THE ROLE OF BANK OF THE NORTH LIMITED IN THE ECONOMIC DEVELOPMENT OF TILE NORTHERN STATES; 1978 - 1988

BY

ISAAC GYEIH DABO

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D E C L A R A T I O N

I do declare that the entire work contained herein is mine, and to the best of my knowledge has never been presented or published in any form for any academic dissertation prior to my Research. Reference to any materials used has duly been acknowledged in the footnotes.

ISAAC GYEIH DABO		23/10/89
Name of Student	Signature	Date

The above declaration is confirmed.

	27-10-89
MR. A.U.M. AMEDU	Date
THE SUPERVISOR.	

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

This Project titled, "The Role of Bank of the North Limited in the Economic Development of the Northern States: 1978 - 1988", by Isaac Gyeih Dabo meets the Regulations governing the Award of the Degree of Master of Business Administration (M B A) of Ahmadu Bello University, Zaria, and is approved for its contribution to knowledge and literary presentation.

SUPERVISOR	DATE 27-10-89
EXTERNAL EXAMINER	DATE
HEAD OF DEPARTMENT	DATE 9/2/90
DEAN, POST GRADUATE SCHOOL	DATE 4-6-90

D E D I C A T I O N

This project report is dedicated to my late father, Gyeih Dabo and members of my family - Mrs Tabitha, Master Emmanuel, Miss Bilkieu and Miss Amina.

This is in appreciation of their (family) understanding and endurance during my absence for this course.

A C K N O W L E D G E M E N T

I will like to thank my Supervisor Mr. A. U. M. Amedu immensely for his helpful comments and suggestions which made this Project write-up a success.

The words of encouragement and advice given by a good colleague - Mr Emmanuel Ojo Onipe is highly acknowledged.

My thanks also go to my friend and Room-mate, Mr. Matthew Ottache for the useful discussions and the understanding towards the achievement of this academic pursuit.

To Miss Edith Ogugu who typed the manuscript, I owe her a lot of gratitude.

Finally, I wish to state categorically that the views expressed here are solely mine and do not necessarily reflect the views of Bank of the North Limited or its staff.

ISAAC GYEIH DABO.

A B S T R A C T

The subject matter of this Project Report is quite topical andr relevant and its timing is unique. Banks have vital role to play in the industrial transformation of an economy by making their financial resources available for financing and promoting the much needed economic development in developing economies like Nigeria. As such, banks have significant role to play be it in times of economic boom or depression.

Bank of the North Limited is the most successful wholly indigenous bank in the country which is contributing meaningfully in the economic development of not only the Northern States but Nigeria as a whole. This project report is the first major attempt to conduct research into the bank's contribution to the economic development of its sponsors, the eleven northern states. The timing is quite unique because it concides with the writer's ten years of meritorious service with the bank, having joined on November 30, 1978 and opted for this course in September 1988.

In order to appreciate the changes in growth and structural developments in the north, we need to examine the ownership distribution and the; structure of the bank and the types of services they render to the public. Performance indicators like assets and liabilities, deposits, loans and advances and investments will be analysed. The adequacy or shortcomings of the bank in promoting rapid

economic development will be appraised in broader perspective and from the point of view of the stated objective.

We shall discuss fully on the bank's contribution to the preferred sectors mainly the manufacturing and mining; Agriculture, Forestry and Fishing; Heal estate and Construction; Others are General Commerce mainly non-oil exports; Small scale business; Privatisation programme, Transport and Rural banking scheme. The corporate social responsibility of the bank will be worthy of mention.

We shall then close by having a look at the future prospects of the bank after making recommendations based upon our findings on the bank's role and responsibilities in economic development of itB sponsors presently Bauchi, Borno, Benue, Gongola, Kaduna, Katsina, Kano, Kwara, Niger, Plateau and Sokoto States.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of Study

Indigenous banking started as a result of the monopoly of the British Bank for West Africa (BBWA) (1912 - 16) and the discrimination Nigerians suffered in the administration of credit for trade and industry. The proportion of credits that went to Nigerians when compared with their deposit logements was quite insignificant. The reasons advanced by Europeans banks were that the Nigerian traders were unknown to them and lacked sufficient collateral to back their loan request.

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Bank of the North Limited was established in 1960 out of regionalist interest. It drew its support mostly from the indigenous businesses centred in its sphere of influence - the northern region. The three big notable indigenous banks in the country today are National Bank of Nigeria Limited, African Continental Bank (ACB) and Bank of the North Limited. They have their roots from the old Western, Eastern and Northern Region respectively. Even though their operations span across the country today, their role and impacts can best be felt from their respective areas of establishment. They all had similar objectives mainly in the economic upliftment in their respective owner regions

Studies about the role of Bank of the North Limited in the economic development of the northern States are virtually non-existant. It is this lack of literature about the economic impact of the bank in the north in mind, that this study was conducted to serve as foundation background and assist those who may wish to conduct further research in future.

The Bank was incorporated on September 17, 1959 with an initial paid-up capital of £12500 (₦25,000). The bank commenced business in January 1960 with only two branches located in Kaduna and Kano townships.

Alhaji Sir Ahmadu Bello, the then Premier of Northern Nigeria, in his opening speech of the first branch of the bank described it as "a very important landmark in the economic history of Northern Nigeria.." and "the first Northern Bank".

The total shares coined as the Founders shares was made up of 12,493 held by one Mr. Aly Arab; New Nigerian Development Company Limited (NNDC Ltd.) 15,000 Founders shares and 15,000 ordinary shares; Northern Regional Marketing Board 10,001 Founders shares and 10,999 ordinary shares; and certain indigenous interest to apply for 2,000 ordinary shares.

Since 1960, we have witnessed changes in the shareholding of the bank brought about by rapid ex-

pansion of the bank and political make-up in the north. Currently, the bank is wholly owned by the eleven northern States and New Nigerian Investments Limited a subsidiary of the New Nigerian Development Company Limited which in turn is owned by the eleven northern States.

At the moment, the authorised share capital of the bank is ₦30 million of which ₦22.35 million is fully paid up. There are plans to increase the capital base to ₦100 million.

The principal aim of this project report is to assess the role of Bank of the North Limited in the Economic Development of its sponsors, that is, the eleven northern States. However, there are constraints in terms of availability of data on State by State basis as such the ërole will be looked at across the States perspective and legal constraints bordering on fiduciary relationships in exposing their major customers' economic activities in each State.

The primary source of data collection on this project report come mainly from writer's immense experience with the bank limited to his working experience duration, that is, 1978 to 1988.
The project writer has had working experience with the Inspection Department of the Bank, whose duties

cover auditing of branch operations and also in the management of some of the branch operations in some eleven northern States. Another primary source of data collection was through interviews and discussions with the management staff and colleagues in the Bank to clarify vital information gathered in the secondary sources.

Bank of the North Limited Annual Reports and Accounts from 1978 to 1988 constitute the major source of my secondary data for this project report. Others include; periodicals, magazines, professional journals, newspapers, seminar publications and some relevant textbooks.

1.2 Objective and Importance of Study

The objective of this project report is to assess in depth, the role Bank of the North is making to and to what extent it has helped in the process of general economic development of its sponsors that is, Bauchi, Borno, Benue, Gongola, Kaduna, Katsina, Kano, Kwara, Niger, Plateau and Sokoto States.

Therefore the main objective is to examine and appraise the contributions of the bank so as to highlight the manner by which it has performed its expected role or services in the northern States and thus met its expected objective.

The importance of Bank of the North to the economy of the northern States entails changes in both the growth and structural developments so as to enable us make a rough assessment and appraisal of their economic systems behaviour and performance.

1.3 Scope of Study

This project report is centred on the role of Bank of the North Limited in the economic development of the eleven northern States during the period under review 1978 - 1988. Although the bank extends its activities to other parts of the country it is limited to the northern part only where its sponsors are.

The research method used did not involve hypothesis testing or complex statistical performance analysis techniques but based on empirical studies. Financial statements of the bank for each period under review were used to assess the developmental trends. This period (1978 - 1988) under consideration coincides with the project report writer's working experience with the bank.

No meaningful economic development can take place in just one year. We consider a decade of economic development worthy of study because this period falls under two national economic development plans.

1.4 Limitation of Study

All researches have their numerous problems and shortcomings. This project report is no exception.

The operations of Bank of the North Limited is not entirely restricted to the eleven northern states alone. Out of the present 90 branches operating across the north, 6 are located outside the eleven northern States. The statistical figures used may not be a true reflection of the Bank's impact on the Northern States. Therefore, there is a slight distortion of facts.

Writers or researchers on wholly indigenous banks either by deliberate ommission or bias give more consideration to National and African Continental Banks at the expense of the leading wholly indigenous bank - Bank of the North Limited. This project report becomes the first major research attempt in the operational contribution of the bank to its shareholders.

Apart from the rules and regulatory framework governing the conduct of the Bank's operations, there is the legal constraint mainly the fiduciary relationship clause which limits us from mentioning some business associates or clients of the bank which are contributing immensely to the rapid economic development of the northern States.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Concept Of Commercial Banking

Commercial banking in Nigeria is a replica of the British banking system described as 'branch banking system' with few large banks and wide network of branches spread across the country. This is unlike the United States 'unit banking system' characterised by numerous individual local banks with a limited number of branches, usually one.

Now, what do we really mean by the word, "bank"? The Banking Decree No. 1 of 1969, Section 41(1) defines "bank" to mean "any person who carries on banking business, and includes a commercial bank, an acceptance house, discount house and financial institution"; and Section 1(a) defines "commercial bank" to mean "any person who transacts banking business in Nigeria and whose business includes the acceptance of deposits withdrawal by cheque".

The decree went further to clarify "banking business" to mean "the business of receiving monies from outside sources as deposits irrespective of the payment of interest or the granting of money, loans and acceptance of credits or the purchase of bills and cheques or the purchase and sale of securities for account of others or the incurring of the obligation to acquire claims in respect of loans prior to their maturity or the assumption of guarantees and other warranties for others or the effecting of transfers and

clearings, and such other transactions as the commissioner may, on the recommendation of the Central Bank, by order published in the Federal Gazette designate as banking business".

All banks must be licensed and a "licensed bank", means a bank holding a valid licence by or under Part 1 of the Banking Decree No. 1 of 1969.

At present there are 85 commercial banks in the country while licences of other new ones are being processed.

2.2 Concept of Economic Development

Capital as a necessary ingredient for economic growth is recognised greatly in development theory. One of the reasons for lack of accelerated economic growth in a developing economy like Nigeria is due to inadequate financial resources. Banks can play a greater role by mobilising available financial resources for industrial transformation and promote economic development.

Nigeria's economy is made up of many interacting sectors. They are classified into primary, secondary and tertiary sectors; or public and private sectors; the households, firms and the government; or the financial sector, etc. Transactions take place in these sectors through the use of finance. Banks dominate the tertiary sector since money is their major stock in trade for financial transactions.

Development entails the general upward movement of a society. Ingredients of rapid economic development include mineral wealth resources; capital both financial and material; quality and quantity of human resources and technical skills. To transform an economy development must move from one level to another desired level.

2.3 The Role of Commerical Banks

The 1981 - 85 economic development plan put the expected role of banks as follows:-

"Apart from acting as agent for mobilisation of savings, banking institutions will be expected to play more dynamic role in the area of stimulation of investment and channelling of such investment to priority sectors of the economy."

i) "... The banking system must therefore ensure: that all available savings are mobilised through provision of efficient banking services and bringing of such services.

ii) Skilful management of the country's financial resources

iii) That adequate credit is channelled to the key productive sectors such as agriculture and manufacturing to foster rapid growth and diversification of the economy

iv) General improvement in the quality of services offered to customers".

Under the recessionary period we are in Nigeria, banks have very significant role to play:

a) "in the efforts to rationalise the growth of credit and productive government and private expenditures and thereby reduce inflationary pressures; and

b) in mobilising savings and channelling the funds to finance such productive priority sectors like local manufacturing industries and agriculture, whose improved performances could greatly facilitate the achievement of the nation's macroeconomic objectives."[1]

In examining the role of banks in economic development, three theoretical concepts call for attention:

i) the domestic mobilisation of financial resources which is essential for capital formation and accelerated growth

ii) an efficient allocation of available domestic resources vital to development process of an economy

iii) financial institutions that provide the most effecient mechanism for mobilising financial resources and channelling them to productive investments.

The problem with this country is not so much of inadequate capital but how to transform these funds effectively into real investment.

1: 1988/89 Nigerian Banking, Finance and Commerce. Page 42.

2.4 Ownership Structure of Bank of the North Ltd.

Bank of the North Limited is wholly owned by the present eleven northern States and Northern Nigeria Investments Ltd. in the following share allotment order:

Table 2 - 1

Equity Ownership December 1988

1. Ordinary Shares

		%	31 Dec. 1988
(i)	Bauchi	8.15	1,781,342
(ii)	Borno	8.98	1,962,768
(iii)	Benue	6.84	1,495,059
(iv)	Gongola	8.03	1,754,289
(v)	Kaduna	6.37	1,391,629
(vi)	Katsina	7.18	1,569,284
(vii)	Kano	18.39	4,018,404
(viii)	Kwara	5.58	1,218,583
(ix)	Niger	6.44	1,406,711
(x)	Plateau	7.50	1,638,319
(xi)	Sokoto Investment Co. Ltd.	11.95	2,611,693
	Northern Nigeria Investments Ltd.	4.59	1,001,919
		100.00	₦21,850,000

2. Preference Shares

Bauchi	6.3	31,586
Borno	6.9	34,802
Benue	1.7	8,400
Gongola	6.2	31,098
Kaduna	4.9	24,680
Katsina	5.6	27,830
Kano	14.3	71,252
Kwara	4.3	21,600
Niger	5.0	24,938
Plateau	•	
Sokoto Invest.Co.	9.3	46,314
Northern Nig.Invst.Ltd.	35.5	177,500
	100.00	₦ 500,000

Source: Bank of the North Ltd: Annual Reports & Accounts 19

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ZARIA, NIGERIA.

2.5 Performance Parameters

The performance of Bank of the North should not be assessed only by the level of annual profit but there are other factors too. The bank places emphasis on systematic corporate planning process as a means of improving corporate performance. To achieve this, a new organization structure was evolved for the Bank in 1981. By this reorganization, the Bank hopes to provide a meaningful career structure and create an operating environment conducive for staff development and motivation. The delineation of areas requiring special skills or expertise in serving customers will enable the Bank to monitor the extent to which each functional arm of the Bank has contributed to the corporate plan and whether each yearly performance is in furtherance to the long-term objectives of the Bank.

To facilitate the attainment of this strategy, the Bank created new management positions and evolved new and improved organizational structure for the branches. In an effort to improve efficiency in decision making process and provide better services to customers, Area offices were also created. Early 1988, saw the appointment of four Executive Directors and some Deputy General Managers in the reorganization exercise.

For Bank of the North to survive and perform, it has to make profit to be able to fulfil a number of important

functions. Bank of the North has made a giant stride in terms of profit making. Profit after tax in 1988 was ₦24 million against ₦6.5 million in 1978 an increase of 269.2%.

Equally, total deposits shot up from ₦483.0 million in 1978 to ₦1.76 billion in 1988. Assets have been increasing steadily, from ₦603.3 million in 1978 to ₦2.3 billion in 1988. Recent performance rating indicates that Bank of the North is ranked sixth in the entire Nigeria Banking Industry.

There has been spade of comments about banks' unsatisfactory performances and services. This prompted the Association of Professional Women Bankers to organize a seminar (May 4 - 5, 1988) with the theme: Promoting Effective "Customer Services in the Banks" whose main objectives include:

i) To create a forum to discuss "the problems associated with poor customer services which have been of much concern to the Banking Industry and find solutions to them";

ii) "To find best ways of bridging communication gap between bank officials and customers";

iii) "To promote effective banking habit in the country".

The [illegible] Governor of Lagos State - Col. Raji Rasaki had this to say about banks' unsatisfactory performance

at the seminar. That "some policies of the banking industry frustrate budgetary allocations thereby negating national development efforts".

At the fourth Delegates Conference of the Nigerian Institute of Bankers at Port Harcourt, the then Governor, Police Commissioner Fidelis Oyakhilome, called for the banks "to re-examine whether the services and facilities provided by banks have corresponded in efficiency, sophistication and creativity to meet the expectations and confidence of the public".

2.5.1 Performance Rating

Analysis of Financial Performance revealed that Bank of the North is not only growing stronger and maintaining its position as the leading wholly indigenous Bank but is also competing favourably with other well established Banks in the country.

Table 2 - 2

REDASEL'S RATING OF NIGERIAN BANKS 1987:

BANK OF THE NORTH LIMITED

	Ranking of 1.Nig.Banks(000) 2.Comm.Banks(")	Total('000)	No.	Bank's Position
By Total Assets	1 2,108,408	52,320,810	44	6
	2 2,108,408	41,685,674	30	6
Deposit	1 1,297,394	39,035,722	44	10
	2 1,297,394	31,382,333	29	8
Loans & Advances	1 810,076	17,074,369	45	7
	2 810,076	14,132,957	29	7
Shareholder Funds	1 107,159	2,363,884	45	6
	2 107,159	1,981,757	30	6
Gross Earnings	1 164,355	5,242,239	45	8
	2 164,355	4,215,421	30	7
Profit Before Tax	1 23,461	897,706	44	13
	2 23,461	661,856	29	8
Profit After Tax	1 15,293	605,403	42	13
	2 15,293	439,748	27	8
Dividends	1 2,351	177,227	27	18
	2 2,351	136,912	15	11
Return on Assets using PBT	1 1.11%	1.72%	44	30
	2 1.11%	1.59%	21	17
Return on Assets using PAT	1 0.73%	1.16%	42	31
	2 0.73%	1.05?	27	18
Return on Capital using PBT	1 21.89%	13.21%	43	31
	2 21.89%	33.14%	28	17
Return on Capital using PAT	1 14.27%	24.77%	41	31
	2 14.27%	21.92%	26	17
Overhead expenditure over Gross Earnings	1 40.17%	40.50%	45	21
	2 40.17%	43.13%	30	8
Gross expenditure over Gross Earnings	1 85.73%	80.10%	44	27
	2 85.73%	84.35%	29	13
Capital adequacy	1 5.08%	4.63%	45	15
	2 5.08%	4.75%	30	13

NB PBT = Profit Before Tax
PAT = Profit After Tax

Source: 1988/89 Nigeria Banking, Finance & Commerce

In terms of Total Assets, it is the sixth largest, Loans and Advances is the seventh and shareholder funds is the seventh.

2.5.2 Growth of Assets and Liabilities

2.5.2.1 Assets

The best way to look at the resources available to Bank of the North is to check its Balance Sheet. The asset side indicates the uses to which the resources have been put and the liability side provides information on the nature of the resources. The details on both sides of the balance sheet will indicate how effectively and efficiently the bank's resources have been acquired and packaged in portfolio assets.

In 1988, total assets of Bank of the North were worth approximately ₦2.3billion against ₦603.3 million recorded in 1978, showing a substantial increase of about ₦1.7 billion. There has been steady growth of total assets except for 1981 when it dropped due to decline in other assets brought about as a result of increase in provision for doubtful recovery. The highest yielding asset - loans and advances - witnessed a steady growth with no challenge. The non-earning balances comprising

mainly of vault cash, balances held with CBN and other banks have highly inconsistent movement of the percentage share of the total assets. Over these years, the percentage share of total investments have assumed a greater proportion. On the whole, Bank of the North is maintaining a very sound asset base.

2.5.2.2 Liabilities

Significant variable on the liability side are the shareholders' funds and outsiders' funds. Contribution of the owners to the total available resources of the bank has been relatively small. There was therefore the need to improve the capital base in 1983. Deposits account for the greatest proportion of the liabilities.

2.5.2.3 Deposits

Deposits normally classified into demand, savings and time constitute the most dominant liability item. These are the principal source of the bank's expenditure. Their structure determines the volume and the nature of the bank's lending.

Table 2 - 3

BANK OF THE NORTH LTD: GROWTH OF ASSETS 1978 - 1988

	1988 ('000)	1987 ('000)	1986 ('000)	1985 ('000)	1984 ('000)	1983 ('000)	1982 ('000)	1981 ('000)	1980 ('000)	1979 ('000)	1978 ('000)
Cash and Short-term funds	619657	709094	311684	110237	116012	231467	207556	197015	85016	389098	335008
Bills discounted	681594	476594	268012	394044	233351	91351	65380	88151	324214	-	-
Quoted Investment at Cost	1403	1070	9354	750	750	750	-	-	39225	-	-
Unquoted Investment at Cost	3000	500	500	500	-	-	-	-	-	-	-
Loans and Advances	848683	810076	772879	675705	654383	621156	608745	539018	404715	304718	207194
Other Assets	78724	46304	130555	97797	42125	21779	11477	6892	26726	12682	55272
Fixed Assets	74997	64770	51861	45013	41708	33631	28511	25065	17364	11067	5800
TOTAL	2308058	2108408	1544845	1324046	1088329	1000134	921669	856141	897260	717565	603274

Source:- Bank of the North Limited: Annual Reports and Accounts 1978 - 1988

Table 2 - 4

BANK OF THE NORTH LTD: GROWTH OF LIABILITIES 1978 - 1988 (₦'000)

	1988	1987	1986	1985	1984	1983	1982	1981	1980
Share Capital	22,350	22,350	22,350	22,350	22,350	17,657	14,700	14,700	14,7
Statutory Reserve	60,000	55,500	50,500	46,000	43,000	41,000	37,000	30,000	22,0
Capital Reserve	-	-	-	-	6,000	5,000	4,000	3,000	1,8
Revenue Reserves	-	22,559	16,117	13,118	-	-	-	-	-
General Reserve Loan Stock redemption reserve Fund		6,750	5,250	3,750	2,750 2,250	2,750 750	2,000 -	1,500 -	5
Profit & Loss Account	37,790	-	-	-	1,842	1,971	1,091	1,363	6
Shareholders Funds	128,890	107,159	94,217	85,484	78,192	69,128	58,791	50,563	39,6
12% loan Stock 1988/ 1993	15,000	15,000	15,000	15,000	15,000	15,000	-	-	-
Capital Funds	143,890	122,159	109,217	100,484	93,192	84,128	58,791	50,563	39,6
Current, deposits, & Other Accounts	1,755,728	1,350,974	1,085,736	1,078,083	865,747	766,711	761,301	683,066	783,3
Taxation, dividends, & Other Liabilities	408,440	635,275	349,892	145,479	129,390	149,295	941	938	5
	2,308,058	2,108,408	1,544,845	1,324,046	1088,329	1,000,134	821,033	734,567	823,5

Source: Bank of the North Ltd: Annual Reports and Accounts 1978 - 1988.

Table 2 - 5

BANK OF THE NORTH LTD: DEPOSITS (₦'000)

YEAR	DEMAND	%	SAVINGS	%	TIME	%	TOTAL
1988	836,964	49.6	207,283	12.3	642,597	38.1	1,686,844
1987	608,891	47.2	138,237	10.7	542,266	42.1	1,289,394
1986	464,347	44.4	108,180	10.4	472,158	45.2	1,044,685
1985	483,409	47.5	88,987	8.7	445,770	43.8	1,018,166
1984	363,699	44.5	77,964	9.5	375,402	45.9	817,065
1983	272,673	38.4	72,942	10.3	364,585	51.3	710,200
1982	303,556	40.7	57,797	7.7	385,016	51.6	746,369
1981	373,579	55.4	49,651	7.4	251,091	37.2	674,321
1980	442,029	60.1	41,716	5.7	252,264	34.3	736,009
1979	281,458	49.3	33,443	5.9	255,646	44.8	570,547
1978	285,520	59.1	28,256	5.8	169,262	35.0	483,038
TOTAL	4,716,125		904,456		4,156,057		9,776,638

Source: Bank of the North Limited:
Annual Reports and Accounts 1978 - 1988

2.5.3 Loans and Advances

This is the most important asset item in the bank's balance sheet. The Bank derives its revenue mainly from loans and advances. The revenue is in the form of interest charged on these loans and advances. The size of the bank's activities in loans and advances can make a very considerable impact on the level of economic activities in the environments of the shareholder States.

From about ₦222.708 million in 1979, Loans and advances went up to ₦848.683 million in 1988, representing a growth of 301%. In terms of economic activitiy, this is a welcome development but in terms of economic development, the structural changes that is, changes in the sectoral distributions should be of concern, which will be treated later.

Loans and advances remain a major tool of monetary policy issued by CBN yearly. This becomes the focus of the monetary credit guidelines.

Table 2 - 6

LOANS AND ADVANCES & PATTERN OF SECURITY

(₦'000)

YEAR	TOTAL	SECURED AGAINST REAL ESTATE	%	OTHERWISE SECURED	%	UNSECURED	%
1988	1,062,147	361,236	34.0	559,638	52.7	141,273	13.3
1987	981,761	344,607	35.1	553,489	56.4	83,665	8.5
1986	911,550	300,456	33.0	539,577	59.2	71,517	7.8
1985	786,027	241,834	30.8	479,937	61.1	64,256	8.2
1984	744,603	202,096	27.1	460,416	61.8	82,181	11.0
1983	694,163	209,518	30.2	450,266	64.9	34,379	5.0
1982	664,278	167,791	25.3	457,451	68.9	39,036	5.9
1981	577,513	239,966	41.6	306,914	53.1	30,633	5.3
1980	429,889	183,883	42.8	225,572	52.5	20,434	4.8
1979	322,557	175,251	54.3	121,564	37.7	25,742	8.0
1978	222,708	129,103	58.0	84,731	38.0	8,874	4.0

From the above we can see that Loans and Advances have been growing steadily resulting to growth in economic activities. However, there is much emphasis on collateral as greater proportion of the loan is secured and there is little flexibility.

The Bank is also contributing immensely in the development of Federal and State parastatals as shown below.

LOANS AND ADVANCES TO GOVERNMENT PARASTATALS AS AT 31ST JULY, 1989

FEDERAL GOVERNMENT	₦6,160,521
NEPA Ilorin	
L.B.R.B.D.A. Makurdi	
S.R.R.B.D.A. Sokoto	
N.T.A. Ilorin	
N.T.A. Jos	
STATE GOVERNMENT	₦34,294,434
N.S.P.C. Minna	
N.S.A.D.P. Minna	
Niger State Sports Council	
Niger State Broadcasting Corporation	
Niger State Water Board	
Borno State Housing Corporation	
Borno Health Management Board	
Kwara Drug Revolving Fund	
Kwara State Schools Board	
Kwara State Industrial Development Fund	
Kwara State Housing Corporation	
Kwara State Task Force Consumables	
Radio Benue, Makurdi	

Urban Planning Authority Yola

Gongola Agric. Development Project

Gongola Health Services Management Board

Gongoal Utilities Board

Gongoal Broadcasting Corportation Yola

Gongola State Schools Management Board

Rural Electricity Board Yola

Kaduna State Water Board

Kano State Hotels Management Board

Sokoto State Water Board

Sokoto Rural Electricity Board

Sokoto Urban Development Authority

Local Government Services Board Sokoto

Plateau State Health Services Management Board

Plateau State Sports Council

Plateau State Utilities Board.

LOCAL GOVERNMENT ₦41,199,047

Adamawa Local Government

Zonal District Health Management Board

Okehi L.S.M.B.

Makurdi Local Government.

2.5.4 Investments

Investments form the most important second item of the bank. They are normally referred to as 'Secondary

reserves' defined as asset items that can easily be converted to cash in times of serious need or cash crunch.

Bank of the North's investments are mostly in Treasury Bills, Treasury Certificates, Negotiable Certificates of Deposits, Fixed Deposit Certificates, Call Money Fund, Development Loan Stocks, Quoted investments like Nigerian Industrial Development Bank Limited, NICON Limited and Lagos State Government and unquoted investments like Nigerian Newsprint Manufacturing Company Limited, ICON Limited (Merchant Bankers) and Savannah Bank Limited. Other investments include Bankers Unit Fund, Stabilisation Securities and those Abroad.

From the table, investments by the bank has been increasing steadily except for 1981, and 1982 when it dropped. Total Investments so far is in the region of ₦3.5 billion out of which ₦2.1 is in Treasury Bills while Treasury Certificates come second.

Table 2 - 7

BANK OF THE NORTH LTD: INVESTMENTS 1978 - 1988 (₦'000)

	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	TOTAL
Treasury Bills	94067	103837	229214	50400	49629	50000	102000	145000	225000	435000	640000	2,124,947
Treasury Certificate	82054	119706	75000	15751	15751	41351	131351	249044	43012	41594	41594	856,208
Negotiable Certificate of Deposit	10000	5000	20000	22000	19000	23000	14000	7000	7000	4000	4000	135,000
Bankers Unit Fund	22262	22262	-	-	-	-	-	-	-	-	-	44,524
Stabilisation Securities	8438	-	-	-	-	-	-	-	-	-	-	8,438
Fixed Deposit Certificates	-	-	-	-	-	8000	6000	3000	48000	18000	111100	194,100
Deposit at Call	-	-	-	-	-	-	-	-	-	14000	56000	70,000
Quoted Investr at Cost:	-											
Fed.Republic of Nig. Dev.Stock	-	-	39225	-	-	-	-	-	8284	-	-	47,509
(NIDB)	-	-	-	-	-	750	750	750	750	750	583	4,333
NICON	-	-	-	-	-	-	-	-	320	320	320	960
Lagos State Gov.	-	-	-	-	-	-	-	-	-	-	500	500
Unquoted Investments:												
Nig.Newsprint Manuf.Co.	-	-	-	-	-	-	-	500	500	500	500	2,000
NICON Ltd.(Merchant Bankers	-	-	-	-	-	-	-	-	-	-	500	500
Savannah Bank Ltd.	-	-	-	-	-	-	-	-	-	-	2000	2,000
TOTAL	217621	250805	363439	88151	84380	123101	254101	405294	332866	514164	857097	3,491,019

Source; Bank of the North Ltd: Annual Reports and Accounts 1978 - 1988.

Table 2 - 8

BANK OF THE NORTH LTD: ANALYSIS OF FINANCIAL PERFORMANCE (₦'000)

YEAR	NET PROFIT 1	CAPITAL EMPLOYED 2	NET PROFIT/AS % OF CAPITAL EMPLOYED 1 ÷ 2	TOTAL DEPOSITS 4	NET II AS % OF DEPOSITS 5	LOANS AND ADVANCES 6	NET II AS % OF LOANS & ADVANCES 7	TOTAL ASSETS EMPLOYED 8	NET II AS % OF TOTAL ASSETS EMPLOYED 9
1988	24,082	128,890	18.7	1,686,844	1.4	1,062,147	2.3	2,308,058	1.04
1987	15,293	107,159	14.3	1,289,394	1.2	981,761	1.6	2,108,408	0.73
1986	11,350	94,217	12.0	1,044,685	1.1	911,550	1.2	1,544,845	0.73
1985	9,590	85,484	11.2	1,018,166	0.9	786,027	1.2	1,324,046	0.72
1984	6,280	78,192	8.0	817,065	0.8	744,693	0.8	1,086,329	0.58
1983	8,926	69,128	12.9	673,200	1.3	694,163	1.3	1,000,134	0.89
1982	9,773	58,791	16.6	746,369	1.3	664,278	1.5	921,669	1.06
1981	11,503	50,563	22.7	674,321	1.7	577,513	2.0	856,141	1.34
1980	10,384	39,615	26.2	736,009	1.4	429,889	2.4	897,260	1.16
1979	9,400	31,766	29.6	570,547	1.6	322,557	2.9	715,221	1.31
1978	6,500	23,650	27.5	483,038	1.3	222,708	2.9	603,274	1.08

Source: Bank of the North Ltd: Annual Reports and Accounts 1978 - 1988

2.5.5 Financial Performance

In assessing the financial performance of Bank of the North Limited between 1978 and 1988, four bases are used. They are; Capital employed, Total deposits, Loans and advances and Total Assets Employed. In making analysis net profit is used as a percentage of the four bases. Total net profit grew from ₦6.5 million in 1978 to ₦24.1 million in 1988. Net profits dropped between 1982 and 1985 notably that of 1984 which declined to ₦6.3 million which was a result of high cost of funds and low demand for credits. There has been no significant upward trend on the four bases. There should be a re-focus on the effecient utilisation of resources.

2.5.6 Growth in Branch Network

To members of staff of the bank, branches provide employment and advancement opportunities and can form the basis of their social activities.

To the Local community, the location of a branch provides a ready source of financial advice and services.

To the headoffice, branches are soft spots for deposit mobilisation and a channel of selling

the bank's services and a way of profit creation.

It is a generally held view, that Nigeria is greatly underbanked and therefore there exists shortage of branch banking offices. The ratio of branches to population is estimated at 1 to about 100,000. Bank of the North is contributing enormously in correcting this imbalance. With a total of 40 branches in 1978, the branch network has increased to 85 in 1988, indicating a 112.5% growth. Out of the present 85 branches in the country, 79 are located in the northern States and Abuja providing employment and advancement opportunities, financial advice and services, and creating deposits while selling its services to make profit.

Of the 90 existing branches, 39 fall under the CBN Rural Banking Scheme, 8 under sub-urban and 43 in the urban areas. The benefits of branch banking to the Government - State and Local - are that it enables the government officials charged with the responsibility of handling funds - cash, cheques or other money instruments to deposit them for safe custody thereby reducing the risk of keeping them in less secure government offices.
It meets government cash requirements like salaries thereby minimizing the risk of travelling long

distances at intervals for such cash needs which in turn improves business efficiency.
It provides concenient centre for bank lending facilities.

To the private sector, the benefits include; in their dealing with government, business and professional community can settle debts faster by use of a bank branch thereby reducing the level of cash holding which saves time and reduces risk.
It provides lending facilities to the private Sector too especially in the preferred sector thus stimulating domestic production of goods and services and also caters for the needs of small scale firms.

Table 2 - 9

BRANCH NETWORK

YEAR	No. OF BRANCHES
1988	90
1987	78
1986	73
1985	70
1984	70
1983	61
1982	55
1981	53
1980	43
1979	43
1978	40

Source: Bank of the North Limited:
Annual Reports and Accounts 1978-1988

2.6 SERVICES

2.6.1 Introduction

As Nigeria's economic activities become more complex, the need for a variety of banking services become paramount. The banking industry in general is increasingly being criticised by different segments of the society for the poor quality of services it renders to customers. Such criticisms include the following:

(i) Banks have been accused of being unsympathetic to the financial needs of local businessmen as they are too stringent in their requirments for assisting potential borrowers.

(ii) Banks are being accused of providing inadequate services at their counters. They are notorious for their slow pace in transacting business. There exists long queues with customers waiting up to 3 hours or more just to cash a cheque.

(iii) Banks are being accused of causing undue delay in the transfer of funds from one branch to another, both within and outside the country.

(iv) Banks are being accused of undue delays in their decision-making process in credit request consideration, often characterised by come-tomorrow, come-next-week syndrome or it is under process.

(v) Banks are being accused of unnecessary demand for collaterals for their lendings.

(vi) Banks are being accused of requesting an unreasonable ratio between the investor's involvement and the bank's assistance.

(vii) Banks are accused of having bad attitude towards their customers. That bank staff are often rude to their customers across the counter. You hear abuses flowing from bank staff to customer and vice versa over unnecessary delay in completing bank transactions.

The formative stage of the Bank of the North's philosophy was to transform the rudimentary business activities of the indigenes in the north to a more organized commercial and manufacturing entities. Over the years, the bank has developed a wide range of services to meet the general needs of its customers. These services constitute different specialised forms of financing which include;

1. PERSONAL LOANS -

   These are short term loans extended to customers to meet their temporary financial needs.

2. OVERDRAFT -

   This is a revolving facility extended to customers to meet their working capital needs. Interest are for the amounts utilised.

3. PROJECT FINANCE -

This can be short, medium or long term loans to finance viable Agricultural and Manufacturing projects and Exports.

4. LOAN SYNDICATION -

Huge credit requirements outside the bank's authorised share capital can also be arranged through syndication. The Bank has the strength experience and reputation to package such financial requirement.

5. AGRICULTURAL FINANCE -

In line with Government's policy on Agricultural development, the Bank takes active part in financing agricultural activities. Agricultural officers are maintained to assist potential borrowers in this specialised field.

KASHIM IBRAHIM LIBRARY
AHMADU BELLO UNIVERSITY
ZARIA, NIGERIA.

6. HOUSING/VEHICLE LOAN SCHEME -

In line with the Government's policy for House for all by the year 2000, the Bank grants housing loans to deserving customers to develop or purchase their own residential accomodation.

Vehicle loans are also granted to the various State Governments of the north and their parastatals for on-lending to their employees.

7. FINANCIAL ADVISORY SERVICES -

The Bank renders free advisory services to customers on how best to handle their financial matters either in establishing a new project, acquiring an existing one, capital restructuring merger, reorganization, equipment leasing, etc. The Bank has Corporate Finance Department to render assistance.

8. EXPORT -

The Bank renders financial assistance to Exporters and also confirms Inward Letters of Credit, negotiates documents, accepts and discounts Bill of Exchange while having "EXPORT DESK" at the Headoffice and some major branches for Export advisory services.

9. IMPORT -

Apart from being an authorized dealer the Bank participates in the Foreign Exchange Market and opens Letters of Credits and get them confirmed through its correspondent banks. The bank also collects proceeds of goods consigned to Nigerian Importers on behalf of exporters on collection basis.

10. DOMICILLIARY ACCOUNTS -

The Bank accepts deposits and pay interest in Foreign currency at prevailing market rates. The

Bank provides speedy transaction on these accounts with maximum confidentiality. The Bank accepts to purchase foreign currencies on domicilliary accounts at very competitive rates.

11. BONDS AND GUARANTEES -

The bank provides bonds and guarantees to enable indigenous companies to compete effectively both at tender and performance stages for specific contracts.

12. SHARE LOANS -

The bank assisted in the indigenization programme by providing share loan and is still assisting to provide more share loan to its customers desiring to participate in the current privatisation programme.

CHAPTER THREE

CONTRIBUTIONS TO STATE ECONOMIC POLICIES

3.0 INTRODUCTION

To enhance economic growth, priority is accorded to agricultural and manufacturing sectors in the allocation of available financial resources. In order to achieve the desired growth, prescribed sectoral percentages distribution of credit are normally given to commercial and merchant banks on yearly basis.

For 1989 Fiscal policy, the sectoral allocation of credit for high priority sectors - Agricultural production and manufacturing Enterprises are 15% and 35% respectively while other sectors account for 50%. Loans to rural borrowers attracts a minimum of 45% of total deposits mobilised in such rural areas. Commercial banks are required to allocate 16% of their total loans and advances outstanding to small-scale enterprises. Lending for residential building shall be for a minimum of 20 years. Through deliberate policies, Government continue to involve commercial banks in the non-oil export, and transportation sectors and the current privatisation programme.

3.1 Contribution to Manufacturing and Mining

Bank of the North Limited has not only helped in the industrial expansion of Nigeria but has contributed a lot in the building of factories in different parts of the northern

Table 3 - 1

BANK OF THE NORTH LTD: SECTORAL DISTRIBUTION OF LOANS AND ADVANCES (N'000)

	1978	%	1979	%	1980	%	1981	%	1982	%	1983	%	1984	%	1985	%	1986	%	1987	%	Total
Manufacturing & Mining	-	-	-	-	78550	17.9	110001	19.2	129771	19.54	144444	20.81	167644	22.5	171770	21.8	103660	11.37	219736	22.4	1124835
Agric., Forestry & Fishing	-	-	-	-	30852	7.0	4966	0.6	65227	9.81	61644	8.88	52537	7.1	64076	8.13	89152	9.78	101608	10.3	514032
Real Estate & Construction	-	-	-	-	120867	30.0	175504	30.4	194097	29.23	213511	30.76	230562	31.0	225332	28.6	225191	24.70	225104	25.7	1645310
General Commerce (Imports & Imports)	-	-	-	-	107902	25.1	106840	18.5	97113	14.62	97365	14.55	105397	14.2	114622	14.55	141138	15.5	141130	14.4	911693
Vehicle loans	-	-	-	-	21924	5.1	35803	6.2	32435	4.88	24850	3.58	19842	2.7	13322	1.69	23114	2.54	24702	2.5	195995
Others	-	-	-	-	64053	14.9	98753	17.1	145535	21.92	153349	21.95	168711	22.7	198564	25.22	329079	36.11	242473	24.7	1400719
Total	222708		322557		429839		577513		664278		694163		744693		786027		911550		981761		

Source: Bank of the North Ltd: Annual Reports and Accounts 1978 - 1988

States, thus, creating employment opportunities for thousands of Nigerians. Mining businesses have also benefited from the activities of Bank of the North Limited, like the Nigerian Corporation in Jos and several Burnt bricks factories in the northern parts of the country.

3.2 Contribution to Agriculture, Forestry and Fishing

Agriculture being the backbone of the economy is a priority sector in the sectoral distribution of loans and advances by the Central Bank of Nigeria (CBN). To boost agricultural activities, the Bank has committed about ₦122.5 million by July 1989 towards the development of various agricultural projects notably assistance rendered to Lower Benue River Basin Development Authority Markudi, Sokoto Rima River Basin Development Authority, Niger State Agricultural Development Project, Gongola Agricultural Development Project etc. Most agricultural activities are in the cash crop production, poultry and livestock including husbandry, afforestation programmes, fishing, mechanised farming, etc.

3.3 Contribution to Real Estate and Construction

In realisation of 'house for all by the year 2000', the Bank has made substantial contribution of about ₦1.6 billion in the development of residential buildings by granting loans to customers to build or purchase their residential buildings.

3.4 Contribution to General Commerce (Imports and Exports)

Prior to independence, the Nigerian economy was dominated by branches of British trading companies, notably UAC, Leventis and the Lebanese Commercial trading activities. The commerce sector of the economy was dominated by them. With the promulgation of the Nigerian Enterprises Promotion Decree in 1972, Nigerians began to participate in the ownership and management control of some trading concerns. Total contribution of the Bank to Commerce sector is about ₦1 billion. In terms of economic activities, this is a great boost. The credit growth in this sector, has a fairly stable relationship with the loans and advances in the review period.

Import activity is generally low nowadays as Government has shifted emphasis to the promotion of non-oil exports. The Structural Adjustment Programme (SAP) was introduced to restructure and diversify the productive base of the economy in order to reduce dependence on the oil sector and on imports. Accordingly the promotion of non-oil exports has been given a pride of place in SAP which was launched in 1986.[2]

As at end of June 1989, Bank of the North Limited got $530,673.27 allocation of Foreign Exchange for its clients

2. President Ibrahim Babangida (1986): A national Address by President I. Babangida on 26/6/1986 as quoted from The Reporter Saturday, January 28, 1989.

under Interbank Foreign Exchange Market for importation of various items while invisible transaction was ₦1,743,775.41. Promotion of non-oil exports include items like Gum Arabic, Rubber, Cocoa, Groundnut, Shea nuts, Cotton, Hides and Skin, Ginger, minerals like tin and all locally manufactured goods.

3.5 Contribution to Transport (Vehicle Loans)

Because of acute shortage of private and commercial vehicles in the country especially the urban cities, the Federal Government has introduced the Mass Transit Programme. In realisation of this programme and its commitment to the welfare of Nigerian workers and the masses, the Federal Government has donated many buses to Federal institutions and States and also donated ₦7 million to National Union of Road Transport Workers (NURTW) for the importation of motor spare parts to reduce the burden of commercial vehicle owners. Bank of the North has been granting vehicle loans to deserving employees to enable them purchase their vehicles to facilitate their movements. So far the Bank has contributed about ₦196 million to this sector. This is no doubt a boost in the transport sector.

3.6 Miscellaneous Contributions

Other contributions here include personal loans to meet unforeseen exigencies and pressing needs of customers.

Civil servants are the greatest beneficiaries of this type of facility. The Bank usually extends short term loans to individuals and civil servant customers to enable them meet their temporary financial needs or purchase household or consumer durables. They are either in form of short-term temporary loan or temporary overdraft against monthly salaries. From about ₦64.1 million in 1980, such facility has increased to about ₦242.5 million in 1987 indicating a total of ₦1,400,719,000 under the period of review.

3.7 Contribution to Small Scale Business Development

Spade of criticisms have been levelled against commercial banks for the lack of assistance and inflexible attitude towards small scale businesses. Bank of the North is no exception to these criticisms. Banks have not only been accused of lacking vision, being blinkered and obsessed with collateral but have in the past been accused of offering an umbrella when the sun is shining.

It is the consensus of the country's policy makers that true and sustained industrial development in the economy lie through the encouragement of small scale businesses. Small scale businesses have the advantage of sourcing their raw materials locally thereby reducing the pressure on foreign exchange for imported raw materials.

They equally have relatively low and cheap technology. In line with the Federal Governments' policy of promoting small scale businesses to generate growth and employment, the CBN have directed Banks to allocate a minimum of 16% of their total loan and advances outstanding to small scale enterprises wholly owned by Nigerians during this fiscal year.

Small Scale Business as defined by the Federal Ministry of Industries include "all manufacturing units with a total capital investment of (excluding cost of land) up to ₦750,000 but including working capital, and paid employment of up to 50 persons".

Economic planners often cite employment creation and entrepreneural development as reasons advanced for promoting small enterprises.

The creationg of employment stems from the fact that small businesses are labour-intensive in their mode of operation. Small firms offer employment for the structurally-unemployed and underemployed in both the urban and rural areas. Their impact on employment is more felt for the opportunities they provide for the unskilled workers. Because the unskilled cannot compete favourably in the open job market, they rely on small businesses to satisfy their employment needs.

Another major contribution of small scale businesses in the employment sector is the opportunities they offer to women. Generally women are socially disadvantaged in securing wage employment in the modern economy. By engaging in small enterprises, women have provided for themselves outlets for self-fulfilment and self-development.

Furthermore, small enterprises provide convenient source of income and flexibility in working hours, most especially the housewives. By providing employment and income yielding activities, apart from supplementing salaries and wages from regular jobs, small firms contribute greatly in the reduction of income disparities between the various socio-economic strata and between the urban and rural dwellers. Their impact in stemming social discontent and possible tensions between these classes can not be readily quantified but is increasingly being appreciated now.

The role of small enterprises in shaping entrepreneurial talent is noteworthy. They provide immense opportunities for the expression of local entrepreneurial talents. They have not only served as "seed bed" for the diffusion of innovative ideas both local and foreign, but in the process of adapting foreign technologies to suit the Nigerian environment, have been found to be more cost-effective than their corporate counterparts. Small firms therefore serve

as "incubator" for future giant corporate entities and launching pads for the take-off of indigenous technological break throughs and testing ground for adapting imported technologies. They also serve as "nursery beds" for nurturing crops of skilled and semi-skilled self-employed business men equiped with practical management expertise.

The role of small enterprises in the transformation of traditional industry is also noteworthy. Modern sector evolve through the progressive transformation of the traditional sector. The small businesses employ more local resource inputs including discarded by-products of large firms in their production processes. They create ample opportunities for people with limited formal training or education to acquire new skills or to improve on their existing ones while working as employees or managers of such small businesses. By fine-turning to local resources, there arises a modest demand on the country's foreign exchange and capital.

Even though small firms are handicapped by capital shortage, they also make valuable contributions to capital formation. Most small businesses raise their initial capital investments largely from their accumulated savings over a period of time.

Due to their nature of operations, small businesses assist in the dispersal and diversification of economic

activities. Their demands for infrastructure are modest and because of their locational flexibility they can spring up any where identifiable and unfulfilled customers' needs arise. By such flexibility, they are adapted to serving both forward and backward linkages between economic, geographic and social diverse sectors of the economy.

The contribution of Bank of the North to the development of small businesses in the northern States stems from their effort towards tackling their problems and the degree of success achieved so far. In Nigeria today, for every ten business men and women eight believe that shortage of capital constitutes their major problem. That problems of production, marketing and general management can be resolved through the provision of capital. It is quite true that capital is critical for the efficient organization of all productive activities. When capital is made available in the right proportion, small business owners are less likely to pursue suboptimal policies. With shortage of an essential resource, can pay higher prices for existing supply source to ensure steady supply and can hire people with appropriate skills in those areas where the owner is deficient.

The myriad of problems of small enterprises can not be solved by profusion of capital alone. They need complementary support policies. Tariff policies have

pervasive influence on small business development just as the rigid and bureaucratic administration of investment incentives do. Various types of regulations and taxation affect their markets for capital, foreign exchange and labour.

Another disability is the low level of skill acquisition and management expertise existing in the small enterprises. There exists poor standard of financial management in small businesses which in turn reinforces funding difficulties. Large number of small business people are "pushed" to such ventures when they are least prepared for the crucial responsibilities in terms of management expertise. Being entrepreneurial is not enough, small entrepreneurs need to acquire management and other skills.

In addition to lack of trained management, there is inadequate marketing and technical support for survival. Demand ranks after capital for most small business firms. Like their large counterparts, they can not do without dependable supply and distribution channels in their operations. Government can partly be blamed for having taken a bold initiative in promoting small scales business development but do not favour them in procurement orders, for their finished products and services knowing fully their inadequate resources; i) to promote their products and services

through advertising at commercial rates,

ii) to exploit or tap new and additional consumer demands to the greatest advantage,

iii) to raise working capital to finance new and additional sources of supplies.

There is the difficulty of finding a willing lender and the small firm's ability to fulfil the minimum lending requirments like credit rating and collateral security etc. The working capital problem can stem from informational gap on the available sources of capital and inadequate bargaining skills of the small business man or woman.

iv) to engage in tendering and bidding procedures for the supplies of their products.

Other problem include lack of or poor delegation of work for hired staff mainly attributable to distrust and suspicion of "outsiders". This is characterised by non-specialisation as the owner is the sole controller of production, finance and accounting, personnel and marketing functions. Small businessmen are unable to separate their businesses from personal assets etc.

Lastly, the twin problems of small entrepreneurs pressure to extend credit to customers and poor debt collection. This is linked to the socio-economic ties between owners of small firms and their customers or their local environment of operation. This relationship is symbiotic

because of the expectations of the small firms' contributions to the localities and their dependence on them for supply of inputs and markets for their goods and services.

The introduction of the Structural Adjustment Programme (SAP) in September 1986, has had significant impact in the Small scale business sector. Of prime consideration is lack of capital. Bank of the North has not been slow to recognise that much of the growth in the economy during this recessionary period comes from small businesses. As part of their contribution to this sector, the Bank has made available ₦187.2 million as loan to small scale businesses, a sum that reflects the importance attached to this sector. The giant stride of the Bank in this direction is really complementing the effort of the Small-Scale Industries Credit Scheme of the Ministries of Commerce and Industry of the eleven northern States. The Bank is participating effectively in the running of the National Directorate of Employment (NDE) programme initiated in the mid-1980s to tackle youth unemployment. The Bank is one of the participants in the management and disbursement of loans to the self employed graduates and non-graduates. The total number of projects approved for the NDE Scheme as at July 1989 was 101. The total amount approved for the NDE Small Scale Industries and Graduate Employment Loan Scheme during this same period was ₦3.1 million and disbursement was ₦1.7 million. The branch network of the Bank is widespread in the northern States and has assisted immensely in the

development of small scale businesses. It is in realisation of the effort of the Bank towards this direction that it was recently appointed as one of the participating banks in the management and disbursement of National Economic Reconstruction Fund, NERFUND, with a paid capital of ₦4 billion. NERFUND aims at mobilising financial resources to bridge both medium and long-term financing gap in the country's small scale business sector. In addition, to complementing the Federal Government's public policy towards small businesses financing, the Bank is assisting in the small business extension and advisory services especially in the areas of project development, product design, planning and promotion to combat problems bedevilling the small scales business firms.

3.8 Contribution to the Privatisation Programme

Privatisation and Commercialisation Decree No. 25 of 1988 defines "privatisation" as "the relinguishing of part or all of the equity and other interests held by the Federal Military Government or its agency in enterprises whether wholly or partly owned by the Federal Military Government..."

Dr. Mahenta Birima, the Managing Director, ECOWAS Fund, defines it "as the sale of government-owned equity in nationalised industries or commercial enterprises to private

investors, with or without the loss of government control in those business ventures.

In another context, he, looked at "privatisation as the strategy of the present government of a State to sell to the private sector businesses that had been taken from the private sector by the past government of that State.

President Ibrahim Babangida looks at privatisation as "disencumbering the State from the burden of running business enterprises that could better be managed by the private sector, mobilising the private sector to take the lead in entrepreneurship and industrial investment, leaving the State to play a supportive role".

At the design and implementation stages of the privatisation programme, banks play very crucial role. Advocates of the privatisation hold the notion that it promotes efficiency and growth in the economy.

3.8.1 Privatisation Process

This involves one of five types namely:

1. Tendering

Here contractors are invited to bid for a contract to execute job that could have hitherto been done in-house.

2. Commercialisation

This makes a public sector firm compete with other firms in the same industry on equal terms. They do this by removing subsidies or any protective measures that shield the

the firm from competition in the market-place.

3. Management Contract

This involves bringing private sector managers to manage and control ailing public enterprises. Sometimes fees are paid.

4. Total Privatisation

This involves out-right sale of the public enterprise or equity in an enterprise to private investors.

5. Leasing

This involves hiring of capital goods or equipment to avoid buying and paying on the spot. Usually the go-between in this transaction is the bank.

Let us look at the factors that call for this privatisation and the role Bank of the North is playing towards the successful implementation of the programme. They are:

i. Poor performance of public-owned enterprises.

ii. Threat of external debt problem as a result of general poor economic peformance.

iii. Shift from socialist outlook to capitalism. Socialism which was seen as a panacea to emergent nations' economic problems has changed to capitalism and hence privatisation.

iv. Recent school of thought that economies work best when there is least government intervention.

Since its inception, Bank of the North has played significant role in making money available for the purchase of shares by its interested customers. The bank's contribution became more pronounced during the Indigenisation exercise of some enterprises in the country. Some northern States that have no established Investment companies got loan or guaranteed same for the indigenes to buy shares in the various companies that became indigenized. With the privatisation exercise still going on, the Bank's doors are still open for customers desiring such assistance.

When tendering is involved, the Bank has been assisting indigenous contractors who are handicapped with enough capital to enable them compete effectively with their foreign counterparts. It is noteworthy that during the oil boom days, the most valued customers of the bank were indigenous contractors who have inevitably turned to bad customers during this Structural Adjustment Programme era. To combat their dearth of capital, the Bank has been encouraging indigenous contractors to form viable partnerships and other business combines to strengthen their capital base and their entrepreneurial capabilities.

The bank has formulated a lending policy that is quite responsive to the legitimate demands of these privatised firms. They intend to assist in providing bridging finance

(loans) on short term basis to prop up these privatised firms to the challenges ahead.

In terms of commercialisation, the Bank is providing the eleven northern States with necessary advices to formulate a viable privatisation programme for their firms.

In management contracts with its attendant consequence of massive retrenchment of staff either to reduce personnel cost or because of introduction of new technology, Bank of the North has been assisting laid-off staff through the provision of special credit lines to enable them set up small scale businesses.

For an outright sale of public owned enterprise or equity in an enterprise to private investors, Bank of the North has been providing the ncessary capital to these investors through a very responsive lending policy. It has so far made available ₦1.4 million for purchase of various shares in the on-going privatisation programme.

In Nigeria, until January 30, 1989, there were 107 enterprises in the public sector out of which 36 were State-owned. The Decree on Privatisation and commercialisation specified 96 enterprises to be affected out of which 49 are to be fully privatised (See Appendix 1).

3.9 Role in Rural Communities

The Rural Banking Scheme was launched in 1977 in order to inculcate the banking habit in the rural population and to harness the financial resources available within these areas for development purposes by investing 45% of the mobilised funds in form of credit to industrial and agricultural developments to curb rural-urban drift.

The objectives can briefly be summarised as follows:-

i) To mobilise rural savings

ii) To allocate credit among productive activities

iii) To back up the then "Operation Feed the Nation (OFN)", "Green Revolution" Programme, etc.

iv) To link the money markets in the rural areas with capital markets in the economy

v) To allocate resources among different locations and regions that is, equitable spread of resources.

The promotion of rural banking schemes are in three phases so far:-

Table 3 - 2

Rural Banking Phases

Phase	Period	No.of Branches	No.of participating Banks	Allocation to BOU
1	Jul.1977-June 1980	200	18	6
2	1980-1983	266	20	19
3	1985-Jul'89	300	28	14
Total		766	66	39

Out of a total number of 766 rural branches allocated to sixty-six participating banks, 39 went to Bank of the North Limited (BON). CBN 1988 Annual Report indicated that there were 1,711 branches within the Nigerian banking industry made up of 602 rural branches serving rural communities and 1,057 in the urban and semi-urban centres.

The rural communities are often characterised by low income inhabitants with low savings, pensioners, school pupils and job seekers with little or no industrial activities.

In addition to fulfilling the objectives of the Rural Banking Scheme, Bank of the North encourage the formation of co-operatives, large agriculture and quarantine and extension services in the rural communities. The rural branches bridge the gap between examination bodies and students in their localities through issuing bank drafts, certified cheques etc to students. The rural branches also keep custody of the examination papers for examination bodies. They provide other services in form of standing order payments, and exchange/issuance of new notes.

313096

KASHIM IBRAHIM LIBRARY
AHMADU BELLO UNIVERSITY
ZARIA, NIGERIA.

The rural branches equip the inhabitants with the knowledge to meet the vigor and enlarged banking activities in the future.

Bank of the North Limited, has been involved in the economic transformation of the rural areas before the Federal

Government's policy on Rural Banking Scheme. The bulk of the network operations of the branches of the Bank have been in the rural and semi-urban towns of the Northern States which makes the Federal Government's policy looks as if it is a borrowed idea from Bank of the North for country-wide implementation.

Table 3 - 3

BANK OF THE NORTH LIMITED

RURAL BANKING UNDER PHASES BY STATES

PHASE	PERIOD	BAUCHI	BORNO	BENUE	GONGOLA	KADUNA	KATSINA	KANO	KWARA	NIGER	PLATEAU	SOKOTO	ABUJA	TOTAL
1	Jul.1977 To Jun.1980	2	1	-	-	-	-	-	-	-	-	3	-	6
2	1980-1983	3	3	2	3	-	-	-	-	2	2	4	-	19
3	1985 To Jul.1989	2	2	2	3	-	-	-	2	1	-	1	1	14
TOTAL		7	6	4	6	-	-	-	2	3	2	8	1	39

Out of a total deposit of ₦43.6 million generated by rural branches opened so far, about ₦13.00 million was given as loans and advances to rural communities as at July 1989. The Bank is therefore making a giant stride in the economic development of the rural communities in the northern States.

CHAPTER FOUR

CORPORATE SOCIAL RESPONSIBILITY

4.0 INTRODUCTION

The concept of Corporate Social Responsibility seeks to focus on what society expects of business organisations rather than the primary purpose of accomplishing useful or desirable societal ends and remain viable entities.

Howard, Bowen R (1953)[3] looked at Corporate Social Responsibility as "obligations of businessmen to pursue those policies, to make those decisions or to follow those lines of action which are desirable in terms of objectives and values of the society".

Keith, Davis and Blomstron, Roberth (1975) defined it as "the obligation of decision makers to take actions which protect and improve the welfare of the society as a whole along with their own interest".[4]

Bauer, Raymond (1976), has this to say that "Corporate Social Responsibility is seriously considering the impact of the company's actions on society".[5]

3: Bowen, Howard R, Social Responsibilities in the Businessman, Harper and Row Books, 1953.

4: Keith, Davis and Blomstron R, Business and Society: Environment and Responsibility; N.Y. McGraw Hill, 3rd Ed. 1975

5: Bauer, Raymond, (1976) Quoted in John L. Paluszek, Business and Society: 1976 - 2000, N.Y. AMACON.

There are three ways by which the demand for Social Responsibility arise. They are:-

1. Social problems external to the firm which are not caused by any direct business activity eg. poverty, drug abuse, city decay etc. Such issues stimulate corporate involvement.

2. Those caused by external impact of regular economic activities eg. pollution by production facilities, the quality, safety and reliability of goods and services, confusion and deceptive marketing practices, social impacts of closing factories and plant location, etc.

3. Those occuring within the firm and are intrinsically linked to regular economic activities eg. equal employment opportunity for women, occupational health and safety, quality of work and industrial democracy, etc.

Legislation is focussed on categories two and three. While some explicit social demands have to be met through business operations, the operations of business can have social consequences whether they are intentional or not.

It is common knowledge in this country that business organisations have continued to exist in deliberate ignorance of or isolation to societal problems while neglecting the social cost of their allocation of resources. However, the trend is changing nowadays for the better. One pertinent question which one may ask,

"Do businesses respond to environmental problems because it rationally recognises the need to be socially responsible so as to maximise long run profits and growth potentials or as a result of 'Corporate conscience'?"[6]

In recent times, Banks including Bank of the North, have been accused for their lack of responsiveness to critical social issues. All what the public see on the pages of dailies are huge profit declarations while majority of the populace go about with the yoke of poverty and deprivation. That the Nigerian banks are the unconcerned and uncaring institutions is subject to debate. Businessmen are not left out in the spade of these criticisms too. That most donations made by wealthy business individuals are done with the primary aim of winning more contracts which often double or triple the amounts donated. This negates their overt claims that they are out to foster the prospects of the less priveleged in our society.

Such criticisms pose a challenge to Banks and other business corporations and individuals to recognize a wider range of objectives, including those that may be at par with their profit motives.

4.1 Contribution to Social Causes

If contribution to social causes can be seen in terms of an organization's contribution towards education,

6: Oludare, S.T. Corporate Social Responsibility and Organizational Effectiveness: A Study of Selected Companies, 1988 MBA Project Report P. 17

relief fund, arts and culture, urban decay, hospital, pollution control, improvements in churches and mosques and prisons, poverty and motherless Baby homes, etc. then Bank of the North has not relented in its efforts toward fostering the prosperity of the eleven northern States.

Significant contributions noteworthy include the following:

"₦358,499 - Grant to Ahmadu Bello University for Agricultural Training and Extension Programme (Nov. 1979).

₦250,000 - To Kaduna Polytechnic for equiping Workshop Laboratories of the Department of Irrigation and Agricultural Mechanization (Jan.1980).

₦250,000 - To Bayero University Kano for the expansion of the University Library's Collection on Management Science, BANK OF THE NORTH'S chair in Banking and Finance and for the award of Prizes (April 1980).

₦50,000 - To each of the ten Northern States in aid of the Drought victims (1980).

₦40,000 - Grant to each of the Ten Northern States for use in Government Projects with Agricultural bias and Agricultural Training (1980).

₦40,000 - To University of Ibadan's Endowment Appeal Fund (Aug. 1980).

₦50,000 - To Bauchi State Government Appeal Fund in aid of the victims of Bauchi Central Market Fire Disaster.

₦250,000 - To Kano State Government Appeal Fund in aid of the victims of Sabon Gari Market Fire Disaster.

₦50,000 - To each shareholder State in aid of the victims of various disasters.

₦100,000 - Donation to the Maitasine Relief Fund in 1981.

₦250,000 - Donation to the Kano State Foundation Fund in 1981.

₦350,000 - Donation to the University of Maiduguri Endowment Fund 1986.

₦350,000 - Donation to the Kano State Flood Disaster Relief Fund 1988".[7]

Other contributions worthy of note outside this study period were;

₦250,000 - The Building of a Hall, the Ali Akilu Hall, at the Ahmadu Bello University Zaria named after the late former Chairman - ALHAJI ALI AKILU and

₦40,000 - To Kano State Government Relief Committee in aid of the victims of Rain Disaster(Oct.1977).

7: The Nigerian Economist Vol. 2 No. 27, Aug. 1-14,1989 Supplement on Bank of the North Ltd. p. 21-29.

There are other donations/contributions made in smaller magnitudes in aid of various social and business clubs. The bank also sponsors drama and literary art like the recent "Magana Jari Ce" viewed on Televisions. Available data indicate that out of a total profit of ₦191,460,000 declared during this period of study, ₦3,648,499 or 1.9% went to social causes. The Bank is no doubt contributing a lot and will do much more towards the socio-economic development of the Northern States in particular and Nigeria in general.

4.2 Contribution to Employment and Manpower Development

Bank of the North has over the years created employment opportunities for thousands of northern States indigenes and Nigeria in general. The Bank is also helping in the development of manpower by providing training to its employees. The bank has continued to place great premium on staff training so that they will be better equiped for the task ahead. In addition to in-house training, the bank continued to send members of staff to Nigerian Universities to undergo full-time Banking course. Senior members of staff benefit from short courses and seminars in Nigeria and abroad to broaden their

knowledge and outlook. Such exposure enables staff to acquire more experience in some developed banking techniques.

With a workforce of 1624 in 1978, staff employment figure has doubled to 3367 in 1988. The enormous expenditure on staff cost in form of salaries, wages and fringe benefits is a reflection of the bank's effort in the employment sector. Substantial funds are being committed in the development of manpower in the form of training both at home and abroad. From ₦4.426 million in 1978 staff cost rose to ₦37.167 million in 1988.

STAFF AND STAFF COST RELATIONSHIP

YEAR	NO. OF STAFF	SALARIES, WAGES & FRINGE BENEFITS('000)
1988	3,367	₦37,167
1987	3,600	30,988
1986	3,356	24,759
1985	3.219	23,390
1984	3,143	23,459
1983	3,454	20,152
1982	3,262	18,493
1981	2,286	12,644
1980	2,052	9,508
1979	1,702	6,298
1978	1,624	4,426

4.3 Contribution to Government Revenue

Tax on profits and that from Pay-As-You Earn (PAYE) paid by employees of the Bank constitute the sources of Government revenue. Tax on profits is paid to the Federal Government while those of PAYE are paid to the State where the employee resides and works. While data on tax on profits are available those of PAYE are not. Tax paid to the coffers of the Federal Government serves the same function as that paid to States. However, total tax paid as revenue to the Government during the period under consideration amounted to ₦80,544,000 out of total earnings of ₦179,543,000 indicating a contribution (tax rate) of 45% of total earnings. Whether this trend measures the effectiveness of Bank of the North in terms of its social responsibility is subject to test which is outside the scope of this project report. However, social responsibility can have some relationship to organization's levels of effectiveness and Return on Investment. Such relationships can be significant or insignificant.

Profit is a function of tax. The higher the profit declared the greater the amount of tax paid to the Government. Government owes the society a lot of developmental obligations. Such developments span throughout the eleven northern States and the country as a whole.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Inspite of the enormous contributions the bank is making towards the economic development of the various sectors of the northern States, the bank can not be said to operate without some predicaments.

Further analysis reveals the following areas worthy of consideration. They are:-

1. Capitalisation -

The bank is under capitalised as most of the operations are financed by debts. Return on networth is also on the decline. This can be adverse to the bank which trades in both credits and debts.

2. Earnings per share -

The maximisation of shareholders wealth has not been adequate as the earnings per share has not been encouraging.

3. Loans and Advances -

Until of recent, loans were not collected properly, the credit policy was not quite good and the general management of current assets and liabilities was inadequate. This situation could have its roots from the ownership structure. The bank is not exclusively

a private concern and therefore can not be devoid of wranglings, politicisation and external interference.

4. Deposit Generation -

The bank had previously relied so heavily on the shareholder States and Federal Government for their deposits creation. However, the trend seems to be changing as out of a total deposit of ₦1,686,844,000 in 1988, only ₦294,200,035 came from Federal,States and Local Governments in July 1989.

5. Organisation Structure -

Even though the Bank has witnessed a major reorganisation in 1988, there is need for further improvement in the organisational structure to make it more responsive and meet the competitive challenges in the banking industry.

6. Services -

The services rendered to customers are quite satisfactory but services unique to the bank can be explored to capture a wider share of the banking industry.

5.2 RECOMMENDATIONS

1. Capitalisation and Ownership

The capital base of the bank should be expanded to make it more responsive to banking needs and enhance its rapid expansion of operations and improve its competitive

stand in the industry. We understand that the authorised share capital will soon be increased to ₦100 million. Ownership should be allowed to diverse so that private indigenous businessmen and employees of the bank can be allowed to own shares in the bank This will reduce the level of politicisation of the bank and create room for professional management of the bank and commit employees to higher productivity and sense of belonging in the bank.

2. Collection Policy

Bad debts do not augur well for the healthy survival of the bank. Recovery of heavy bad debts created long time as a result of bad credit policy should be vigorously pursued. Owner States who are indebted to the Bank customers should be persuaded to settle their clients who will in turn clear their long outstanding commitments with the bank.

Credits should only be extended after thorough professional evaluation and objective recommendation devoid of political influence.

3. Professional Management

Minimum qualification should be spelt out for certain categories of posts both at the headoffice and branches while training and objective recruitments should be vigorously pursued to enhance higher productivity.

4. Organization Structure

The Public Relations Department should be revitalised and Marketing and Research Department be created. The Public Relations Department should be fully manned and equiped to enable it give adequate publicity to the bank's services and bridge communication gap between management and staff.

The rapid expansion of the bank deserves a full fledged Marketing and Research Departments to collate and analyze various data for the bank, market its services and conduct feasibility studies.

5. Small scale business

The bank should play a vital role in educating their small business customers. They should take a prospective small businessman through to the final stages of establishing his business and beyond. Since Government places premium in the development and growth of small firms, the problems of these small businesses should continue to form a major part of the in-service training programme for the bank and should continue with the further development of loan packages and equity finance appropriate to the needs of small business enterprises. The bank should provide small business extension and advisory services especially in the fields of project development,

product design, planning and promotion. The information package should provide guidance on assessment of a business conception (idea), how to produce a simple business plan, method of monitoring and controlling a business, and how to manage growth while incorporating details of packages of services offered by Bank of the North Limited.

6. Services

The bank should think of a service unique to it like the UBACARD and UNICARD, introduced by United Bank for Africa and Union Bank respectively. In the alternative a savings scheme designed to attract deposits can be initiated after which a customer can be granted greater financial assistance by the bank.

7. Venture Capital Scheme

This is geared towards equity participation in small and medium scale businesses. The bank should consider setting a departmental unit manned by competent and professional staff to cope with the sophisticated nature of bank's direct investment in small and medium business enterprises. As it is now, most of the ailing public enterprises and parastatals in the north that are committed to the bank, may demand that the bank capitalises its commitments to shareholding which will call for more skilled manpower.

8. Board Membership

Rather than engaging the Director Generals of Ministries of finance in the northern States as board members bedevilled with the task of bureaucracy and frequent administrative changes resulting to unstable board membership, a more independent professional board members from the private sector representing the interest of each State can be appointed. This will ensure continuity and professional policy directives devoid of political considerations.

9. Agriculture and Rural Farmers Scheme

With the importance attached to Agriculture and rural development by the Government, the bank should consider introducing a Cooperative or Young Rural Farmers Savings Scheme. For savings up to a certain amount, a farmer is given two times the amount for his seasonal farming. This has the advantage of mobilising deposits/savings and at the same time boosting agriculture.

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APPENDIX 1

SCHEDULE 1 *Section* 1

PART I—ENTERPRISES IN WHICH EQUITY HELD SHALL BE PARTIALLY PRIVATISED

Enterprises	*Present Federal Government Holding* %	*Maximum Federal Government Participation at % of Equity (after privatisation)*
Commercial and Merchant Banks		
Savanah Bank of Nigeria Limited ..	51.34	Present holding to be maintained.
Union Bank of Nigeria Limited ..	51.67	Present holding to be maintained.
United Bank for Africa Limited ..	45.76	Present holding to be maintained.
International Bank for West Africa Limited	50	Present holding to be maintained.
Allied Bank of Nigeria Limited ..	51	Present holding to be maintained.
Continental Merchant Bank Limited	51	Present holding to be maintained.
International Merchant Bank Limited	60	Present holding to be maintained.
Nigeria Arab Bank Limited	60	Present holding to be maintained.
Nigeria Merchant Bank Limited ..	60	Present holding to be maintained.
First Bank of Nigeria Limited ..	44. 8	Present holding to be maintained.
NAL Merchant Bank Limited ..	20	Present holding to be maintained.
Merchant Bank of Africa ..	5	Present holding to be maintained.
Agricultural, Co-operative and Development Banks		
Federal Mortgage Bank of Nigeria ..	100	Not more than 70% by the Federal Government and its agencies.
Nigerian Industrial Development Bank Limited	100	Not more than 70%
Nigerian Bank for Commerce and Industry Limited	100	Not more than 70%
Federal Savings Bank	100	Not more than 70% by the Federal Government and its agencies.

Oil Marketing Companies		
Unipetrol	100	Not more than 40%
National Oil and Chemical Co. Limited	60	Not more than 40%
African Petroleum Limited	80	Not more than 40%
Steel Rolling Mills		
Jos Steel Rolling Mill	100	Not more than 40%
Katsina Steel Rolling Mill	100	Not more than 40%
Oshogbo Steel Rolling Mill	100	Not more than 40%
Air and Sea Travel Companies		
Nigeria Airways Limited	100	Not more than 40%
Nigeria National Shipping Line Limited	100	Not more than 40%
Fertilizer Companies		
Nigerian Superphospate Fertilizer Company Limited	100	Not more than 40%
National Fertilizer Company Nigeria Limited	70	Not more than 40%
Paper Mills		
Nigeria National Paper Manufacturing Company Limited	64.03	Not more than 40%
Nigeria News Print Manufacturing Company Limited	100	Not more than 40%
Nigeria Paper Mills Limited	100	Not more than 40%
Sugar Companies		
Savannah Sugar Company Limited ..	75.4	Not more than 40%
Sunti Sugar Company Limited ..	90	Not more than 40%
Lafiaji Sugar Company Limited ..	70	Not more than 40%
Cement Companies		
Ashaka Cement Company Limited ..	72	30%
Benue Cement Company Limited ..	39	30%
Calabar Cement Company Limited ..	68	30%
Cement Company of Northern Nigeria Limited	31.53	30%
Nigeria Cement Company Limited, Nkalagu	10.72	10%

Motor Vehicles and Truck Assembly Companies		
Anambra Motor Manufacturing Company Limited	35	Present holding to be maintained.
Leyland Nigeria Limited	35	Present holding to be maintained
Nigeria Truck Manufacturing Company Limited	35	Present holding to be maintained
Peugeot Automobile of Nigeria Limited	35	Present holding to be maintained
Volkswagen of Nigeria Limited ..	35	Present holding to be maintained
Steyr Nigeria Limited	35	Present holding to be maintained

PART II—ENTERPRISES IN WHICH 100% OF EQUITY HELD BY THE FEDERAL MILITARY GOVERNMENT SHALL BE FULLY PRIVATISED

1. Nigeria Hotels Limited.
2. Durbar Hotel Limited.
3. Aba Textile Mills.
4. Central Water Transportation Company Limited.
5. National Cargo Handling Limited.
6. Nigerian Dairies Company Limited.
7. Nigerian National Fish Company Limited.
8. Nigerian Food Company Limited.
9. National Grains Production Company Limited.
10. National Poultry Production Company Limited.
11. National Root Crops Production Company Limited and other such food production companies.
12. Nigerian National Shrimps Company Limited.
13. New Nigerian Salt Company Limited.
14. National Fruit Company Limited.
15. National Salt Company Limited, Ijoko.
16. Specomill Nigeria Limited.
17. South-East Rumanian Wood Industries Limited, Calabar.
18. Nigerian-Rumanian Wood Industry Limited, Ondo.
19. Nigerian Yeast and Alcohol Company Limited, Bacita.

20. Nigerian Film Corporation.
21. National Freight Company Limited.
22. National Animal Feed Company Limited, Port-Harcourt.
23. Opobo Boat Yard.
24. Madara Dairy Company Limited, Vom.
25. Ore/Irele Oil Palm Company Limited, Ondo.
26. Okomu Oil Palm Company Limited, Bendel.
27. National Livestock Production Limited.
28. Road Construction Company of Nigeria Limited.
29. National Film Distribution Company Limited.
30. Nigerian Ranches Company Limited, Kaduna.
31. Impressit Bakolori Nigeria Limited.
32. North Breweries Limited, Kano.
33. Nigerian Beverages Production Company Limited.
34. West African Distilleries Limited.
35. Nigeria Engineering Construction Company Limited.
36. Tourist Company of Nigeria Limited (Owners of Federal Palace Hotels).
37. Electricity Meters Company Limited, Zaria.
38. American International Insurance Company Limited.
39. Guinea Insurance Company Limited.
40. Sun Insurance Company Limited.
41. United Nigeria Insurance Company Limited.
42. United Nigeria Life Insurance Limited.
43. Niger Insurance Company Limited.
44. Mercury Assurance Company Limited.
45. Crusader Insurance Company Limited.
46. Royal Exchange Company Limited.
47. NEM Insurance Company Limited.
48. Law Union and Rock Insurance Company Limited.

49. Prestige Assurance Company Limited.
50. British American Insurance Company Limited.
51. West African Insurance Provincial Company Limited.
52. Manchok Cattle Ranch.
53. Mokwa Cattle Ranch.
54. Poultry Production Units in Jos, Ilorin and Kaduna.
55. Kaduna Abattoir and Kaduna Cold Meat Market.
56. Bauchi Meat Factory and Galambi Cattle Ranch.
57. Minna Pig Farm.
58. Kano Abattoir Company Limited.
59. Umuahia Pig Farm.
60. Giant Cold Store, Kano.
61. Ayip-Eku Oil Palm Company Limited.
62. Ihechiowu Oil Palm Company Limited.
63. Sokoto Integrated Livestock Company Limited.
64. Motor Engineering Services Company Limited.
65. Flour Mills of Nigeria Limited.
66. Nigerian Yeast Alcohol Manufacturing Company Limited.
67. Nichemtex Industries Limited.

SCHEDULE 2

Section 12

PART I—PARTIAL COMMERCIALISATION

1. Nigerian Railway Corporation.
2. Nigerian Airport Authority.
3. National Electric Power Authority.
4. Nigerian Security Printing and Minting Company Limited.
5. All the River Basins Development Authorities.
6. National Provident Fund.
7. Ajaokuta Steel Company Limited.
8. Delta Steel Company Limited.
9. Nigerian Machine Tools Limited.
10. Federal Housing Authority.
11. Kainji Lake National Park.

12. Federal Radio Corporation.
13. Nigerian Television Authority.
14. News Agency of Nigeria.

PART II—FULL COMMERCIALISATION

1. Nigerian National Petroleum Corporation.
2. Nigerian Telecommunications Limited (NITEL).
3. Associated Ores Mining Company Limited.
4. Nigerian Mining Corporation.
5. Nigerian Coal Corporation.
6. National Insurance Corporation of Nigeria.
7. Nigeria Re-Insurance Corporation.
8. National Properties Limited.
9. Tafawa Balewa Square Management Committee.
10. Nigerian Ports Authority.
11. African Re-Insurance Corporation.

MADE at Lagos this 5th day of July 1988.

GENERAL I. B. BABANGIDA,
President, Commander-in-Chief of the Armed Forces, Federal Republic of Nigeria

EXPLANATORY NOTE

(*This note does not form part of the above Decree but is intended to explain its purport*)

The Decree provides for the privatisation and commercialisation of Federal Government enterprises and other enterprises in which the Federal Government has equity interests.

The Decree also establishes the Technical Committee on Privatisation and Commercialisation with the objective of ensuring a thorough implementation of Government's policy on commercialisation and privatisation of its enterprises and interests.

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Five Year Financial Summary

	1988 N'000	1987 N'000	1986 N'000	1985 N'000	1984 N'000
PROFIT AND LOSS ACCOUNT					
Gross Earnings	264,873	164,355	124,955	105,162	101,790
Profit before Taxation	40,690	23,461	17,944	14,559	11,371
Taxation	16,596	8,168	6,594	4,969	5,091
Profit after Tax	24,094	15,293	11,350	9,590	6,280
Transfer to Reserves	(6,500)	(6,500)	(6,000)	(4,500)	(3,500)
Dividends	(2,351)	(2,351)	(2,351)	(2,351)	(1,909)
Contribution to National Economic Recovery Fund		—	—	(266)	—
Profit brought forward	22,559	16,117	13,118	10,592	9,721
Over provision for dividend	—	—	—	53	—
Profit Carried Forward	37,802	22,559	16,117	13,118	10,592
BALANCE SHEET					
Use of Funds:					
Cash and short term funds	619,657	709,094	311,684	138,658	316,012
Loans and advances	848,683	810,076	772,879	675,705	654,383
Other Assets	764,721	524,468	408,421	464,670	276,226
Fixed Assets	74,997	64,770	51,861	45,013	41,708
TOTAL ASSETS	2,308,058	2,108,408	1,544,845	1,324,046	1,088,329
Sources					
Share Capital	22,350	22,350	22,350	22,350	22,350
Reserves	106,540	84,809	71,867	63,134	55,842
Shareholders' Funds	128,890	107,159	94,217	85,484	78,192
Loan Stock	15,000	15,000	15,000	15,000	15,000
Current, deposit, and other accounts	1,755,728	1,350,974	1,085,736	1,078,083	865,747
Accruals including items in transit, taxation and dividends	408,440	635,275	349,892	145,479	129,390
	2,308,058	2,108,408	1,544,845	1,324,046	1,088,329
Earnings per Ordinary Share	110k	70k	52k	44k	29k
Dividends per Ordinary share	10.53k	10.53k	10.53k	10.53k	8.5k
Number of staff	3,367	3,600	3,356	3,219	3,143

NOTE

1. Earnings per share are based on profits after tax and after deducting preference dividend and are calculated on the number of issued and fully paid ordinary shares at 31st December, 1988.

2. Dividends per share are calculated on the number of issued and fully paid ordinary shares at 31st December, 1988.

Five Year Statistical Summary

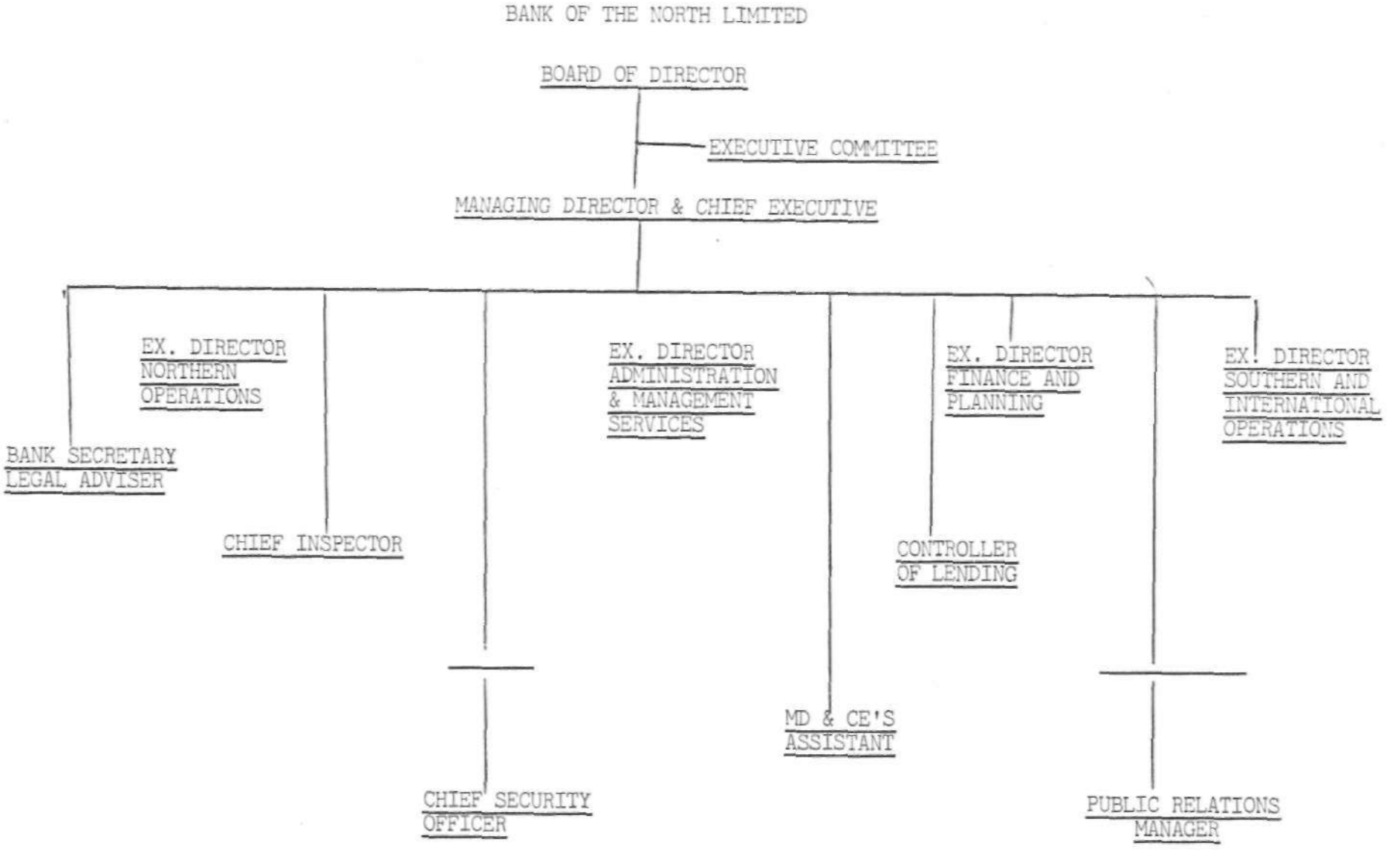
	1987 N'000	1986 N'000	1985 N'000	1984 N'000	1983 N'000
Profit and loss account:					
Gross earnings	164,355	124,955	105,162	101,790	91,564
Profit before taxation	23,461	17,944	14,559	11,371	16,121
Taxation	8,168	6,594	4,969	5,091	7,195
Profit after tax	15,293	11,350	9,590	6,280	8,926
Transfer to reserves	(6,500)	(6,000)	(4,500)	(3,500)	(4,750)
Dividends	(2,351)	(2,351)	(2,351)	(1,909)	(1,546)
Contribution to national economic recovery fund	-	-	(266)	-	-
Profit brought forward	16,117	13,118	10,592	9,721	7,091
Overprovision for dividend	-	-	53	-	-
Profit carried forward	22,559	16,117	13,118	10,592	9,721
Balance sheet					
Use of funds:					
Cash and short term funds	709,094	311,684	138,658	116,012	323,568
Loans and advances	810,076	772,879	675,705	654,383	621,156
Other assets	524,468	408,421	464,670	276,226	21,779
Fixed assets	64,770	51,861	45,013	41,708	33,631
Total assets	2,108,408	1,544,845	1,324,046	1,088,329	1,000,134
Sources:					
Share capital	22,350	22,350	22,350	22,350	17,657
Reserves	84,809	71,867	63,134	55,842	51,471
Shareholders' funds	107,159	94,217	85,484	78,192	69,128
Loan stock	15,000	15,000	15,000	15,000	15,000
Current, deposit and other accounts	1,350,974	1,085,736	1,078,083	865,747	766,711
Accruals including items in transit, taxation and dividends	635,275	349,892	145,479	129,390	149,295
	2,108,408	1,544,845	1,324,046	1,088,329	1,000,134
Earnings per ordinary share (adjusted)	70k	52k	44k	29k	40.6k
Dividends per ordinary share (adjusted)	10.53k	10.53k	10.53k	8.5k	6.8k
Number of staff	3,600	3,356	3,219	3,143	3,454

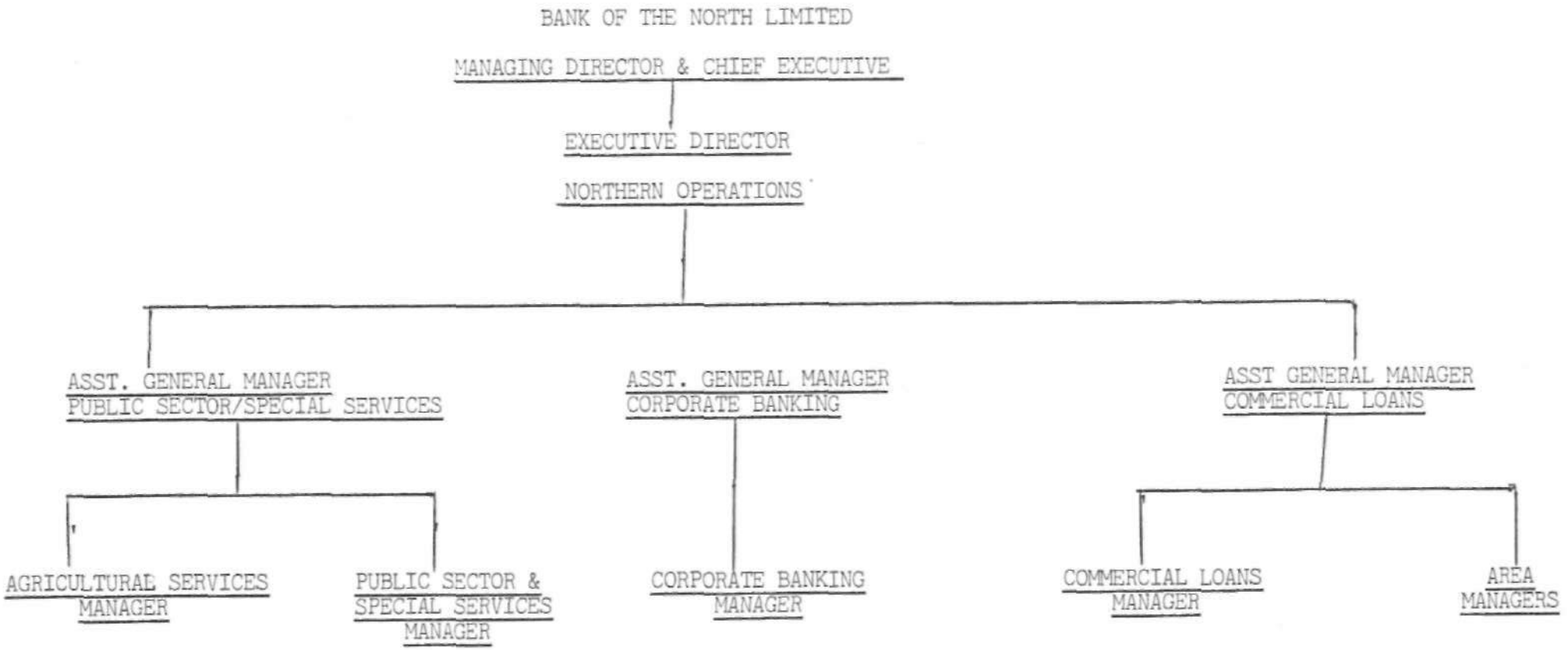
Note: 1. Earnings per share are based on profits after tax and after deducting preference dividend and are calculated on the number of issued ordinary shares at 31s December, 1987.

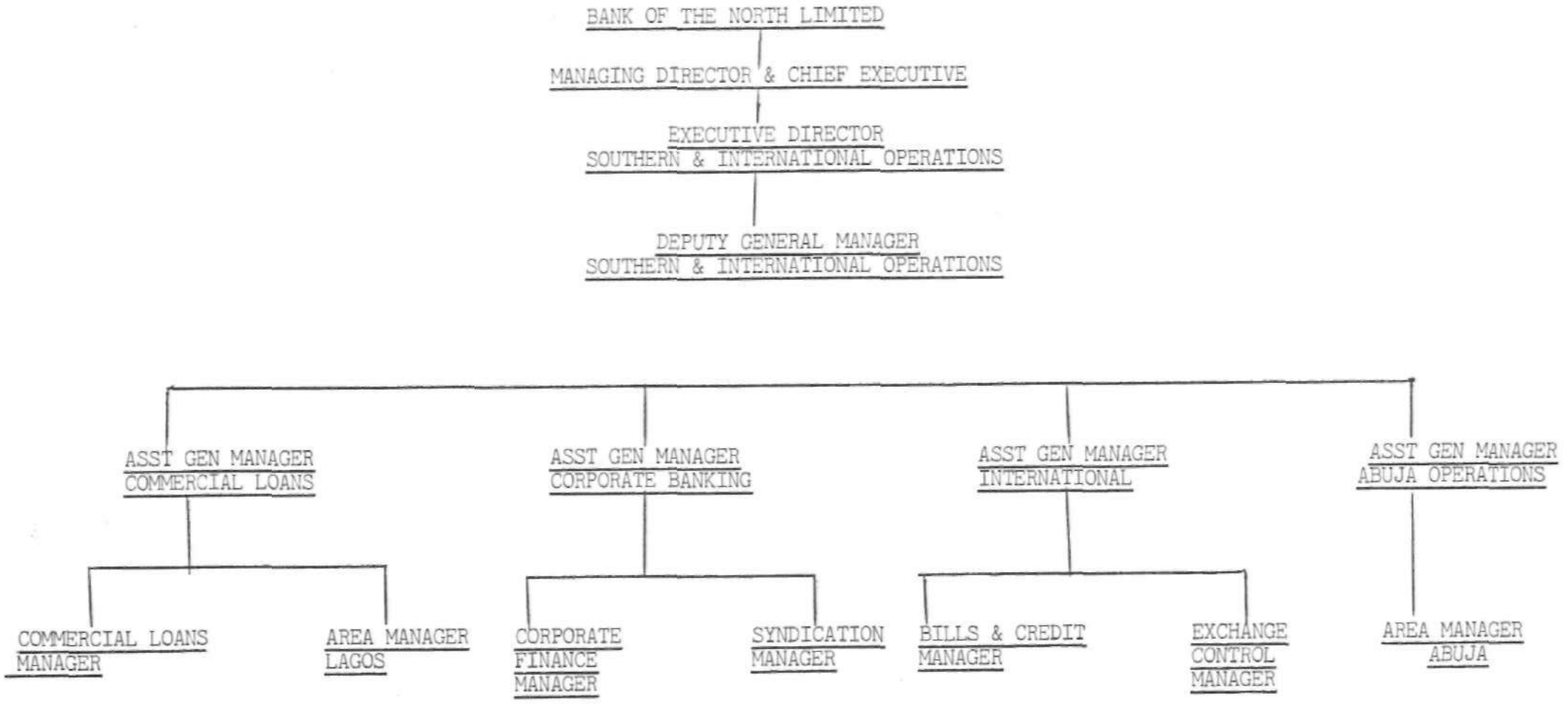
2. Dividends per share are calculated on the number of issued ordinary shares a 31st December. 1987.

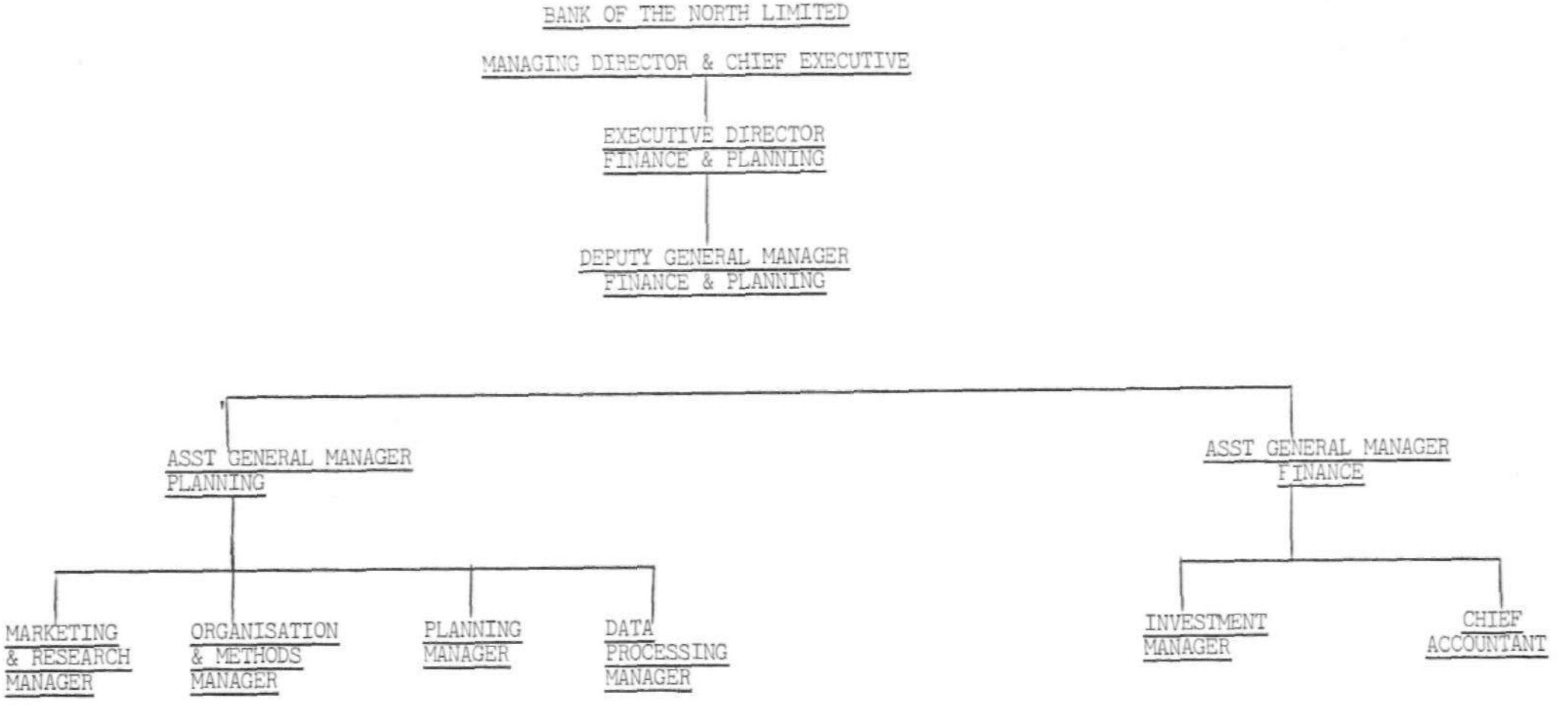
Five Year Statistical Summary

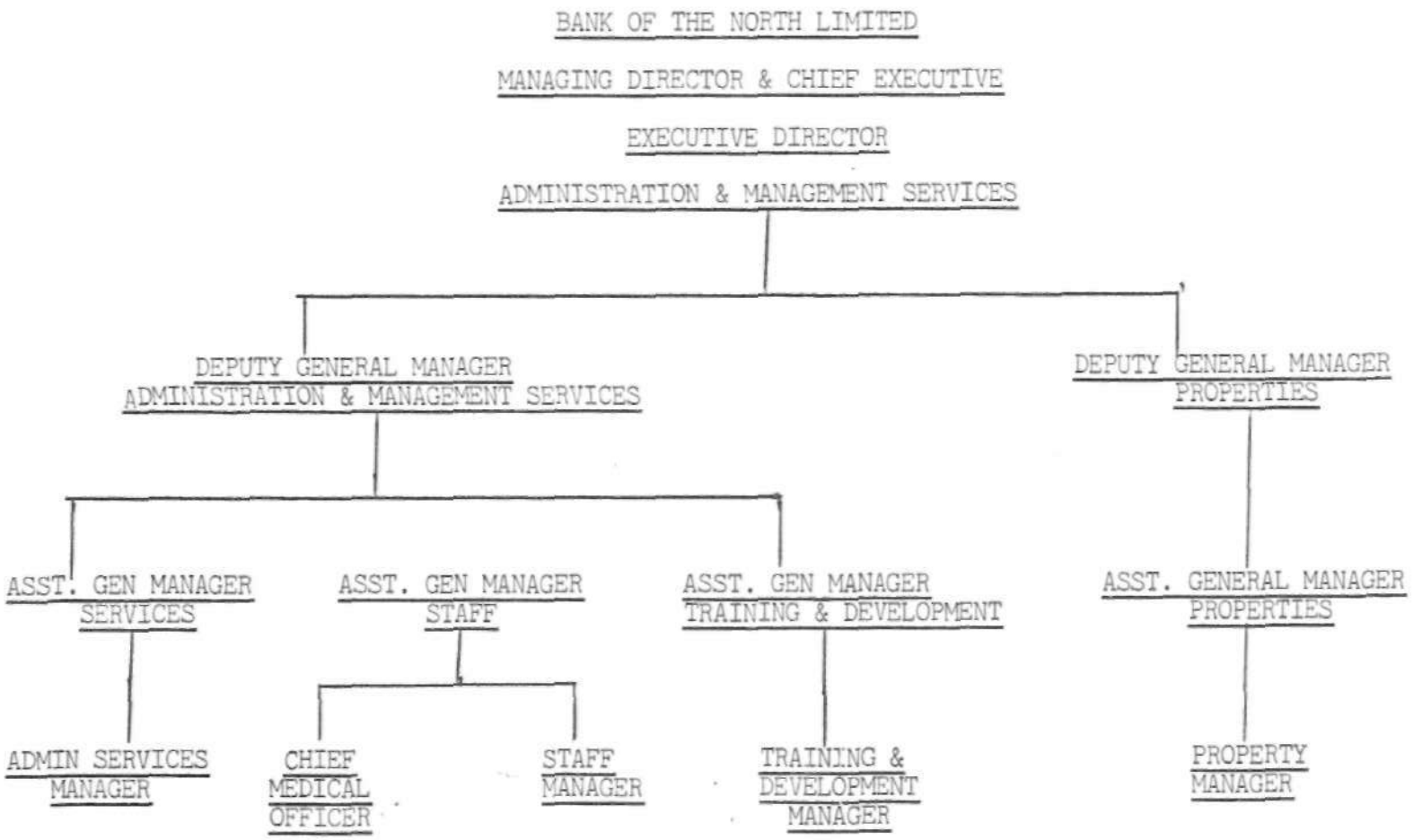
	1982 ₦'000	1981 ₦'000	1980 ₦'000	1979 ₦'000	1978 ₦'000
Profit and loss account:					
Gross earnings	85,940	68,404	55,201	42,619	37,441
Profit before taxation	18,661	22,612	20,854	17,125	16,835
Taxation	8,888	11,109	10,470	7,725	10,335
Profit after tax	9,773	11,503	10,384	9,400	6,500
Transfer to reserves	(8,500)	(10,200)	(7,500)	(8,000)	(5,000)
Dividends	(1,545)	(1,545)	(2,535)	(1,284)	(1,625)
Profit brought forward	1,363	1,605	266	150	275
Profit carried forward	1,091	1,363	615	266	150
Balance sheet:					
Use of funds:					
Cash and short term funds	272,936	285,166	448,455	386,754	334,815
Loans and advances	608,745	539,018	404,715	304,718	207,194
Other assets	11,477	6,892	26,726	12,682	55,272
Fixed assets	28,511	25,065	17,364	11,067	5,800
	921,669	856,141	897,260	715,221	603,081
Less:					
Less:					
Accruals including items in transit, taxation and dividends	100,636	121,574	73,729	95,132	71,232
	821,033	734,567	823,531	620,089	531,849
Sources:					
Share capital	14,700	14,700	14,700	10,000	8,500
Reserves	44,091	35,863	24,915	21,766	15,150
Shareholders funds	58,791	50,563	39,615	31,766	23,650
Current deposit and other account	761,301	683,066	783,326	587,674	507,638
Deferred taxation	941	938	590	649	561
	821,033	734,567	823,531	620,089	531,849
Number of staff	3,262	2,286	2,052	1,702	1,624


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CHIEF INSPECTOR
EX. DIRECTOR ADMINISTRATION & MANAGEMENT SERVICES
EX. DIRECTOR FINANCE AND PLANNING
EX. DIRECTOR SOUTHERN AND INTERNATIONAL OPERATIONS
CONTROLLER OF LENDING
MD & CE'S ASSISTANT
CHIEF SECURITY OFFICER
PUBLIC RELATIONS MANAGER


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ASST. GENERAL MANAGER
CORPORATE BANKING
ASST GENERAL MANAGER
COMMERCIAL LOANS
AGRICULTURAL SERVICES
MANAGER
PUBLIC SECTOR &
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COMMERCIAL LOANS
MANAGER
AREA
MANAGERS


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DEPUTY GENERAL MANAGER
SOUTHERN & INTERNATIONAL OPERATIONS
ASST GEN MANAGER
COMMERCIAL LOANS
ASST GEN MANAGER
CORPORATE BANKING
ASST GEN MANAGER
INTERNATIONAL
ASST GEN MANAGER
ABUJA OPERATIONS
COMMERCIAL LOANS
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AREA MANAGER
LAGOS
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ASST GENERAL MANAGER FINANCE
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ORGANISATION & METHODS MANAGER
PLANNING MANAGER
DATA PROCESSING MANAGER
INVESTMENT MANAGER
CHIEF ACCOUNTANT


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DEPUTY GENERAL MANAGER
ADMINISTRATION & MANAGEMENT SERVICES
DEPUTY GENERAL MANAGER
PROPERTIES
ASST. GEN MANAGER
SERVICES
ASST. GEN MANAGER
STAFF
ASST. GEN MANAGER
TRAINING & DEVELOPMENT
ASST. GENERAL MANAGER
PROPERTIES
ADMIN SERVICES
MANAGER
CHIEF
MEDICAL
OFFICER
STAFF
MANAGER
TRAINING &
DEVELOPMENT
MANAGER
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