foods, Roads and Rural Infrastructure (DFRRI) has been created to deal with the problem of providing basic infrastructure for grassroots development, while the Better Life Programme (BLP) was designed to develop entrepreneurship among the women at the grassroots.

Government has also created two sector specific institutions for financing the grassroots economy. These are the People's Bank and the Community Banks. The People's Bank initially obviously had greater reach than any community bank because of its higher capital/asset base and its national network structure of operations. However, the community banking system has since assumed leadership in the various aspects of grassroots development. The community bank further provides more relevant institutional framework for grassroots financial intermediation. This is the case because each community bank has specific location and can therefore design its operations to suit the peculiar financing needs and circumstances of the catchment area. In this sense therefore, the community banking system should ultimately assume effective command position over the grassroots financial sector of the Nigerian economy.

4.2 THE RISE OF COMMUNITY BANKING SYSTEM IN NIGERIA

What is the Community Banking system?

Before attempting a description of the community banking system a clarification of what a community is, is quite in order. Thus, the term community can be defined in two ways. A community can be seen as all those who are united by a common bond such as occupational group. For the purpose of this write-up however, a community under the community banking programme is perceived as a group of people who possess "a common bond" arising from residence, occupation, profession or other similar attributes and who interact fairly frequently in the pursuit of economic or social goals.

A Community Bank is a self sustaining financial institution, owned and managed by a community, for the purpose of providing credit, banking, and other financial services to its members, largely on the basis of their self recognition and

credit worthiness. A community bank has no branches and serves only its immediate community.

The shareholders of a community bank may include Community Development Associations (CDAs), patriotic groups, town or village unions, cooperative societies, individuals resident in the community, as well as sons and daughters of the community resident outside the community. Apart from the non-Governmental organisations listed above, the formal or Governmental institutions may also own shares in a community bank.

In Nigeria the setting up of community banks began in December, 1990 following the budget speech of the former President, General Ibrahim Badamasi Babangida (Rtd.). The community bank is meant to inculcate the banking habit into the people at the grassroots level, serve as a strategy for ensuring development at the local level. In the same vein, the community bank system is to further the privatisation policy of the Federal Government by inspiring in the communities the spirit of ownership and maintenance of facilities and organisation. The community bank system is designed to encourage savings of investible funds by the citizens of a given community. It is also to provide the local economy with liquidity, thereby making the local economy quite resilient. Furthermore, community bank system is expected to liberate the vast rural populace from the vicious circle of poverty and neglect. It will be remembered that in the rural areas, poverty arises partly from the lack of access to relevant societal resources, for example credit. It is common knowledge that availability of credit at the correct time as well as in the right quantum should be at the heart of all developmental efforts, moreso, in a deregulated and highly monetized economy like that of Nigeria.

Community banks are to operate as commercial entities. In order to ensure their viability, community banks wherever they are located, should provide basic financial services as demanded by the communities. Such financial services should of course, be at affordable competitive rates. It is part of the responsibilities of

community banks to mobilise the financial savings in the affected communities and deploy these savings in the service of development. Community banks are to serve as potent sources of unification in the localities in which they are located.

Although community banks are expected to operate as commercial entities, they are not to engage in sophisticated banking practices such as foreign exchange transactions, letters of credit, corporate financing, equipment leasing, etc. The credit emphasis of community banks should be on agriculture and rural industrialisation projects.

4.3 OWNERSHIP STRUCTURE

According to the law establishing community banks community development associations, patriotic groups and cooperative societies are to own not less than 30% of the total shares of each bank. The upper limit of equity for any individual shareholder shall not exceed 5% of the shares of the bank. For a community bank to take off there must be a minimum paid up capital of N250,000 which is less burdensome when compared with the N20 million equity capital ordinarily required to obtain a conventional commercial banking licence.

The community banks in Nigeria like in other countries of the world like the United States, Bangladesh and Malaysia are funded by the people. Infact this is the fundamental difference between the community bank on one hand and the People's Bank on the other. While the people's bank is funded by government, the community bank is owned, managed and sustained by community. The community banks are designed to be exclusively people centred. The strength of a community bank will come from the people from the community spirit and from the threat of sanctions.

A community bank is not a branch of another bank, it is wholly and exclusively owned and managed by the immediate community. This communities

now have a tool for the financial emancipation of their members.

A community bank is a commercial bank serving only one community and exploiting to the fullest its advantageous position of local knowledge and trust. Its survival is intimating connected with the development of the community which it serves. By not getting involved in sophisticated banking services like foreign exchange transactions or international commercial papers, corporate financing or equipment leasing, and by minimising its operational cost through high localisation and superior arrangements for loans recovery, it should be able to operate at lower interest rates to its customers. Each community bank by serving its particular area will also be contributing to the overall development of the banking system and of the economy as a whole. Above all a national network of such community banks will greatly strengthen the massive programmes of government in rural development.

4.4 REGULATORY BODY(IES)

4.4.1 The Community Bank Implementation Committee (CBIC)

This has the body or committee initially constituted with distinguished membership and charged with the responsibilities of working out both the conceptual and operational arrangements of the community banking programme. One of the first tasks of the committee was to design the various documents needed to provide the various communities with the requisite information about community banks and the steps they should take to have these established. The result of their activities was the production of the following seven documents:

a) The Community Bank Prospectus

b) Application to Establish a Community Bank

c) Approval to take the preliminary steps to establish a Community

Bank

d) Application Form for the Purchase of Equity Share Capital of Community Banks.

e) Application for a Community Bank Licence

f) Application Form for CBIC matching Loan.

g) Issuance of Provisional Community Bank Licence.

The community bank prospectus spelt out the objectives of the community banking system, the functions and ownership structure of community banks, the requirements and procedures for establishing a community bank, the manner of applying for a matching loan and a suggested management structure for a community bank.

Within a relatively short time, more than 200 applications had come in from all states of the Federation. The task of screening these applications devolved on an all-purpose sub-committee of the CBIC. The sub-committee had to establish criteria for giving the approval for communities to take preliminary steps to establish their community banks.

Thus when an application is finally approved, the community is informed and is urged to begin the various processes needed to establish its bank.

These comprise of:

a) the incorporation of the community bank company.

b) raising the required minimum equity share capital of N250,000.

c) making available a suitable, secure and accessible building to be used as the bank;

d) providing two safes of satisfactory sizes with facilities for anchoring to wall and floor and with provision for minimum of dual control;

e) providing ultra-violet light for detecting forged notes as well as deed

boxes, cabinets and other office furniture;

f) providing suitable insurance cover against the risk of loss as a result of physical attack on the bank;

g) appointing, and making available for training, educated personnel at board and management levels; and

h) appointing board directors which shall not be fewer than 5 or more than 7.

When a community has undertaken all these processes and believes it is ready to be licensed to operate as a bank, it sends to the CBIC for inspection. A team from the CBIC then proceeds to the community to confirm that at least the minimum equity share capital of N250,000 has been raised and that the building, the infrastructures, the various equipment and personnel are in place. If the team is satisfied, a recommendation is forwarded to the CBIC which then issues the community bank a provisional licence to begin its operation. At this point, a community bank (CB) can throw its doors open to customers. But so far most of them prefer to have a formal commissioning ceremony to mark the occasion of their opening.

Because of the time required to go over these various steps, it was not until December 31, 1990 that the first CB could be licensed. This was the Alheri community Bank at Tudun Wada, Kaduna Local Government Area, Kaduna State.

4.4.2 The National Board for Community Banks (NBCB)

By the first six months after commissioning the first CB, it became clear that if the community banking system must grow rapidly to serve the developmental needs of the grassroots throughout the country, a more executive agency must be established. This was the rationale for setting up the NBCB to take over from where the CBIC had reached. The board was inaugurated

on Tuesday July 16, 1991. The board had since inception assumed responsibilities for the promotion, development, monitoring and general supervision of CBS.

4.4.3 The Role of the Central Bank

The Central Bank of Nigeria by law has regulatory and supervisory control over all financial institutions in the country. The community banking system is not likely to be an exception. Nonetheless, because of the large number of these banks, the NBCB is expected to serve as an intermediary institution between the CBS and the CBN.

This, of course does not relieve the community banks of their reporting obligations. Every CB is expected to keep in its office proper books of accounts with respect to the transactions at the bank. It must submit to the NBCB not later than 28 days after the last day of each quarter a statement showing the assets and liabilities of the bank as well as an analysis of loans and advances and other assets of the bank. Equally, not later than four months after the end of its financial year, each CB must submit to the NBCB and exhibit prominently to the view of all members of the community the banks balances sheet and profit and loss accounts duly signed by the directors of the bank after having been audited by a qualified accountant.

Because a CB is a fully-fledged bank, its books and affairs are subject to continuous examination by the CBN working through the NBCB. All of this is to ensure due protection of funds mobilised from the public and to guarantee that community banks operate in the context of the overall macro-economic and monetary policies of Government.

4.5 THE STRENGTH AND SPREAD OF COMMUNITY BANKS IN NIGERIA

The report being presented here is a review of the community banks performance from the inception of the programme in January 1991 to 31st December, 1993.

Since the commissioning of the first ever community bank - The Alheri Community Bank, Tudun Wada, Kaduna, Kaduna State on 31st December, 1990 by the former President and Commander-in-Chief of the Armed Forces, General Ibrahim Badamasi Babangida (Rtd.), the number of community banks has been increasing by the day. Infact, by the end of 1993 the idea has become fully institutionalised that its presence is being felt in all the nooks and crannies of the Nigerian nation. By the end of the second quarter of 1991 barely six months since its inception, some 1,055 applications had been received of which 593 were approved for the communities to begin to take the preliminary steps, while 462 were referred back for further information. Some states notably Imo, Anambra and former Bendel top the list of responses, whilst Borno, Katsina, Niger and Cross River states have not responded yet in any significant way. Consequently then, the NBCB sees national enlightenment of community leaders throughout the length and breadth of the country as one of its immediate priorities.

Thus, by the end of the last quarter of 1993 (i.e. 31st December, 1993), exactly three years the total of 879 community banks were fully licenced. However, only 756 banks were fully operational at the end of the last quarter of 1993, as the 123 remaining balance were not commissioned until January-February, 1994.

In this part of our discourse, the following are intended to be addressed:-

a) State Distribution of CBs
b) Total Gross earnings of CBs
c) Overheads

d) Loans and Advances Port Folio

e) Sectoral Allocation of Loans & Advances

f) Cash and Short Term Funds

g) Asset Base/Structure of CBs

h) Total paid up Capital

i) Shareholders Funds

j) Deposit Mobilisation

k) Matching Loans.

It is the candid opinion of the researchers that the above are very important indices through which the performance or otherwise of the programme can be adjudged or appraised. Each of the above will be analysed and its contributions outlined since the inception of the programme in 1990 to December, 1993 as follows:-

4.5.1 State Distribution of Community Banks

By the end of the last quarter of 1993 (31st December, 1993) the Community Banking Programme was three year-old. Within this period, there has been growing enthusiasm among communities to establish their own banks. This can easily be discernible from Table 1 where no state in the Federation, including the Federal Capital Territory (FCT) had less than 6 community banks established. A glance at the table still shows Lagos State in the lead with 81 banks, followed by Imo State 59, Anambra 56, Ondo 54, Oyo 51, etc. More importantly, rural based banks have continued to increase with 63% (557) of the total as against 37% (322) urban based community banks. See Appendix I.

4.6- 2 Gross Earnings

As at the end of December,1993, we noticed that an upward trend in the

gross earnings of community banks from N355.2 million (565 banks) where it was as at the end of the third quarter ending 30th September, 1993 to N537.4 million (611 banks). In absolute terms therefore, the banks witnessed a N182.2 million growth in their earnings during the fourth quarter (a more than 51% increase). This is good if viewed against the background that the growth in the number of reporting banks within the quarter.

4.5.3 Overheads

The position of community banks with regards to their overheads is better appreciated if compared to gross earnings. It is observed that more than 55% of the reporting banks have broken even an indication that they have now stabilise after their initial teething problems. It is interesting to note that even for the remaining 45% of the reporting banks, the growth in the gross earnings of majority of them exceeds the rise in overheads. This appears healthy and it is safe to conclude that they are also approaching break-even point.

4.5.4 Loans and Advances Port Folio

The last quarter of 1993, witnessed a slight growth in loans and advances. On the aggregate, the rise in loans and advances port folio was only 16% (that is from N609 million as at the end of the September, 1993 to N708 million as in the end of December, 1993. This is attributable to the political uncertainties in the country during the last quarter of the year 1993 when majority of community banks especially urban based experienced large scale withdrawals by their customers which left them with little loanable funds.

4.5.5 Sectoral Allocation of Loans and Advances

By the last quarter of the period under study, greater proportion of

community banks loans and advances went mainly to general commerce and other unclassified sectors with over 49%. As in the third quarter of the same year also, agriculture and forestry came second with 17% of the total loans and advances port folio. However looking at Table II, we see that loans and advances to agricultural sector increases only slightly, from N107.88 million (as in the third quarter) to N123.21 million in the fourth quarter of the same year, an increase of 14% only. This is as opposed to the increasing trend from N10.19 million (as in the second quarter to N107.88 million as in the third quarter) an increase of over 54%. The shortfall was however, due to the fact that the demand for agricultural loans and advances mostly diminishes with approaching end of the agricultural season which in most part of the country is September. See Appendix II.

4.5.6 Cash and Short-Term Funds

Cash and short-term funds relate directly to the liquidity position of the community banks and the reduction of risks. To analyse cash and short term funds meaningfully would be to consider banks' deposits along with it as the danger of mismatch of funds can spell doom. Thus during the last quarter of 1993, cash and short term funds form 77.29% of the total deposits liability. This gives the community banks the hope of meeting current liabilities and therefore solvent on an aggregate term.

It is to be noted however, that some portion of the cash and short term funds could best be described as doubtful or even lost as these funds were placed with some distressed finance houses, the places of which are now finding it difficult to retrieve such funds.

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4.5.7 Asset Base of Community Banks

During the period covered by this write up, i.e. between January, 1991 to

December, 1993, the total assets of the 611 reporting community banks amounted to N3.253 billion. This shows a growth rate of 19.2% when compared with the third quarter figures of September, 1993.

The major component of growth in total assets are cash and short term funds and loans and advances. The fixed assets, for most of the banks form a small portion of their total assets mostly in the form of office equipment, furniture and fittings, motor vehicles, rent prepayments.

However, what is interesting in community banks assets structure is that they are in current form. This means that they are in form of cash, bank balances, loans, advances and term deposits. The fixed assets form a small portion of the assets because the banks are operating in small premises on a small but impressive scale. These fixed assets are mostly in form of office equipment, motor vehicle, furniture and fittings, rent prepayments, etc. The story of the assets of these few banks point to "healthy development of the banks." On maturity profiles of assets and liabilities, the community banks are more willing to tread only on safe grounds, as the maturity profiles of their assets and liabilities have tended to be for periods not exceeding 30 days. By this development, it does look like the issue of mis-match of funds has been handled adequately.

4.5.8 Community Banks' Capital

The aggregate authorised capital of the 611 reporting community banks assembled came up to N703.57 million. Of this, N417.22 million was paid up as at 31st December, 1993. This shows that on the average, the paid-up capital per each bank came to N683,000. This is quite impressive considering the N250,000 minimum paid up capital pegged for establishing a community bank.

4.5.9 Shareholders Funds

The steady growth in shareholders' funds is a healthy development, depicting that the banks are not applying the shareholders money for acquisition of capital items which may result in liquidity crunch in the short-term. It further indicates that capital base of some of the banks is being firmed up with the sales of more of their shares and a rise in their paid-up share capital.

4.6.0 Deposit Mobilisation of Community Banks

Mobilisation of deposits is one of the criteria by which community banks performance can be measured. During the period of study the total deposits mobilised by the 611 reporting banks amounted to N2,188 billion. This shows a growth rate of 21% if compared to the levels as at the end of third and last quarters of 1993. By September, 1993 it was N1.816 billion as reported by 648 banks. Further analysis shows that each community bank on the average mobilised N3.6 million as at the end of December, 1993. Of particular relevance however, are the components of the total deposits. Savings and time deposits (which are more important to the survival of the banks) account for more than N73.11 million% of the total deposits.

4.6 1 Matching Loans

The supervisory body of the community banks, the National Board for Community Banks has not faltered in its bid to pursue the policy and philosophy of assisting the community banks with matching loans after they would have operated satisfactorily for a minimum period of 3 months. This is with a view to augment the community banks' working capital and thus quicken the pace of economic transformation at the

grassroots. At the end of the period under review 307 community banks application had been approved to receive matching loans totalling over N116.72 million. However, disbursement was made to 203 banks totalling N74.61 million as at 31st December, 1993. Total expected repayments as at the end of the same period in 1992 from 125 banks was N6.926 million. However, only N4.173 million was repaid by 76 banks leaving a shortfall of N2.753 million from 49 banks. The continued increase of defaulters had left the National Board for Community Banks with no option than to start surcharging such defaulters.

In conclusion therefore, the emerging trend from the performance of the community banks especially in the areas of deposits mobilisation and credit creation especially to the rural populace has shown that community banks are fast becoming a viable and effective lending institution. This is a very encouraging development. The foregoing analysis has further confirmed our optimism of seeing community banks playing even more dynamic roles within the financial sector in the future economic development of not only the rural populace but the country as a whole.

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CHAPTER V

AN ANALYSIS OF THE NEW OPTION

5.1 INTRODUCTION

With the de-regulation of the Nigerian economy through Structural Adjustment Programme (SAP) and the subsequent liberalisation of bank licensing, the finance industry has witnessed a sharp increase in the number of banks and finance institutions. In addition to the main stream banking, i.e. commercial and merchant banks, the industry witnessed phenomenal increase in the number of finance companies, mortgage finance institutions, the People's Bank and the latest darling of the industry, the community banks. Within the same period the industry also witnessed the emergence of some functionally specialised banks some of which are still on the drawing board. These include the Urban Development Bank and the Import-Export Bank while those on the drawing board include the Education Bank, Transport Development Bank, National Maritime Bank, The Construction Bank and Profit and Loss Sharing Bank.

Although opinions differ as to whether the above scenario can be described as a blessing or a curse for the banking industry. While some described the phenomena as a "banking revolution", to others, it is merely a banking boom similar to the one of the fifties which later metamorphosed into a banking doom.

Whichever side one decides to take, the truth is that of all these ideas, the community banking programme has proven to be more dynamic in standing to the test of time. The idea of community banking represents a bold attempt at integrating the formal and informal financial sectors of the Nigerian economy. It is a move that will facilitate the mobilisation and institutionalisation of grassroots

savings to promote intere-sectoral fund flows. The absence of such as institutional "link-pin" has hitherto accounted for the lopsided development of the Nigerian financial system.

Since the inception of the community banking programme, it is now evident from the grassroots acceptance of the concept nationwide, that this well-articulated programme can contribute immensely to sustainable development efforts if we continuously emphasize the professional discipline and expertise which operations in the industry demand. One way of ensuring such sustainability is through efficient and prudent management of community banks assets and liabilities.

The idea of community banking came into being in appreciation of the fact that for a sound and sustainable economic development to take place, it must have a sound rural base. That such sound rural base is only possible if all the agents of economic development - human and financial resources in the rural areas are mobilised and galvanised towards this end.

The main idea behind the community banking programme is the belief that for any meaningful development to take place in our rural communities, it is important to develop modern financial institutions from within these rural areas rather than from outside. The community banks, reminiscent of the American unit banks, are therefore supposed to be the tools for the financial and economic emancipation of their communities. The unit banking has not only succeeded in the USA, it has ensured that country's economic development from the grassroots. It should be mentioned that, no nation can lay claim to meaningful development until such development spreads to the rural areas. The establishment of community banks has therefore been the first major step put in place to realise the abundant economic potentials in our rural communities necessary for the much desired increase in real development.

The community banking programme in Nigeria recognises right from the start that for it to succeed, it has to render itself completely relevant and comprehensible to its host community. Its formation and ownership is actually by the people themselves. The widest spectrum of the community is involved through CDA right from the start. They know that it is their own, it is meant to serve them, its success therefore is the success of their communities.

The community banking programme has awaken the consciousness of community members into recognising that these banks are owned and controlled by them in their capacities as both individuals and members of an organic body and that the banks are operated as business enterprises from which owners expect to benefit both as community members and individuals, in that order, has made the people to identify with the destiny of the banks, which in turn leads to a tendency on the part of the people to hinge the development of their communities on the success of the bank. Community banks have become a respectable symbol of progress to which everybody wants to be seen to be holding his support.

While the rural banking programme has failed to play the catalyst for rural development because of its orientation which led to lack of commitment and confidence, the community banking programme has succeeded immensely because, in its own orientation are sown the seeds of success as far as rural development through banking services is concerned. With their kind of orientation and the atmosphere they operate in; community banks function of making credit available to local entrepreneurs less worrisome. Armed with intimate knowledge about the potential credit beneficiary as well as the awareness of that primordial sense of honour still existing on a large scale in our rural populace and the existence of community sanctions in the event that the beneficiary fails to make good his obligation, community banks go ahead to advance credit with high level of confidence. these credits are channelled as investments in various sectors of rural economy and expected to lead to the availability of more goods and

services in the economy.

The prohibition of community banks from dealing in foreign exchange also adds to the success story of the community banking programme. The presupposes that it is not good business as far as the objectives of the programme are concerned that money be turned directly into money without going through the intermediary process of creation of additional value or new products in the economy. Foreign exchange transactions involves trading money directly for money which does not necessarily bring about the creation of real wealth that may be counted as addition to the total real wealth of the community. And since the funds given out by the community banks to local operatives as credits are suppose to return to the banks via the act of creating additional goods and services in the rural economy. This prohibition has thus immensely assisted in stimulating production in the rural economies, since the greater the extent to which the credit funds take this route back to the banks, the greater would have been the productive economic activities that took place and thus the greater the level of employment provided and the greater too the purchasing capacity as well as choices of goods and services made available to the members of the communities.

In a nutshell therefore, it is our opinion that the community banks have so far been very successful - since it has enabled communities to take their economic destiny in their own hands instead of waiting indefinitely for Government sponsored development projects that never significantly change their lot. They are assisting in mobilising their respective communities and changing the monetary culture of the rural dwellers.

RESEARCH FINDINGS

In the course of this study, we discovered the following:

I] That hither to the introduction of the community banking system there

existed a serious gap in the credit delivery system in the country.

2] That the conventional commercial banks in complete defiance to the CBN directive and guidelines on rural banking and credit delivery system have failed to live up to expectation by making credit facilities liberal to the ordinary man.

3] That credit delivery under the community banking system is less cumbersome and devoid of the technocratic red tape as typified by the Commercial Banks.

4] That before the introduction of the new system, credit facilities were very rigid because the commercial banks concentrated more on profit maximization by mobilising deposits from the rural areas to main branches in the cities and towns.

5] That the community banking system has positively affected the Nigerian economy through the following:

a) An asset base in excess of N3 billion in respect of 611 reporting community banks.

b) A deposit structure of N2.188 billion representing an average of N3.6 million mobilised by each of the 611 reporting community banks.

c) A loan and advances port folio of N708 million.

6] That the new system has helped in bringing banking services to the door steps of rural communities especially.

7] We've also found that the community banking system encourages the banking habits of the peasantry especially and especially the rural population. It also discourages the traditional pattern of savings and harmonisation of local resources, and makes the knowledge of otherwise unaccounted monies in circulation possible.

8] We also found in our study that despite the numerous advantages accompanying the new system, a lot of other handicaps exist, viz:

a) Low deposit and capital base which hampers their ability for any meaningful and profitable business.

b) Mismanagement by directors by welding undue influence on management.

c) Poor infrastructured facilities which serve as dis-incentive to bank staff and clients alike.

d) Dearth of skilled manpower due to the community bankings inability to competitively hire/attract qualified personnel.

e) Uncooperative attitude of corresponding banks through unnecessary delays in bank clearing and excessive charges.

f) Problem of Acceptability and Adaptation -

The concept is still viewed as new and quite deceptive.

g) Political instability - Frequent changes in Government may see the idea being killed completely by successive Governments.

h) Government Regulation - resulting in the prohibition of community banks from partaking in certain aspects of sophisticated banking.

i) Hijack by the Rich - When few influential individuals in the community tend to hijack the bank for their selfish motives.

9] That community banking have been successful in Nigeria merely because, they are owned and managed by the members of a specific community. The communities are now taking their economic destiny in their own hands instead of waiting indefinitely for Government development projects that never really significantly change their lot. They are mobilising their respective communities and changing the monetary culture of the rural dwellers.

5.3 SUCCESSES

Despite the challenges of the times, many community banks in the country have been able by and large, to withstand teething problems. The prospects for continuing to do well, look bright and encouraging given the tremendous amount of goodwill that they enjoy in their communities.

Thus inspire of odds dangling on the path of success of the community banking programme, the system has been able to record a number of successes as follows:-

1] Breaking the my the of sophisticated banking system.

The greater bottlenecks in rural development have always been scarcity and restrictive access to enable funds.

A community bank as a self-sustaining financial institution fully owned and

managed by a community for the purpose of providing credit, banking and other financial service to its members is a revolution any move towards mobilising the rural populace in one spirit seeking their economic emancipation of their members. The share holding structure of community banks is largely rested on community development associations, local cooperatives, farmers unions, trade groups individuals resident in the community as well as sons and daughters of the community in their and outside.

Loans are granted largely on the basis of self recognition and credit furthers and no collateral required.

2] Provision of Banking Facilities to the Grassroots.

The effect of community banking programme can be seen vividly all over the place. There are community bank in virtually every community. With about a 1000 functional community banks severed all over the country as at 31st December, 1993. Infact about 100 community banks have so far been inspected for final central bank licensing.

3] Encouraging of Banking Habit

The community banking programme has encouraged the use of banking facilities for saving and loans procurement. Monies that were hitherto kept under pillows and buried in holes are now brought out and channelled into productive use. The emergence of the community banking system has thus discouraged greatly traditional pattern of saving e.g. Asusu.

4] Harmonization of Local Resources

As a result of the involvement of the local populace, who hitherto were either not used to or scared of the banking industry, the community banking

system brought about increased savings thereby harmonising most of the local resources, i.e. monies into the main stream of the Nigerian economy.

5] Control of Money in Circulation

Unlike in the past when the money in circulation was determined by the Central Bank through the existing conventional commercial banking system, the community banking industry is posing as new avenue for the collation and control of the local monies within the economy that were hitherto undetermined as s result of the inability of the ruralites especially to keep such monies in the bank.

5.4 PROBLEMS AND PROSPECTS OF THE COMMUNITY BANKING PROGRAMME

It is no more news that the banking industry is in deep crisis culminating in the withdrawal of licences of some and suspension of some other licences. The axe is still dangling on some more banks as confirmed by the authorities themselves. Contrary to some opinions, the crisis is not limited to only "New Generation" banks but has touched all categories of banks including the first and second generation banks. It is because of this pervasive nature of the problem that some industry watchers tried to link it with the overall performance of the national and international economy. On the other hand, some people believe that the problems of distressed bank and bank failures within the industry can be likened to the pre-independence era when 22 out of the 26 indigenous commercial banks failed largely due to a combination of economic depression and poor management. According to this line of opinion, the problems of distress with the financial system is significantly limited to financial indiscipline of the owners and managers of such banks some of which have shallow knowledge of banking business.

Although these problems are general there are a handful of them that are peculiar to community banks. From our study therefore, a number of problems affecting the community banking programme have been identified, and discussed below:

1. Low Deposit and Capital Base

Low deposit and capital base have been identified as the major constraints of the community banking programme. The N250,000 minimum share capital from the time the idea was muted in 1990 to date, the value of the Naira has continued to depreciate, and since capital availability is a major determinant of the funds a bank can lend to customers, the minimum share base therefore is too little for any meaningful business.

The community banks because of their local orientation have not attracted big time businessmen and corporations to place large deposits with them.

Though laudable efforts are made to mobilise deposits, such are mainly savings deposits of short term duration and not investment-encouraging.

2. Mismanagement by Directors & Management

Some members of the Board of Directors of community banks often wield undue influence on the bank managers by deliberately placing unconducive instructions and desires that are inimical to proper banking/business procedures. Some Directors and Managers connive to approve of excessive personal loans and overdrafts in complete defiance or disregard of the NBCB regulation concerning credit facilities under the community banking system.

3. Poor Infrastructures & Facilities

The absence of basic infrastructural facilities like transport, electricity,

postal services and proper accommodation have hindered the success of the community banking programme. Where such infrastructures are present, they are poorly maintained while often at times, the problem may be irregular supply. The resultant effect in these case is that such problems serve as dis-incentive to bank staff and clients/customers alike.

4. Dearth of Skilled Manpower

In this era of sophisticated banking where opportunities for rapid mobility of skilled finance specialists (e.g. bankers, accountants, etc.) abound. Community banks given their low capital and deposit base have failed to attract skilled manpower. The tendency is for community banks to employ experienced and mature people that can be trained on the job rather than those who are heavily paper qualified. Yet even this category of bank workers tend leave the bank for other lucrative positions in other banks and financial institutions as soon as they get the chance thus using their community bank merely as a stepping stone to self development.

5. Uncooperative Attitude of Some Commercial Banks (Corresponding Banks)

Another major problem of the community banking programme is the uncooperative attitude of some commercial banks and other financial institutions who act as corresponding banks to community banks. Some of these financial institutions have always refused to give out new notes to community banks which may serve as incentive. Most times Draft cheques bearing community bank logo are often not recognised by some Government ministries as well as some finance houses. Thus community banks have been unable to meet some of their customers interest in this regard.

Our study has revealed that many commercial banks that act as corresponding banks for community banks often delay unnecessarily the clearing of community bank cheques. Most times excessive charges are made which adversely affects the CB's turnover. This uncooperative attitude of correspondent banks have incapacitated the effective performance of certain services performed by community banks.

6. Problem of Acceptability & Adaptation

Another important problem of the community banking programme is the poor perception of the community bank idea. A number of people especially in the cities view community banks as 'low-level' localised institutions probably for the down trodden. Some people still entertain fears about the safety of their money in view of the prevalent dupes tagged '419' that abound in the country. People are still biased as to the reality of the bank. Some even think it is a '419' affair because of the characters they say, that are closely associated with the community banks in their localities.

7. Political Instability

This is yet another problem of the community banking programme. The political instability occasioned by frequent changes in Government may jeopardise the continuity and success of the idea. A new Government may not have such programme as part of its priorities while others may see it as not its baby and therefore not destined to succeed.

8. Government Regulation

Certain guidelines stipulated by the National Board for Community Banks (NBCB) delimit community banks to particular areas of operations. For instance, community banks are prohibited from engaging in sophisticated

1. To alleviate the problem of low capital base, the matching grant of N250,000-N500,000 should be reviewed upwards but made available only to those who genuinely need them by setting more realistic rates of interest on such. Furthermore, the NBCB should review some of the guidelines to enable community banks generate adequate fund deposits from both within and outside their areas of location.

2. Members of the Board of Directors of various community banks should desist from interfering unnecessarily in the operations of their banks. Thus community bank managers should be given sufficient freedom to run these banks as finance experts.

   Furthermore, training programmes should be organised for the chairmen and Directors of community banks on their roles as policy makers as distinct from those of executors of policies and programmes of their banks.

3. Community banks should be encouraged to mount and maintain adequate and appropriate office building as well as other infrastructural facilities for the convenience of customers and staff alike.

4. The staffing policy of community banks and staff training apparatus should be enhanced. Community banks should give their employees a sense of achievement, accomplishment and belonging with adequate reward and incentive systems. In addition, the Directors of community banks should quickly identify young and talented staff who want to make community banking as their career and encourage them to achieve their aims; such staff should be not be enumerated anything less than what their counterparts earn in the locality.

5. Inter-institutional cooperation should be encouraged between CBs and other financial institutions. Federal, state and local governments and their agencies as well as corresponding banks should be made to give due and prompt recognition to cheques and drafts drawn by community banks. the government through the Central Bank should allow community banks direct access to the clearing house. By this the habit of passing bad bank notes to community banks will be reduced and it will go a long way in improving the public image of the community banks at large. In the alternative, the NBCB should hasten action to establish a clearing house for community banks with branch offices in each state of the federation.

6. Community banks should embark on a massive public enlightenment campaign with a view to educating the people on the desirabilities of the new innovation and the numerosity of services offered by the new system. In addition community banks should be able to pursue vigorous and aggressive marketing strategies (business promotion, publication) to arouse goodwill.

7. The present level of operational performance of community banks and the community banking programme at large should be maintained. It is the greatest challenge of our time as well as a duty of our policy makers (Government(s)) to make this noble idea survived.

8. The NBCB guidelines prohibiting community banks from engaging in sophisticated banking services like FOREX transactions poses a constraint to CBs located mostly in urban areas especially in their quest for mobilising deposits. Streamlining this guideline will enable community banks in the urban areas to generate enough funds to satisfy the interest of their urban customers.

9. Community Development Associations (CDAs) are advised to coordi-

nate their activities as regards the establishment and operation of community banks in their various localities in the overall interest of their communities. This will discourage the incidence of hijack of the banks by few individuals.

Thus for an institutional innovation such as the community banking scheme to achieve desired results certain aspects of the socio-cultural context in which the innovation process is likely to occur must be adequately defined. The guiding principles for community banking as an innovation process are sound, but the context in which the innovation is to operate does not seem to be well defined. For instance, the way the "Community" is defined in the NBCB guidelines is rather loose, and the situation is being exploited by fraudsters in the society. It is now an open secret that some of the community banks in the country are owned by few elite who hide under the cover of amorphous Community Development Association (CDA) or the other. The policy problem therefore is to distinguish the types of "community" and "Community Development Association" In this regard, we would recommend that emphasis should be placed on the "natural" communities; and the non-voluntary community development association should be the primary promoters.

10. Informal credit organisations (Asusu) should be encouraged to channel their credit and other development support services to grassroots economic actors through community banks. Thus, conscious efforts should be made to strengthen existing beneficial linkages between the two groups of organisations, and to create and nurture such linkages where they do not yet exist.

11. Community banks should be encouraged to improve on their present level of operational performance so as to achieve higher savings mobilisation and enhanced loan disbursements capabilities. Also the present role being

played by the NBCB in promoting community banks and in facilitating their take-off and effective performance should be consolidated and enhanced.

12. Social Responsibility

Lastly, community banks should not see themselves as profit takers, but must be seen as effective partners in the promotion of rural development. Hence they should satisfy their social responsibilities by complementing Government in community development efforts in the constructions of roads, building of market places and other infrastructures need at the local level.

5.6 CONCLUSION

In view of the discussions in this write-up, we have firmly established that despite the inherent teething problems of the community banking idea, there is no doubt that the practice of community banking system at the local level has come to stay. As this study has shown, community banks have given rapid enhancement to the development of productive activities within the localities through the provision of credit facilities.

The improvement of banking services and its impact on the investment pattern at the local levels have been exemplified in the improved economic status of small and medium scale entrepreneurs within the community.

By and large, the existence of community banks has moved banking services close to various occupational groups (traders, artisans, etc.) in the informal micro and small-scale enterprises in Nigeria.

Lastly, we are of the firm belief that the birth of the community banking programme has served as the missing link or put another way as a very good alternative to credit delivery system in Nigeria.

APPENDIX I

TABLE I

STATE DISTRIBUTION OF COMMUNITY BANKS
AS AT 31ST DECEMBER 1993

S/N	STATE	TOTAL NO. OF BANKS	URBAN	PERCENTAGE GROWTH (%)	RURAL	PERCENTAGE GROWTH (%)
1	ABIA	39	17	44	22	56
2	ABUJA (FCT)	6	6	100	-	-
3	ADAMAWA	16	4	25	12	75
4	ANAMBRA	56	26	46	30	54
5	AKWA IBOM	42	6	14	36	86
6	BAUCHI	20	5	25	15	75
7	BENUE	35	8	23	27	77
8	BORNO	7	4	57	3	43
9	CROSS RIVER	14	5	36	9	64
10	DELTA	32	10	31	22	69
11	EDO	25	5	20	20	80
12	ENUGU	16	8	50	8	50
13	IMO	59	8	14	51	86
14	JIGAWA	7	3	43	4	57
15	KADUNA	30	16	53	14	47
16	KANO	25	15	60	10	40
17	KATSINA	21	3	14	18	86
18	KEBBI	14	3	21	11	79
19	KWARA	20	11	55	9	45
20	KOGI	28	5	18	23	82
21	LAGOS	81	75	93	6	7
22	NIGER	10	3	30	7	70
23	OSUN	41	10	24	31	76

TABLE I CONTD.

S/N	STATE	TOTAL NO. OF BANKS	URBAN	PERCENTAGE GROWTH (%)	RURAL	PERCENTAGE GROWTH (%)
24	ONDO	54	13	24	41	76
25	OYO	51	24	47	27	53
26	OGUN	42	11	26	31	74
27	PLATEAU	24	7	29	17	71
28	RIVERS	27	6	22	21	78
29	SOKOTO	20	3	15	17	85
30	TARABA	11	2	18	9	82
31	YOBE	6	-	-	6	100
	TOTAL	879	322	37	557	63

TABLE II

COMPARATIVE TABLE

PARAMETER	AS AT 31ST DEC. 1992	AS AT 30TH SEPT. 1993	AS AT 31ST DEC. 1993	PERCENTAGE GROWTH
	₦'000	₦'000	₦'000	%
TOTAL NUMBER OF OPERATIONAL BANKS	334	648	755	16.51
NUMBER OF REPORTING BANKS	334	565	611	8.14
GROSS EARNINGS	106,874	355,175	537,409	51.31
OVER HEADS	113,320	299,121	457,436	52.93
LOANS AND ADVANCES	149,788	609,023	708,168	16.28
CASH AND SHORT-TERM FUNDS	513,224	1,223,320	1,691,044	38.23
TOTAL ASSETS	981,179	2,710,486	3,252,544	19.20
SHARE CAPITAL	234,844	591,315	703,566	18.98
PAID-UP CAPITAL	N/A	355,527	417,219	17.35
SHARE-HOLDERS' FUNDS	226,621	521,496	625,277	19.90
DEPOSITS: CURRENT	207,975	484,346	588,521	21.51
SAVINGS	304,173	955,383	1,107,912	15.97
TIME	127,502	376,127	491,817	30.76
TOTAL DEPOSITS	639,650	1,815,856	2,188,250	20.51

APPENDIX III

TABLE III

SECTORAL ALLOCATION OF LOANS AND ADVANCES AS AT 31ST DECEMBER, 1993

	AS AT 31ST MARCH 1992 ₦'000	AS AT 30TH JUNE 1993 ₦'000	AS AT 31ST SEPT. 1993 ₦'000	AS AT 31ST DEC. 1993 ₦'000	PERCENTAGE GROWTH %
TOTAL NO. OF OPERATIONAL BANKS	416	510	648	755	16.51
NUMBER OF REPORTING BANKS	356	435	565	611	8.14
AGRICULUTRE AND FORESTRY	45,285	70,190	107,877	123,209	14.21
MINING AND QUARRYING	4,445	5,214	3,731	5,740	53.85
MANUFACTURING & FOODPROCESSING	43,327	51,992	59,573	69,620	6.87
MANUFACTURING (OTHERS)	27,777	40,277	51,855	59,997	15.70
REAL ESTATE & CONSTURCTION	27,734	34,390	40,914	47,450	15.97
COMMERCE	86,634	124,753	214,055	279,992	30.80
TRANSPORT & COMMUNICATION	17,137	28,206	46,409	53,742	15.80
OTHERS	46,284	58,905	86,609	68,418	21.00
TOTAL	266,622	413,927	609,023	708,168	16.28

APPENDIX IV

TABLE IV

COMPONENT OF ASSETS AND LIABILITIES OF COMMUNITY BANKS AS AT 31ST DECEMBER, 1993

	ASSETS ₦'000		LIABILITIES ₦'000
CASH IN HANDS	190,711	PAID-UP-CAPITAL	417,219
BALANCE HELD WITH OTHER BANKS	781,239	RESERVE	208,058
MONEY AT CALL	695,742	BAL. HELD FOR OTHER BANKS	63,937
BILLS DISCOUNTED	23,352	DEPOSITS: DEMAND	588,521
LOANS AND ADVANCES	708,168	SAVINGS	1,107,912
INVESTMENT	326,635	TIME	491,817
EQUIPMENT	242	LOANS FROM GOVT (MATCHING LOANS)	74,610
FIXED ASSETS	406,361	OTHER LIABILITIES	300,478
OTHER ASSETS	120,094		
TOTAL	3,252,544	TOTAL	3,252,544

TOTAL BANKS = 755

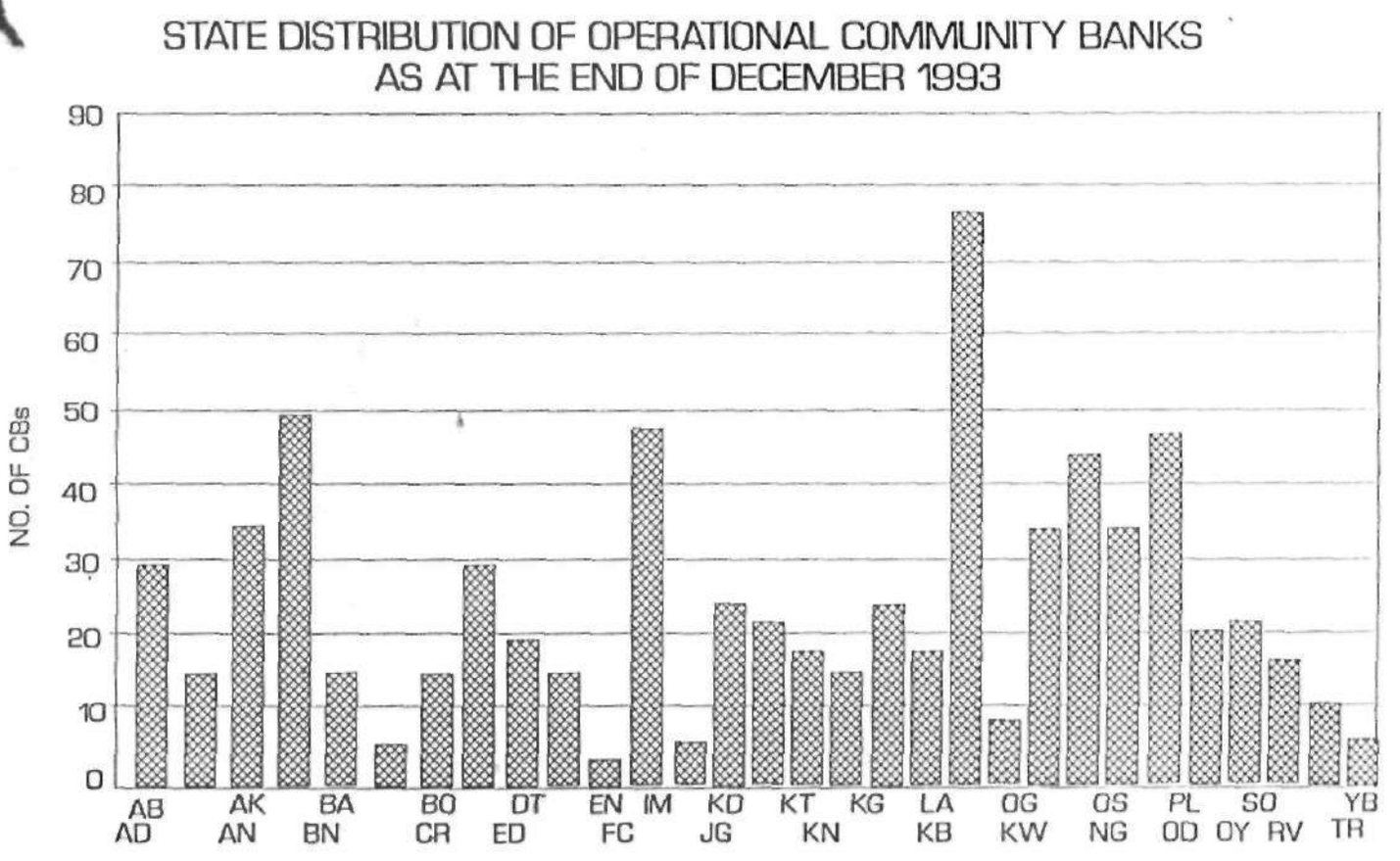
REPORTING BANKS = 611

APPENDIX V

NATIONAL BOARD FOR COMMUNITY BANKS HEADQUARTERS, ABUJA

STATE DISTRIBUTION OF OPERATIONAL COMMUNITY BANKS AS AT THE END OF DECEMBER 1993

STATE	NO. OF Cbs	LAGOS	KADUNA	BAUCHI	ENUGU
ABIA	30				30
ADAMAWA	16			16	
AKWA IBOM	36				36
ANAMBRA	50				50
BAUCHI	16			16	
BENUE	28			28	
BORNO	6			6	
CROSS RIVERS	13				13
DELTA	30	30			
EDO	20	20			
ENUGU	12				12
FCT	4		4		
IMO	48				48
JIGAWA	6		6		
KADUNA	24		24		
KANO	21		21		
KATSINA	19		19		
KEBBI	15		15		
KOGI	26		26		
KWARA	19	19			
LAGOS	77	77			
NIGER	9		9		
OGUN	34	34			
ONDO	43	43			
OSUN	33	33			
OYO	46	46			
PLATEAU	20			20	
RIVERS	21				21
SOKOTO	17		17		
TARABA	10			10	
YOBE	6			6	
TOTAL	755	302	141	102	210



NATIONAL BOARD FOR COMMUNITY BANKS
ANALYSIS OF CB RETURNS FOR THE FOURTH QUARTER OF 1993

	OCT.	NOV.	DEC.
TOTAL NO. OF CBs	682	736	755
REPORTING	579	608	611
	(ALL FIGURES ARE IN ₦'000)		
GR- ERN	390,906	460,869	537,409
OVERHEADS	416,606	399,200	457,436
LOAN-ADVS	625,884	725,171	708,168
CSTF	1,283,998	1,386,043	1,691,044
TOT-ASSETS	2,724,734	3,036,508	3,252,544
SHF	542,429	589,821	625,277
PD-UP--CAP	412,759	439,067	417,219
SH-CAP	678,136	741,060	703,566
CURR-DEP	487,449	555,100	588,521
SAV-DEP	950,632	1,013,467	1,107,912
TIME-DEP	402,149	434,311	491,817
TOT-DEP	1,840,230	2,002,878	2,188,250

LEGEND

GR-ERN - GROSS EARNING
OVERHEADS - OVERHEADS
LOAN-ADVS - LOANS & ADVANCES
CSTF - CASH & SHORT TERM FUNDS
TOT ASSETS - TOTAL ASSETS
SHF - SHAREHOLDERS' FUNDS
SH-CAP-SHARE CAPITAL
CURR-DEP - CURRENT DEPOSIT
SAV-DEP - SAVINGS DEPOSIT
TIME-DEP - TIME DEPOSIT
TOT-DEP- TOTAL DEPOSIT
PD-UP-CAP - PAID UP CAPITAL

OVERALL PERFORMANCE OF CBs DURING THE FOURTH QUARTER OF 1993

