RURAL BANKING SCHEME AND ENHANCEMENT OF RURAL DEVELOPMENT IN NIGERIA: CASE STUDY OF UNITED BANK FDR AFRICA (U.B.A) PLC.

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A RESEARCH WORK SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTERS OF BUSINESS ADMINISTRATION (M.B.A.) DEGREE.

JUNE 1998

DECLARATION

This research work has been written by me. All materials used in the study have been duly acknowledged.

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Sign.

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CERTIFICATION

This Research work Entitled **"Rural Banking Scheme and Enhancement of Rural Development in Nigeria: Case Study of U.B.A. Plc"** By Adole Edo Inalegwu meets the regulation governing the award of the Master of Business Administration (M.B.A) of Ahmadu Bello University Zaria, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

The project is dedicated to those who main interest is human educational development.

ACKNOWLEDGEMENT

I am greatly indebted to many people who have in various ways contribute to the successful complete of this project, my profound gratitude goes to my supervisor Mal. Dalhat Bashir Imam, who patiently supervised my research work and gave useful hints and encouragement.

I am particularly indebted to my family for their patience during the process of writing this project and indeed through the entire duration of the course.

ABSTRACT

Economic growth and development is a fundamental question in life of any nation. Every nation, at any given time is striving to attain higher level of development. The question in this struggle, as it were is always the question of designing and selecting the best development strategy.

In Nigeria, attention has been turned to rural areas as a base for meaningful development. It is in recognition of this that CBN inaugurated the rural banking scheme in 1977, which will be responsible for movement of funds from the surplus to the deficit sectors of the economy and at the same time in calculating the banking habit among rural populace.

Based on this literature, the study was conducted to assess the performance of UBA Plc in rural banking programme as one of the top three commercial banks in the country expected to transform the economic fortune of rural areas through her activities.

In the course of the study the extent to which UBA meets federal government expectation were highlighted. It was further proved that the establishment of the rural branches did not affect the profit making ability of UBA and should accept the social responsibility of contributing actively to the achieving the development goal in the Nigerian economy.

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CHAPTER ONE

INTRODUCTION

1.0 AN OVERVIEW

The primary concerns of nations all over the world have been to attain accelerated and self-sustaining economic growth.

While developed countries concern themselves more with sustaining economic growth, that of developing countries have been to project themselves on the path of economic growth. Whatever stage of development of country is in, there is no doubt that banks play important roles in the process of growth and eventual economic development.

Banks provide diverse financial services for households, business organizations and government using a variety of instruments. They mobilize funds from surplus sectors and allocate to needy sectors. They match lender and borrower (bringing the gap between lender and borrower) together, thus creating outlets for saving and investments.

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In the rural areas, banks are expected to serve greater functions. Most government often uses them to transform the rural landscape into urban centres consequently, cheap and abundant credit has always been considered as essential for rural development. This assumption, no doubt has been the most important consideration making government of developing countries to aggressively promote loans to farmers in the rural areas.

To an underdeveloped economy like Nigeria, the use of which rural banks can be put is enormous. There is no gain saying the fact that a lot of money is generated in rural areas, which are not put to any significant use.

centres. Social ills like prostitution, armed robbery, gangerterism and raping which are common features of urban centres could be minimized.

It is the light of the above a research is being conducted to assess the United Bank for Africa Plc as one of the top three commercial banks in the country expected to turn around the fortunes of the rural areas in the country through their activities.

1.1 OBJECTIVES OF THE STUDY

1. To highlights the number of branches opened by UBA Plc in compliance with directives of the Federal Government on the rural banking programme
2. To highlights the strategies adopted by UBA Plc to ensure successful implementation of the rural banking programme
3. To assess the level of credits granted to the rural dwellers and the level of deposit liabilities collected from the rural dwellers
4. To examine the problems of implementing the rural banking scheme and offer advise and recommendations
5. To provide that deposits the establishment of rural branches by the banks, profit has always been on the increase hence the need for the bank to accept the social responsibility of contributing activity to achieving the developmental goals of Nigerian economy.

1.2 JUSTIFICATION/SIGNIFICANCE OF THE STUDY

On completion of the third phase of rural banking scheme in 1989, the people's and community banks emerged for the purpose of transforming the rural economic fortune of the rural community thus stopping the commercial banks from

establishing more branches in the rural areas. In fact, the commercial banks have been given the opportunity to close some of the rural branches that are not viable to give way to the people's banks and community banks. The researcher s not subscribing to the view that the advent of people's and community banks should necessarily mean the phasing out of the rural banking programme instead both schemes should be developed.

Commercial banks in Nigeria should accept the social responsibility of contributing activity to achieving the purely developmental goals of the Nigerian economy.

If the operations of the commercial banks are properly planed and executed, they should complement, both quantitatively and qualitatively, the operations of the rural branches of commercial banks.

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Qualitatively by helping fill existing credit gaps among the very poor and the landless who cannot provide collaterals for loans from the rural branches of commercial banks, and quantitatively in that quantum of finance to the rural areas would have been increase as well as by improving the level of financial intermediation thus leading to greater volumes of resources mobilization in rural areas.

It is in view of the above that a study is being conducted for readers to see the achievement of UBA Plc on the rural banking programmes launched by the federal government in 1977 and the need to encourage commercial banks to continue or retain their branches in the rural areas.

The study will also enable the operator of the banks (UBA) to see their performance and it is hoped that they would be able to identify their problems and take note of suggested solutions.

1.3 STATEMENT OF THE RESEARCH PROBLEM

The essence of the study is to appraise the extend to which United Bank for Africa Plc has been able to achieve the expectation of the federal government by launching the rural banking programme in 1977. Has UBA Plc actually been able to achieve the purpose for which the rural banking programme was launched? Has the rural people actually benefited from the programme as well?

1.4 HYPOTHESIS OF THE STUDY

Hypothesis is a statement of fact that has not been empirically tested. It is an opinion idea or suggestion put forward as a starting point for reforming explanation; or it is an imagine answer to a real problem.

In order to obtain a meaningful study and to guide the researcher in obtaining a full understanding of the problem, so as to have a possible solution assumption is made.

H_o: The rural people who are predominantly farmers did not invest their idle cash for lack of financial trust.

However, to validate this assumption and to ensure that the issues related to this study are properly dealt with, an alternative assumption is made.

H_1: Rural people invest their idle cash to get interest for their investment.

We further assume that.

H_o: There is no development in rural banking scheme because of ignorance and illiteracy by rural dwellers in banking services.

H_1: There is development and achievement in rural banking scheme as rural dweller cultivates banking habit.

1.5 SCOPE OF THE STUDY

The study covered the period from 1977-1996 and also strictly limited to the entire network of UBA branches all over the country.

As this was not practicable due to time and financial constraints, the study used primary data largely on secondary data to attain the objective of the research.

1.6 LIMITATION OF THE STUDY

The period of the write up strictly based on the UBA Plc. The limitations imposed was in consequence of finance burden, ignorance, convictism and of course illiteracy, syndrome which has affected the personal interview could not even be designed to get the view of the rural dwellers on the performance of UBA Plc because of those lapses mentioned.

In the bank, certain information could not be disclosed because of the oath of secrecy undertaken by members of staff.

Time constraint too was an issue of importance. However, despite all these obstacles and constraints, enough data were obtained which indeed assisted in accompanying the objective of the research.

1.7 DEFINITION AND EXPLANATION OF TERMS

UBA Plc – United Bank for Africa.

Is a public limited liability company, one of the top three commercial banks in the country.

JLS – (Joint Liability Scheme).

A strategy used by UBA Plc to disburse loans to customers in the rural communities without accepting collateral for security.

Credit Scheme for rural women.

A strategy used by UBA Plc to disburse loan to women without accepting collateral for security in the rural communities.

Rural sector:

Sector is seen as consisting of all economic activities outside the urban economy. In Nigerian context, agriculture (including livestock, forestry and fishing) forms the bulk of economic activity of the rural population. Rural community therefore, is an area with a population of less than 20,000 persons and characterized by a highly integrated social system, social values, attitudes, inter-personal relations and work habits.

Economic Development:

Economic development is the structural transformation of a society such that the society sooner or latter acquires capacity and capability to supply goods and services needed by its entire populations.

Rural Development:

Rural development is a set of policies or goals with the following objectives:

i. It implies modernization that would bring about increase in productive capacity and change in human attitudes.

ii. It must ensure that production undertaken contributes towards the fulfillments of a reasonable part of these national development

Commercial Bank:

Commercial bank is a firm, is a substantial of whose business consist of accepting deposit of money withdrawal by cheque.

It borrows or receive deposit from firms, individual, government and on the basis of these resources either make loan to others at interest or purchase securities which are listed as investment.

It also charge commission for services it renders.

Credit:

Credit is the right to receive payment or the obligation to make payment on demand or at some future time on account immediate transfer of goods.

Credit base on the fail or confidence that creditors reposes in the ability and willingness of the urban to fulfill his promise to pay.

Deposit:

A bank deposit is an accounting entry showing the credit balance in favour of a customer.

Interest Rate:

Interest rate is the price of obtaining the loan. In other words, it is the additional amount paid by the borrowers including the amount borrowed at the time repayment of loan.

Rural banking strategies:

These are the techniques or approaches to be used in maximizing the benefits of the rural banking scheme.

Rural Banking Policies:

These are stipulated guidelines based on which the rural banking scheme should be operated. Such policies include amount of credit that should be granted to the rural populace, the number of rural branches expected from each bank.

Rural Banking;

This is the conscious effort by the government to diversify the economy through the extension of banking facilities to the rural communities. Such attempt is geared towards economic development.

CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter reviews the historical development of the banking system in Nigeria, origin of banking in Nigeria and adequacy of banking facilities and banking habits, which gave rise to the subject of the research project.

It will also examine the launching and the implementation of rural banking programme in the three phases. The government efforts to ameliorate the constraints are also highlighted.

However, it is pertinent here to know who a banker is or what is a bank? The answer to this question will help us to know the historical development of banking system in Nigeria.

According to (Kent, R.P. 1961) a banker is "a person carrying on the business or receiving money, and collecting drafts for customer subject to the obligation of honouring cheque drawn upon them from time to time by the customer to the extent of the amount available on their current account.

Thus in Nigerian context, any person who carries on banking business as defined above can be called a bank. This includes commercial banks, an acceptance house, a discount house or other financial institution. Central Bank is singled out to be a bankers' bank, owned and controlled by the government. It controls other banks and has the power of issuing currency.

In Nigeria, the first banking legislation was enacted in 1952. The 1952 ordinance restricted the establishment of banks and banking to companies holding valid licenses. Because of economic growth and development we have many

types of banks established to perform various roles. This will be seen in other section of this chapter.

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2.1 ORIGIN OF BANKING IN NIGERIA

The Nigerian banking system dates back to the colonial period. The activities of the extra-territorial merchants in the former West African colonials and the establishment of settled territorial government created the road for locally based financial institution. For many years, cash payment had been replacing the old barter system and the British Silver currency was increasingly used in trading transactions. They arose the need for an institution that would import these coins, distributes them and absorb any surplus.

Following the attempts initiated in 1989, by the chairman of Elder-Demspter and company a shipping firm, which operated between West Africa and Liverpool Bank of British West Africa the establishment in 1893 and opened its branch in Lagos in January 1894.

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In 1916, a new competitor, the colonial bank appeared on the scene. The new company was taken over by Barclays bank together with the Anglo-Egyptian bank and the National Bank of South Africa and converted to the Barclays Bank (D.of.O). The primary objectives of the European banks that were established at that time, was to facilitate trade and commerce with the metropolitan headquarters. The expatriate banks including those that were established long after the above named two, were more conscious with the finance of import/export trade and other locally bases expatriate enterprises. They therefore concentrated their operations in the big cities and commercial countries.

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2.2 TYPES OF BANKS IN NIGERIA

From the origin, it can be seen that a bank is a financial institution where valuable items are kept. It crates money and provides facilities for the transfer of funds. For effective banking services in Nigeria, banks are classified into the following:

2.2.0 Central Bank of Nigeria (CNB)

A Central Bank is the government in the banking sector and acts mainly as banker to government. It is the apex of the banking system of every country. It differs from any other types of banks in the power vested upon it to control and iissse currency notes and coins. In fact, it supervises the commercial banks and other financial institutions.

2.2.1 Merchant Bank

Merchant bank is a bank, which operates in, cooperate financial advice on new shares and bonds issues, capital reconstitution, merger and acquisition. It takes deposit and money market operation and foreign exchange dealing. Its origin dates back to 1960 the first two financial institutions were registered as merchant. It offered corporate financial services like issuing house service, project financing, advisory services, etc. It also offered money market services, equipment leasing and portfolio management.

2.2.2 Nigerian Bank for Commerce and Industry (NBCI)

NBCI is a development bank and opened for business on 4th October 1973. It has a long-term financial resource from the federal government and the Central

Bank of Nigeria. It was established with the prime objectives of aiding the implementation of the indigenization of the economy. It provides medium and long-term finances for the acquisitions, expansion and establishment of viable business by Nigerian industries and corporate bodies.

2.2.3 **Nigerian Industrial Development Bank (NIDC)** -

NDIB is a development bank, which was established in 1964 through the reconstitution of the investment corporation of Nigeria, which had been in operation since 1959. It is jointly owned by the federal government of Nigeria and the Central Bank of Nigeria (CBN).

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2.2.4 **The Nigerian Agricultural and Co-operative Bank (NACB)**

NACB was established in 1973 by the federal government. The bank was set up in order to improve the level and quality of all aspects of Agricultural production to enhance the availability of storage facilities and to promote the marketing of Agricultural products through liberal credit to farmers.

2.2.5 **Commercial Bank**

Commercial banking institutions occupied the largest sector. It has the main objectives of profits maximization. It is a banker to the customers. Commercial bank can either be purely indigenous (i.e., owned 100% by Nigerian government/individual or mixed banks a majority indigenous shareholder at least 60% equity and minority foreign interest).

2.3 ROLE OF COMMERCIAL BANK IN RURAL DEVELOPMENT

C,A., Lot (1979)[1] In his paper titled "Rural Banking – The Role of Commercial banks, likened the commercial banks to mother earth". He said, "you put a seed into her and with good care she brings thousands of the same seed. The same multiplication is created by commercial banks." This is achieved in two ways: -

First on a small scale (micro) when an individual deposits his money with a commercial bank (saving) it grows by the amount of interest paid on it by the commercial.

Second, on a large scale (macro) within the economy, money (demand deposit) is created by an action of commercial banks in lending.

The function of commercial banks includes acceptance of deposit and grant loan of money. These two functions are crucial to the development of any nation. By serving as an agent of deposits, commercial banks helps to draw money from small and large savers, and by serving as lenders they help to put these money in the required volume into the hands of investors. Because the growth in the living standards of the people of a country depends on investments, commercial banks become tools for attracting saving from investment. Therefore, they play an important in influencing the extent and pattern of any nations economic development,

This fact was further supported by the white papers on the financial system review commission (1972)[2] which was stated as follows: transformation of the rural environment by promoting the rapid expansion of banking facilities and services and banking habits in rural communities.

They will thus serve as paying and receiving stations for hand-to-hand currency and provide saving deposit facilities for their customers and thereby helps to mobilize rural deposit facilities for their customers.

2.3.0 Stimulation of Agricultural Production

Agriculture is a very important industry in Nigeria. This is because a country in which its citizens have sufficient food is a wealthy nation. Agriculture contributes immensely to the gross domestic product (GDP) of Nigeria and it is the greater employer of labour force.

Unfortunately in recent times, agricultural production has been declining at an alarming rate, that is, its becoming difficult to feed the Nigerian population.

Agricultural development in Nigeria is the inadequacy of credit. Obviously, many farmers have relied extensively on traditional method of farming even if they wish to mechanize, the absence of sufficient fund to acquire machineries make such an attempt illusion. To enable improvements to take place, financial resources through rural credit must be adequate.

Though there are several sources of credit available to farmers credit from the commercial banks seen to be the best. The rural banking scheme therefore is one of the many measures taken by the government in order to mobilized credits for farmers to improve agricultural output.

Umokoro (1986)[3] maintained that rural banking services of the various commercial banks is a dynamic rural support system needed to stimulate the productivity of both small and large scale agricultural farms and indeed the entire economic activities of the ruralities. He went further to say that among the possible alternative sources modern farming business in recent times; those

offered by the commercial banks appear the most suspicious and reliable. He emphasized that effective rural banking scheme enables farmers to cultivate desired banking habits which consequently provide necessary incentives, economic opportunities and access inputs. This makes it possible for farmers to expand their productivity. Farmers also need loans to enable them market product and store surplus gains.

2.3.1 Development of Banking Habits Among the Rural Populace

An important factor in the rate of capital formation and economic growth is the ability of a country to generate savings. Unfortunately in Nigeria, very little is saved in the rural economy. This is because of low per capital income. Although savings is a function of economic and social factors, it is believed that lack of saving agencies also contributes to the low saving capacity of the rural dwellers. As Teriba (1973)[4] pointed out that the relative low saving ratio in rural household is however not exclusively due to inefficient production. It is also due to the absence of institutions agencies to mobilize savings. Here due to lack of institution to mobilize savings and channel them for investment purpose, the surplus funds of the rural population are used for land litigation and conspicuous consumption.

It is for the purpose of correcting this ugly situation that the federal government decided to introduce the rural banking scheme.

Another economic advantages of extending banks offices to rural areas, it to help curtail the practice among rural dwellers of safeguarding money by burying it. There was a situation where large sum of money was buried and forgotten until

after several years when owner had died. Unfortunately, this type of practice exposes such money to being eaten up by terminates.

According to Olashore (1979)[5] about 50.4% of Nigerians money supply is outside the banking system. This compares unfavourably with 20% in United Kingdom and 19% in United States of America with banks within the reach of the rural people; more money is expected to be in bank.

2.4 BACKGROUND TO LAUNCHING OF THE RURAL BANKING PROGRAMME

Economic indicator showed that 75% of the population of Nigeria lives in the rural area and most of them have been denied access to banking facilities. The significance of this lack of access to banking facilities is better appreciated when one realizes that the bulk of the rural population is engaged in agriculture, handcraft and other basic small-scale enterprises. The fact that they were denied banking services was a serious draw back in the economy, hence government through the CBN decided to embark on a programme. To give more insight to the programme, let's consider the instrument used by the Central Bank to ensure the success of this programme.

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2.4.0 Policy Instruments used by the Central Bank to ensure rural banking

It is pertinent to say that the problem of transforming the rural economy and indeed the expansion of bank branches to the rural areas had engaged the constant attention of the Central Bank.

The various policy instrument available to the bank were being applied progressively to achieved the objectives. In various speeches at the banker's

Annual Dinner or at the banker's committee meeting, the governor of the Central Bank had always appealed to the bankers to adopt a new approach to rural development and the extension of credit to support the agricultural section, which is essentially rural based. In one of his speeches, (Nigerian Institute of Banker's Annual Dinner speech, 1976) the Governor talking about the need to spread bank sources to all part of the country said; "these is the need for a conscious policy on your part to open branches in the rural areas" this itself will afford you the opportunity to move to more challenging, but in the long run more rewarding ventures in rural areas from the stand point of economic and social development. This is the contribution you have to make to the development of the neglected rural areas any short term sacrifice you have to make, will eventually proves to be very worth while for the banking community and the nation at large. The central bank adopted another approach of getting the banks to the rural areas. Under section 4 of the Banking Decree of 1968 banks were obliged to obtained the prior approval of the central bank before they could open a new branch. This provision was applied in achieving the same objective by denying banks the approval to that request to open more branches in urban centres unless such request were matched by proposal to open branches in rural locations either simultaneously with or in advance of new urban branches. It turned out that banks utilized the approval for opening new branches in urban centres without making good their undertaking with regard to the rural centres. They offered some flimsy excuses for their breach of faith. The central bank would seek expansion in the rural areas. However, that expectation did not materialize. Some of the smaller foreign owned banks were making so much profit in their branch centres unnecessarily. The major banks refused to expand to the rural areas by the simple device of

choosing not to open new branches even in the urban centre hence the chronic congestion and delay which characterized banking services in the urban centres. The CBN was accordingly force to modify the strategy, which was designed to encourage the banks to seek rural representation.

In 1977, a rural banking survey was the central bank. Standard information was obtained from all state government in respect of the distribution of the existing bank offices within each local government area in each state and the population, occupation, major establishment and distance from the nearest bank of the major settlements in each local government responded to the questionnaires sent out. The analysis of the answer reviewed disclosed that these were not bank facilities in the following number of communities whose population range are as follows:

Table 2.1: Population range and number of settlement without banking facilities

Population Range	No. of Settlements
Over 100,000	14
50,000-100,000	28
40,000-50,000	37
30,000-40,000	47
20,000-30,000	96
10,000-20,000	108
Below 10,000	696
Total	1.126

Source: Perspective on Finance, Banking and Economic Policy in Nigeria (Oladele Olashore (1989)).

When it was realized that it took about 87 years of banking in Nigeria to established 470 branches, the problems of super-imposing 1.126 rural branches over and above the usual branch expansion programmes of the existing commercial banks was quite apparent.

It is in the light of this background that the financial system review committee recommended and government accepted I n1977 that: (CBN Annual Report 1981, pg. 39).

"In other to extend banking services and habits to the vast majority of people especially in the rural areas, the central bank should prepare a comprehensive programme for providing necessary assistance to the banking system with regard to manpower development".

In other words the financial system review committee enjoined the banks to tinage their dominant profit-motive with some socio-economic motive by extending their services to the less profitable rural areas of the country.

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2.5 REASONS FOR THE LAUNCHING OF THE PROGRAMME

Apart from the general background given above, several specific reasons underscored the recommendation of the financial system review committee to launch the rural banking scheme. These reasons are:

1. The stock of money in hand of rural populace is kept outside the banking system and is left unmobilized. This greatly hampers investment in the country.
2. Banks are the largest sector in the financial system of the country, having the greatest facilities for increasing economic development through mobilization of savings and giving credit support to small-scale industries. By means of this action, industries could spring up form the rural areas and this will go a long way to stemming the population draft from the rural areas to the towns.

3. The total reflect of the rural communities in terms of banks services and expansion not only worsened the high banking density in Nigeria but also caused unbearable congestion and hardship for the bank customers in the town where the banks were concentrated. As at April, 1979, there were only 480 banks branch in Nigeria and that gave a banking density of one bank to 170,000 persons and one branching are of 1,900kms (CBN Annual Report, 1981).

4. There was an imbalance in bank expansion between towns and rural areas, and between one state and another.

It was observed by the financial system review committee that there was a lot that banks could do to reverse this adverse situation if they could venture into the rural areas. For instance, they could serve as centres for mobilization savings from the rural communities such as an administrator of loans for agriculture and commerce, and pioneer banking habit in the rural areas.

These were the major benefits which the programme was envisaged to yield to the economy in general. It was in full realization of these advantages to the rural economy that the central bank I n1977 embarked on the implementation of first phase of the rural banking scheme.

2.6 PHASES OF THE RURAL BANKING PROGRAMME

Considering the large number of rural centres requiring banking services, it was decided that the programme should be phased for ease of execution and control.

2.6.0 **First Phase of Rural Banking**

This phase was scheduled to last for three (3) years from July'1977 to June 1980. During this period it was anticipated that every local government authority headquarters would have at least 9 branch of bank serving under it. Every semi urban centre with a population of more than 30,000 should also be provided with a branch. On the basis of this formula, some 200 centres were identified and allocated to the existing 18 licensed commercial banks in the country. In allocating centres under this phase by the centre banks, it took into consideration each banks, previous involvement in rural banking. These banks that were already operating actively in the rural areas were allocated few centres, while those who concentrated their operations in urban towns were allocated centres. Other factors that were considered in making allocation of centres were the level of economic development of the rural areas and the number of established institutions in the area.

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It is interesting to note that by the time the scheme ended on 30th June 1980, (see appendix I), a total of 188 branches had been opened and only 12 branches were not opened. In fact, banks concerned later opened the 12 branches. The execution of the first phase of the programme was a success indeed.

2.6.1 **Second Phase** of **Rural** Banking

Under the second phase, the central bank allocated 266 centres. This phase covered a period of 3 years five months (August 1980-December 1983) but was later extended by one year to December 1984.

According to Abe[6] in identifying centres for the second phase, emphasis was shifted from local government centres. Also, the state governments were to provide the list of towns and villages, which in their opinion required priority consideration.

The second phase was not successful because many banks were not happy with the number of branches allocated to them. They asserted that "banks are profit-making organization, who should also aim at maximizing the wealth of the owners. They advocated for a break between the first phase and the commencement of the second phase.

Generally, 60% of the allocated centres were opened within the stipulated period. This necessitated the extension of the phase to December 1984.

Unfortunately even after the extension by 1 year and until 30 September 1986, there were still 14 out standing branches to be opened.

2.6.2 Third Phase of Rural Banking

A total of 300 centres were identified and allocated to 28 commercial banks under this third phase. This phase covered a period of four years (August 1st 1985-July 31st 1989). Unlike the first and the second, the third phase did not stipulate any condition for the setting of a branch in the rural areas. The rate of implementation was very slow and by 31st December 1987 less than two years to the end of the phase; only 72 branches had been opened for business. Thus, the enthusiasm exhibited by commercial banks in opening rural branches in second and third phases of the scheme had dissipated considerably. In 1985, the central bank had to issue warning to the bank that were lagging behind the programme.

However by 1990, all the commercial banks had completed the branches allocated to them except national bank of Nigeria that had only, one not established. (See appendix I).

2.7 CONSTRAINTS ON THE IMPLEMENTATION OF RURAL BANKING SCHEME

The rural banking programme has been undertaken but not without serious constraints on its implementation and heavy cost on the part of the banks. The major constraints on the implementation of the programme were:

1. There was the constraint arising from the fear that banks sited in many rural areas may not be viable owing to the lowest of income of the inhabitant of such areas. This type of potential constraint was however, provided wrong in many cases as many of the rural branches later turned to be successful.
2. There was a constraint caused by high cost of building a branch of a bank. These high costs were justified by returns made by the branches so sited.
3. There was a constraint caused by lack of personnel and death of qualified manpower in the banking industry. Many banks had to resort to crash programme in the training of potential rural branch managers. This hardly solved their problems since there was no real substitute to seasoned experience in banking.
4. There was a constraint caused by poor communication system in the country. Many of the new branches could hardly be reached by road from their head offices or area offices. There was no telephone services either. The result is that there was no adequate control of the rural branches nor

can vital information be passed urgently between these branches and their head offices.

5. Lastly, there was the problem posed by the sociological and psychological constitution of the rural population. The vast majority of them are illiterate, uninformed and untravelled. They suspect banks and banks official with all their paraphelia of official doom of modernity. It therefore took hard argument trying to persuade them to patronize the banks.

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2.8 MEASURES TAKEN TO AMELIORATE THE CONSTRAINT

These problem or constrains were anticipated by the government/the central bank and measure were therefore taken to tackle them as they arose. These efforts as solution of the problem included;

1. The Federal Government embarked on the policy on emphasizing agricultural production. Operation feed the nation and agricultural credit scheme were embarked upon. The aim was to enable the rural branches give increased loans to agricultural schemes in the rural areas and thereby make some handsome profits by way of interest on loans in order to offset some of their initial costs. The activities of the agricultural development projects were also aimed at making rural banking attractive to commercial banks.

   The agricultural development projects are jointly financed by the award bank, federal and state government. For example there are integrated agricultural project in Funtua, Gusau, (established I n1976) Gombe (1975), Bida (1980) and Ilorin. Their activities include offering assistance to farmers in the fields of agriculture, as well as construction of

good roads linking towns and the rural area. They also construct dams for irrigation and supply of drinking water. These activities raise the farmers income and bring socio-economic development to the rural areas.

2. Again local government authorities were specifically enjoined to help in finding or providing accommodation for the incoming bank branches. There was almost 100% success with compliance to this request.

3. On the problem of death of qualified manpower, the Central Bank of Nigeria (CBN) now helped to train more banks personnel to meet the death of qualified manpower. In this respect, it solicited and obtained the assistance and co-operation of the universities and other institution of higher learning in the country. It also created the financial institutions training centre for the training of top bankers and top managers in finance houses.

4. On the matter of communication and control problems, the Central Bank of Nigeria (CBN) made allocation of new branches to banks taking into consideration existing branches of the main banks for ease of communication and control. Also the Central Bank of Nigeria now generously supported the decentralization of Head office control by allowing the creation of many new offices to cater for the needs of the rural branches. Also the Central Bank of Nigeria (CBN) waived the requirement to produce a feasibility report before the establishment of a new bank branch.

5. The introduction of agricultural credit guarantee scheme in 1977 was also a source of encouragement to the commercial banks. Commercial banks had complained of inability to grant loan to peasant and small-scale farmers. This was mainly because most of these small scale farmers did

not have sufficient collateral to back up their loan thus making it difficult on the part of the commercial banks to implement the agricultural credit programme. To ease the problem, the government instituted the agricultural credit guarantee scheme fund pledging to guarantee 75% of any project financed under the scheme. The decree establishing the scheme further states that for loans under N5,000 (Five thousand naira), banks are not expected to demand tangible securities and feasibility reports.

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3. Other measures taken include

a) Telex Radio and Courier services system were established by many of the banks themselves.

b) Credit facilities made by the banks to rural communities were no longer restricted to their permissible level of loans and advances or in determining the banks ratio of adjusted capital to loans/advances.

c) The Central Bank of Nigeria (CBN) allowed the banks t monopolize for some time the area in which they had established a branch in other to compensate it for the sacrifice made to develop the area. These are the efforts made or attempts to solve or remote the constraints posed in implementing the rural banking programme. It is true that in the short run, the banks would have to make a lot of sacrifices in establishing the rural branches, but there was no doubt that they would be more compensated by the long-run advantages that would accrue to them in terms of getting a large client and good image in generating business in future.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 HISTORICAL BACKGROUND OF U.B.A. PLC

The United Bank for Africa Limited has its antecedent rooted in that of its precursor, the British and French Bank Limited. The British and French bank Limited itself, metamorphosed from BNCI Paris, banquet Nationals pour la Commerce et al industries established in 1932.

The United Bank for Africa was incorporated to take over the assets and liabilities of British and French Bank on February 23, 1961. The official opening of the bank for business under the new name was on October 3, 1961. Its registered office was at 127-129 Broad Street, Lagos. With.the establishment, UBA became the first bank among the international banks operating in Nigeria at the time to be registered under the Nigeria Law. Its paid-up capital was over N4 million.

Nigeria state in the bank constitute 60 percent of its shareholding, while four of the founding international banks, Barque Nationale de Paris, Bankers International Corporation of New York, Banco Nationals dei Liavoro of Italy and Monte dei Paschi di Siena of Italy own 40 percent of the stake.

All four are represented in the board of the bank and have continue to offer their expertise and resource to assist the bank and its numerous customers in Nigeria and outside the country.

The bank with an initial paid-up capital of N4 million inceptions was grown steadily garnering over N48 billion worth of assets and establishing over 202 branches spread all over Nigeria with an On-line computerized system and the staff strength of the bank has increased from initial twelve to 7,896. The bank

also maintains branches in New York and Cayman Island and U.S.A. as well as correspondence with many banks in Africa and other parts of the world.

UBA is visibly active in all faces of commercial banking. Providing excellent international banking, trusteeship share registration, corporate finance and computer services through specialized divisions and subsidiaries.

The bank has remained committed to the continue growth and development of Nigeria' economy through its specialized sources to the vital sectors including energy, manufacturing, agriculture and agro-allied as well as federal government parastatals.

Aggressive business promotion strategy coupled with willingness for innovation has earned the banks an enviable position in the nation's banking industry.

The bank's operating results for the year ended March 31, 1996 showed its gross earnings growing by 1995 to N7.43 billion. An increased of 174.9 per cent compared with the N490.63 million recorded in 1995.

Also profit after tax rose to N1.01 billion against N354.62 billion achieved in 1995 and increased of 186 percent with asset based of N47.9 billion.

Despite the enviable achievement; the bank has continued to explore ways to improve its services. It has conscientiously continued to up grade its technological capacity in line with development in the industry worldwide.

The first General Manager of the bank was Mr. F. de Lajuqie and Sir John Balfour a Briton was the first Chairman of the board of directors. Chief A.E. Howson Wright began a cycle of Nigerian as Board Chairman in February 15, 1974. Chief (Mrs) D.B.A. Kuforiji-Olubi made history as first woman to be made

chairman in the Nigerian banking industry in 1984 all this people have made a remarkable progress and consolidated its policy of exploitation.

With the team of energetic and dynamic management led by Alhaji Abba Kyari as the Managing Director and Chief Executive and a resourceful chairman in the person of Dr. Hakeem Bello Osagie. UBA is strongly committed to its social responsibilities, affecting lives of people positively.

3.1 OBJECTIVES OF UBA PLC

No company can stay in business unless it is profitable. If it is unprofitable it must eventually close down. Profit is therefore a measure for efficient and effective utilization of resources human, finance and material. UBA most important objective is to make profit and continue the operation.

Another objective of the bank is to be socially responsible and responsive to the society. In this regard, the bank has for long been associated with solving manpower development needs of the country. The bank consistency had made available higher education scholarship to Nigeria in different discipline as agriculture mechanic, computer sciences, and most especially in the accounting, finance and business administration. The bank also conduct training programmes for other organization such as banks for financial institution.

Other objective of the bank includes among others

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i. To industrialize the country Nigeria through financing both long and short term investment.

ii. To maintain a fair share of the market in all its activities.

ORGANIZATIONAL CHART

An organizational chart is a pictorial diagram of how an organization is set up and can be use in allocation of duties and responsibilities to every employee in the organization. Organizational chart is shown at a glace. Indicating who is responsible and accountable to whom and for what.

General Management of UBA Plc

At the apex of the bank's organizational structure are members of General Management comprising the Managing Director, Executive Directors, the General Managers and Deputy General Managers: -

Managing Director and Chief Executive, he is charged with the total responsibility for the day-to-day running of the bank. Executive directors Lagos banking sector, supervisors the operation of banking services to corporate and individual customers in the Lagos clearing area branches of the bank.

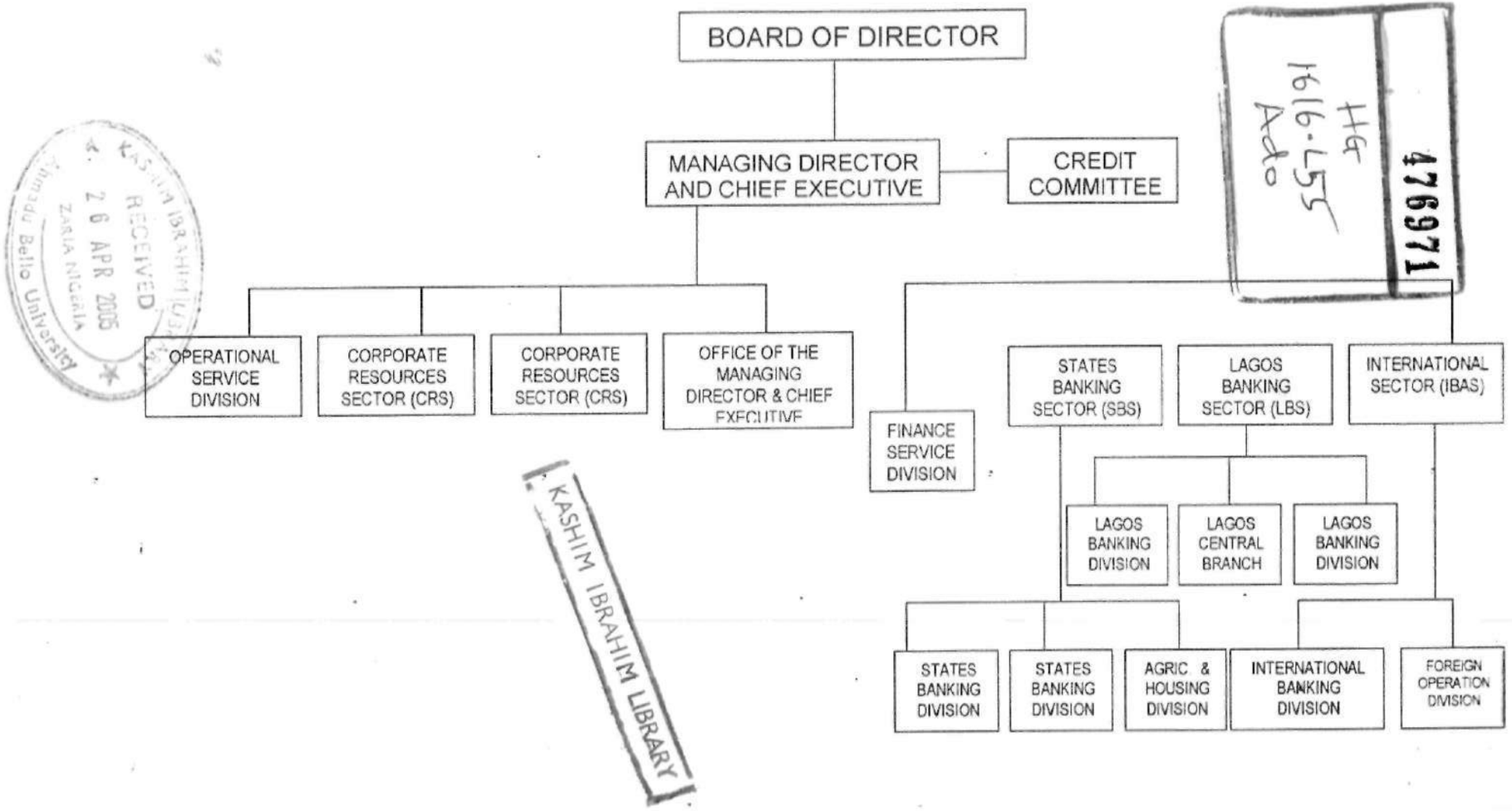
Executive director international banking sector supervises the international banking sector consisting of foreign operations division exchange control, credit and foreign accounts, international banking division (foreign officer, international business and customer services and research).

Executive director corporate services sectors consisting of finance division and legal and share registration service division.

Executive director corporate resources sector, he heads the sector comprising personnel and property division. Operations of all the regional area offices and agriculture and housing division.

Deputy general manager corporate development division heads the strategy planning, public relation and marketing department.

UNITED BANK FOR AFRICA PLC ORGANIZATIONAL CHART



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3.2 STRUCTURE OF RURAL BANKING UNIT

The rural banking unit refers to that system of banking where any bank that operates within the system does not have a branch.

In the unit banking system, there is only one office building which serves as both its head office and branch. It is prohibited for any bank operating in the system to have branches. There are a number of countries that encourage the practice of unit banking system. In the United States, for instance, some states prohibits the branch banking system. This is however, largely due to the political influence of small local bankers, thus encouraging the establishment and retention of a large number of unit banks.

In Nigeria, the unit banking system is not practiced prior to the advent of the community banking system. The community banks in Nigeria are not allowed to open any branches, thereby giving them the status of unit banks.

The revised prospectus of the national board for community banks proved that:

> *"A community bank is a unit bank and its administrative head is a manager".*

This then implies that no community banks is allowed to create, operate and utilize a branching system. It is expected that a community bank must strive and endeavour to effectively and efficiently cover and serve its catchments area within which it is established. The structure of rural banking unit are of two types which are as follows:

1. **Ownership Structure**

A community under the community banking programme is perceived as a group of people who posses a common bond arising from residence, occupation,

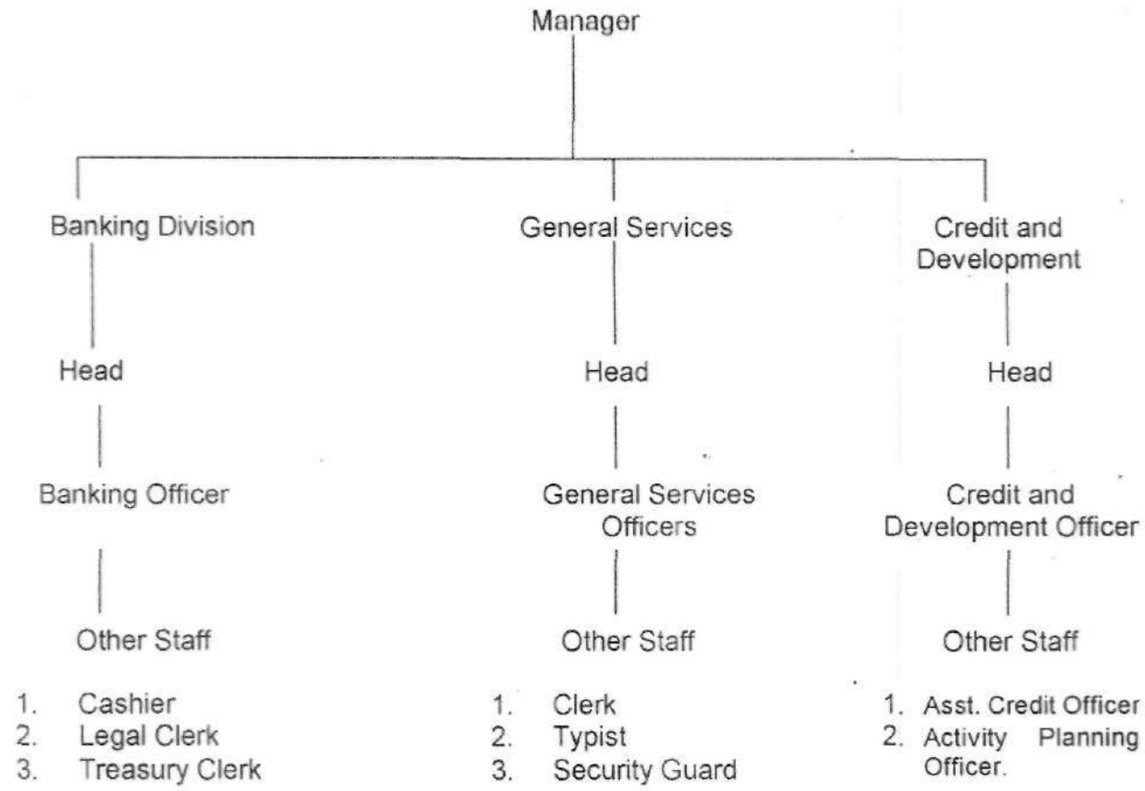
profession or other similar attribute and who interact fairly frequently in pursuit of economic goals. In this regard, over 100,000 communities, listed by the Directorate of Foods, Roads and Rural Infrastructure all over the country, quality to operate community banks. By this definition, do universities communities, co-operative societies, farmers groups, arts and craft associations, skilled trade groups such as mechanic and weavers.

The ownership structure of the community banks indicates that it is geared towards the mobilization of the rural communities and the small and medium scale productive sectors of the nation to come together and exploits the advantages of the modern banking system, when was something they never had the opportunity to enjoy in the past. It is an opportunity for them to now own their bank, which will provide for their credit needs so as to improve their production and ultimately their living standards.

2. **Management Structure of Rural banks**

Rural banks are not expected to perform sophisticated banking services unlike the type associated with commercial banks, a simple organizational structure of the type shown is recommended for every rural/community bank.

Organizational structure of the type shown in the diagram below.



The National Board for community banks recognizes the leadership of the Board of Directors not Executive Director or any other title. The minimum number of Directors for a rural bank should be five and maximum, seven. Such Directors are also expected to come from among the rural area and should be a members of community development associations. Being a unit bank, the administrative head of a rural bank is a manager. The National Board for Community Banks (NBCB) even states: "the head of rural banks should in under no circumstances answer such designation as managing director, chief executive, executive direction, general manager or any designation other than manager"

To give a rural bank legal status, it must be incorporated with the corporate affairs commission (CAC), through the NBCB. The minimum equity share capital licensed to operate is two hundred and fifty thousand naira (N250,000.00). After 3 months in operation the bank can apply to the NBCB for a matching loan.

Currently, it does not exceed three hundred thousand naira (N300,000.00). No community banks is allowed to operate a branch system.

3.3 RURAL BANKING SCHEME IN UBA PLC, ZARIA

A rural bank is a financial institution established to provide saving facilities and cater for the credit needs of small-scale producers throughout the country.

Rural banking represents the coming together and modernization of two traditional institutions with which almost every individual is familiar with.

The first is the rotating credit known as "Asusu, Adashi", etc. The other town union or community development association. The latter has been responsible for significant development in most Nigerian communities such as building schools, town halls post offices, health centres, constructing of good roads and provision of water and electricity.

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The main reason for bringing in these two institutions together, was due to the failure of various government policies to usher the development in the economic life of the grass roots communities throughout the country. Such policies include the government agricultural credit schemes, with its agric insurance scheme, rural bank branching, people's banks of Nigeria etc. These policies failed because commercial banks and even development banks faced serious constraints in attending to the credit needs of millions of small-scale producers. The difficulty of getting commercial banks attend to the credit needs of small-scale producers especially the rural dwellers, was starting to paralyze the programme of the Directorate of Food, Road and Rural Infrastructure (DFFRI).

According to the Decree of the Directorates, one of its primary objectives should be to identify, involve and support viable local community organizations in

the effective mobilization of its people for sustained rural development activities. Based on this, the Directorate defined its mandates into three broad areas:

i. Community organization and social mobilization,

ii. Infrastructure development, and

iii. Promotion of productive activities.

The third mandate has not been easy to initiate. The productive activities include agriculture and food production, rural industrialization and rural transportation.

3.4 INTRODUCTION OF STUDY POPULATION SAMPLING

This chapter is devoted to the methodology used in the research process. This will enable you to know the sources of data use in the study, which are mainly primary and secondary sources. The study covered the entire network of UBA Plc branches all over the country. Non-probability sampling was applied. A non-probability sampling is a procedure in which population does not have equal chance of being selected or sampled.

Ten (10) samples of rural branches were used, which were both from the north and south to enrich the study and gives the impression of other branches.

Therefore, the selection of the sample of (10) rural branches was based on the criteria by which the branches were opened (date of establishment) and the number of branches operating in the parts of a country.

Again the system by which UBA Plc decentralized it's offices into regions such as south west, north central, north east, northwest and south east respectively was a major criteria under consideration.

3.5 METHOD OF COLLECTION INFORMATION

The research method adopted for this stud were a survey of rural banking practice and operating records in some branches of UBA Plc as well as survey of practices and sources of financing economic and agricultural activities among the rural population. For this purpose the use of primary and secondary data was employed to enhance the study.

1. Primary Data

In other to obtain data that would provide information on the operations of UBA Plc rural banking branches and their contribution to the development of the rural areas of the country both questionnaires and personal interviews and observations were used.

a. Questionnaires

A questionnaire was design and administered among the rural bank branches of UBA in the country. The designed questionnaires were mailed through UBA's courier or system to the rural managers. The banks officials assured the researcher of reliable facts and figures or information.

The primary purpose of the questionnaire was to access the contribution of the rural branches to the development of the rural areas where they are situated.

To achieve this, the questionnaire was designed to collect data on specific objective of individual branches and the deposit mobilization programme. It would have been necessary to design questionnaire for the customers of these rural bank branches so that their assessment of the performance of these branches would be known.

However because of the low literate level in the rural environment, reliable information may not be obtained.

The researcher feels that information provided by the managers will be sufficient to enable us to know the performance of these branches in the development of the rural economy.

The information provided by the bank managers may not be biased since they are just employees of the bank.

b. Personal Interview and observation

Under this, the researcher interviewed some rural branches coordinators at the area offices of UBA Plc.

For example, personal interview were held with sub-managers, of Agric. Offices of Jos and Kaduna. In addition some discussion with officers of the supervision department in zonal office of the Central Bank of Nigeria was made particularly with regard to their funding during their routine inspection of rural branches in the states. Personal visit to some branches during working hours were undertaken to observed operations across the country.

2. **Secondary Data**

The use of the available literature on the subject was extensively made especially from the publication of governments development plans, symposia.

The use of available published data of the rural branches was made wherever necessary. The Central Bank of Nigeria publication like the economic and financial review, Central Bank of Nigeria Annual Report and other business journals were extensively used.

3.6 METHOD OF REPORTING AND ANALYZING DATA

Descriptive method was extensively adopted in reporting and analyzing the data collected through questionnaires another methods used like the strategies

adopted by UBA Plc to ensure successful implementation of the rural banking programme and the peculiar problems faced by the bank in the cause of implementation of the scheme were analyzed using descriptive means.

The statistical method of analysis was used, which strictly based on the classification of the data collected. The use of average and percentages was highly employed for comparative purposes. Therefore problems of rural banking in Nigeria was assessed based on the data collected such as demands for loans, daily transaction recorded and the ability of the banks staff and managers to communicate with illiterate farmers directly in the local language.

3.7 UNITED BANK FOR AFRICA PLC INTRODUCTION

The field of study indicated by the title the profile of the UBA Plc was analyzed, stating the commencement of the operation in Nigeria and the number of branches opened by the banks as at today.

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Further studies were conducted on various policy instrument used by the bank to ensure successful implementation of the rural banking programme.

Since the successful implementation of the rural banking programme cannot be devoid of difficulties effort was made to highlight the specific problems faced by the bank in the course of implementing the programme.

3.8 PROFILE OF UBA PLC

The United Bank for Africa Plc (UBA) is one of the Nigeria's top three commercial banks. It was established in 1961 by a consortium of five International banks to take the business carried on. In Nigeria since 1946 by British and French bank limited.

With asset of over N12,685 billion and over 190 branches spread all over Nigeria. UBA is active in all aspect of commercial banking and provides international banking, trusteeship, share registration, corporate of finance and computer service through specialized division.

(UBA Annual Report 1996, pg. 4)

Aggressive business promotional strategy coupled with the willingness to innovate have earned UBA an available position in the banking industry.

As a good corporate citizen, UBA is strongly committed to its social responsibility and identifies with community in which hit operates.

UBA has branches in New York and Cayman Island and representative office in London and maintains corresponding relationship with many banks in Africa and most of the world.

UBA Plc, like other multinational banks in the country established most of their branches in the urban centres before the launching of the rural banking programme in 1977. out of the total number of branches located in all of the urban centres in Nigeria, eleven were concentrated in Lagos and less were concentrated in Abuja before the launching of rural banking programme in 1977 – (See appendix 2 list of branches of the bank).

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3.9 STRATEGIES ADOPTED BY UBA PLC TO ENSURE SUCCESSFUL IMPLEMENTATION OF THE SCHEME

While trying to satisfy the Central Bank regulation by establishing branches in the rural areas the bank had to adopt strategies to. ensure successful implementation of the scheme and at the same time realizing its own objectives of profit making.

The Central Bank adopts another strategy under the banking decree to get banks to expand to the rural areas. Under the provision of the decree banks were to obtain the prior approval of CBN before they could open new branch.

This provision was applied in achieving the same objective by denying the banks the approval to their request to open more branches in urban centres unless such moves was matched by a proposal to open rural branch in rural area.

The objective of CBN is to ensure rapid expansion of banking services to the rural sector to facilitate the transformation of the rural economy and thus restrain population drift from rural to urban centres. The rural economy is agriculture based; the promotion of agriculture is therefore a vital exercise to the survival of the nation and indeed rural transformation aspirations.

Thus the agricultural credit guarantee scheme recently established by government to facilitate the extension of credit by banks to the rural sector is a well conceived strategy.

3.10 ESTABLISHMENT OF AGRICULTURAL CREDIT DEPARTMENT

The United Bank for Africa has always financed agriculture starting with pro-agricultural produce buyer and marketing board in the 60s.

However, with the various polices of the federal and state government aimed at revitalizing the agricultural sector, the most important of which is the programme for extending banking services to rural areas.

The UBA agricultural credit department was created in 1978 to serve as the focal point of the increased emphasis to be accorded agricultural lending in line with the expressed priorities of the state and federal government. Agricultural specialist from this department care attached to selected UBA branches

throughout the country, to assist farmers applying for agricultural loans and supervise the utilization of such loans. The establishment of agricultural credit department by UBA Plc has the following objectives: -

i. To ensure that facilities together with interests and other authorized charges are promptly repaid by the beneficiaries.

ii. To ascertain through supervision, that facilities granted are utilized for the agricultural purpose for which they were granted.

iii. To monitor the progress of the project, assist client when necessary and offer advise.

The operating areas of this department involve lending, which is broadly divided into: -

i. Direct financing: - lending directly to farmers (individuals, groups or organizations)

ii. Indirect financing: - lending to organizations, co-operative unions or societies government agricultural lending institution, which in turn, will lend to farmers or farmers organization.

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To qualify for UBA Agricultural Credit facility, in the case of an individual who want to apply for loan, he must posses the ability, the training and experience to manage the project, and he must be able to provide the necessary land for establishment of his project before applying for a loan from UBA Plc. While in the case of partnership, it must posses legal status i.e., dully registered and for limited liability companies, must be within the borrowing power of the organization. Therefore, the applicant must have farming as the main occupation.

Application procedure may be by letter or by completing the required copies of form from the CBN obtainable in all UBA branches. This application must be accompanied with a copy of the feasibility report of the project. The report depends on the size of the project and the income projection should cover the life of the loan sought.

Interest rate were in accordance with the Central Bank of Nigeria guidelines, and are stipulated by UBA. Other charges levied according to the banks regulations. Loan granted was strictly based on duration which were either short-terms, medium terms or long-terms.

3.11 SCHEMES INITIATED BY THE BANK FOR THE RURAL ENVIRONMENT

Because most inhabitants of the rural environment may not be able to produce security for facility sought, the following special lending were initiated for them by UBA

The bank envisaged that with the initiation of the scheme; repayment of the facilities granted will be ensured since most of the facilities given in rural environment is without collateral security.

The essence of this analysis is to examine the rate, which UBA Plc was able to accomplish the expectation of the federal government on the number of branches expected to be opened.

Out of the 27 branches allocated to her in the 1st phase, the whole branches were completed within the stipulated time of 3 years. Thus achieving 100% of the expectation of the federal government.

In the 2nd phase, there were some technical hitches, which lead to the bank inability to meet the target. December 1983 is given as the deadline within the period, 24 branches out of 32 were opened. Thus achieving 75% completion. It was common with all the commercial banks and as such, CBN extended the date to December 1984. Before the end this new date, UBA Plc had already achieved 100% completion.

In the 3rd phase, 93% completion was achieved by the deadline of July 1989 and by 1990 the bank had completed all the branches allocated to her. From the foregoing data analysis, UBA had achieved the expectation of the federal government by establishing 87 branches within the specified period. The analysis will be based on the questionnaire administered.

4.2 STAFF STRENGTH AND APPROPRIATE AREA AND POPULATION SERVE

One of the reasons that lead to the inauguration of rural banking was to reverse the total neglect of the rural areas suffered in the scheme of bank expansion and inadequacies of banking services. Generally in the rural areas, the aim is to find out to what extent modern banking services were brought nearer to the rural dwellers.

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4.3 SAVING MOBILIZATION PROGRAMME

Since saving mobilization is one of the objective of rural banking, an attempt was made to ascertain whether the rural bank had any programme for deposit mobilization and the nature of such programme the table contains the responses.

Table 3.

S/No	Programme Description	No of Responses
1	Canvassing for deposit for all members of staff from village-village	3
2	Enlightenment of rural populace on banking habit by personal contacts	5
3.	Relying on advertisement on radio and Television by bank headquarters.	2

Source: From the questionnaire it shows that out of the respondent, eight were positive on the response of deposit mobilization. While two managers relied on advertisement on Radio/Television. These eight respondents made extra effort to canvass for deposits.

Out of the eight who responded positively, three described their programmes as canvassing for deposits by all members of staff from village to village. Five of the respondents were using enlightenment campaigns on banking through personal contacts. From the response one can deduce that not much effort was made on campaign probably because, there was no incentive from the head office of the bank for these extra duties, which cannot be made outside official working hours.

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3.	Relying on advertisement on radio and Television by bank headquarters.	2

Source: From the questionnaire it shows that out of the respondent, eight were positive on the response of deposit mobilization. While two managers relied on advertisement on Radio/Television. These eight respondents made extra effort to canvass for deposits.

Out of the eight who responded positively, three described their programmes as canvassing for deposits by all members of staff from village to village. Five of the respondents were using enlightenment campaigns on banking through personal contacts. From the response one can deduce that not much effort was made on campaign probably because, there was no incentive from the head office of the bank for these extra duties, which cannot be made outside official working hours.

4.4 GROWTH AND COMPOSITION OF DEPOSITS

The purpose of this was to find out the performance of these rural branches in terms of deposit generation and also to know the composition of deposit that were most acceptable and poplar in these rural areas.

But the effort failed, because the branches declined on the ground of official secrecy. Even the names of the branches were restricted as you can see in other areas of analysis; only letters were used to represent these branches.

4.5 AMOUNT OF LOAN GRANTED

The creation of credit by way of equity and loans for small-scale industries and for agricultural production, met one of the objections of the rural banking scheme. An attempt was made to find out how much loans and advances were granted out of the total deposits generated in the rural areas.

Table 4.
LOAN AND DEPOSIT RELATIONSHIP FOR 1999

Bank	Loan Granted	Total Deposit	Loans as % of Deposit
A	200	329	60.8
B	-	-	-
C	235	481	48.9
D	405	999	40.5
E	450	-	-
F	300	1,840	43.5
G	350	593	59.1
H	-	-	-
I	-	-	-
J	-	-	-
Total	2,440	4,242	
Average	406.6	842	50.6

Table 4 shows six banks manager agreed to release information on the loan and advances granted for 1999. Among them one of bank manager refused to state his branch total deposit for the same period. A bank granted loan totaling N200,000 for 1999 which was 60.8% of the total deposits collected for the same

period. This even exceed the CBN prescribed percentage of 5% of the total deposits collected by any bank to be granted as loans. A total of N360,000 as loan which was 59% of the total deposits collected in the same period. This also exceeds the CBN prescribed percentage.

However, three of the respondents who provided information pertaining to both their deposit and loan for 1999 did not meet the CBN prescribed percentage as the table show. On the average each bank granted 50.6% of its total deposit as loan to farmers and small industrialist.

The implication of this is that the bank managers have attempted to state their approximate area of coverage except one who is not specific. Compelled and even exceeded the CBN prescribed percentage of 50% of the total deposits collected by any rural bank to be granted as loans. This shows the loyalty of the bank to the directive of CBN and thus the development of rural economy.

4.6 RECOVERY OF LOAN LEVEL

The concern of this section is to ascertain whether there were high loan default rate as expressed by some bankers especially with regards to agricultural lending. Bank manager were asked to classify their loans recovery rate, whether they were satisfied with the way loan repayment of such loans or not and state the reasons. Out of ten (10) respondents 7 or 70% were dissatisfied with the loan recovery level. Only 3 of the respondents were satisfied. However this three did not participate much in the agricultural credit guarantee scheme. Some of the reason that the managers include the fact that loans beneficiaries did not in most complied with the terms of the loan repayment and that in the event of bad debt there was nothing to rely on.

Table 5

S/No	Response	No	%
1	Satisfactory	3	30
2	Unsatisfied	7	70
Total		10	100

4.7 THE PROFITABILITY OF RURAL BANKS

The establishment of rural branches was the fact that rural branches could hardly be viable enough to justify the investment. In the section, we attempted to ascertain whether or not these rural branches have started making profit. The bank managers were asked to indicate whether their branches were making profits breaking even or making loss.

4.8 PROFITABILITY OF RURAL BANKS

Table 6.

S/No	Response	No of Respondent	%
1	Making profit	2	21
2.	Break even	2	21
3	Making loss	5	58
Total		9	100

Source: Questionnaire on bank managers.

The above table shows that only 2 out of 9 respondent banks were making profit. These two branches were established since 1979. Also 2 branches were breaking even. These branches were established in 1982 and 1993 respectively. Five of the respondents banks were making losses. We however, found that one of the respondents which was making losses was established in 1990. it was also discovered that this has not been granting loans to customers.

It gave out only 12% as loans out of total deposits collected in 1995. Since deposit are the sources of the banks principal assets and since this has deposits it follows that it has not granted enough loans. One of the respondents refuse to state whether it was making profit or not.

Although the response from the managers indicated losses, the bank as a whole (UBA Plc) makes profit yearly, which should justify the need to assume some social responsibility to their immediate environment. For example, the profit and loss account for UBA Plc for the 5 years is as follows:

Table 7

THE SUMMARY OF PROFIT AND LOSS ACCOUNT OF UBA FOR FIVE YEARS 1991-1995 (=N=000)

Year	Gross Earning	Profit Before Tax	Taxation	Profit after tax
1995	4,659,827	490,630	(136,010)	354,620
1994	4,643,441	213,233	(79,730)	133,503
1993	2,930,899	368,077	(102,640)	265,437
1992	2,084,649	19,668	(6,803)	12,865
1991	1,461,544	18,380	(7,366)	11,014

Despite the establishment of rural branches, profits have always been on the increase between 1991 to 1995. profit after tax sky rocketed from N11,044,000 to N354,620,000 in 1995.

The implication of the above tabulation is that the establishment of rural branches does not affect their ability to make profit.

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4.9 CULTIVATION OF BANKING HABITS

Cultivation of banking among the rural populace is one of the major objectives that led to the formulation of the rural banking scheme. However, in Nigeria generally, the factors responsible for banking habit in rural areas can be summarize as follows:

a. Inadequacy of banking facilities and the poor service produced by banks to their customers.

b. The hardship of opening and operating a bank account.

c. The high level of supervision about safekeeping of money in general.

d. Unreliability and acceptability of cheque as instrument of exchange in the rural economy. Due to moral standard economy, due to low moral standards, lack of trust and difficulty of clearing cheque.

Despite the above factors, UBA has indeed improved the availability of banking facilities in the rural areas in Nigeria.

However, the high level of illiteracy still persist with the consequent lack of understanding by the rural populace of the modern financial system and the opportunities it offers. Moreover, cheque is still unreliable and unacceptable as a medium of exchange among the villagers due to some reasons mentioned above

4.9.1 **Creation of Credit**

The transformation of rural economy, which is predominantly agriculture, is done by creation of credit by way of equity and loans for small-scale industries.

An examination of the loans granted by rural branches out of the encouraging results. Their records available for the study, the average loans as percentage of deposit recorded is 50.6% which is slightly above the minimum requirement of 50% of the CBN.

Bank generally have a practice of not keeping idle cash balances in any branch. Their deposits are usually pooled together and re-distributed according to needs depending on which branch has the highest effective demand for investment financing.

It means that the saving from rural areas are transferred to finance investment elsewhere with a higher entrepreneurial talent. This probably explains why three out of the five branches did not meet CBN requirement of 50%.

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4.9.2 **Reduction of Rural-Urban Migration**

The reduction to a comfortable extent, the drift of young men and women from rural areas to urban was the final objectives of the rural banking scheme. There are no statistics to show us whether or not there has been a reduction in rural-urban migration since the inception of the rural banking scheme.

However, it will suffice to examine the factor that encourage the migration to see whether the scheme have caused any change to take place which might lead to the reduction of the drift. These factors are both social and economic in nature. Some of the social factors responsible for the migration of men and women from rural urban centres are base on institutional development which could improve the quality of life of the people in the rural areas which include the provisions of good drinking water, electricity supply and health facilities. So far there has been no indication that any of these development has taken place anywhere at the instance of the establishment of a bank in any locality. In fact, it is the presence of these social factors that will bring about the establishment of a bank branch.

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The economic factors responsible for rural-urban migration relate to job opportunities and relative income both in and outside the agricultural sector. Some of the young men and women who migrate to urban areas do so in search of white-collar jobs, which are generally lacking in the rural areas. If the rural banking scheme through the creation of credit by way of equity and loans to small scale industries succeeded in creating viable industrial sector in the rural areas and therefore producing opportunities for white and blue collar jobs, the drift will indeed be reduced.

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Similarly, some young man and women migrate to the urban centres in search of greener pastures where incomes are higher and therefore support a better quality of life. If the rural banking scheme succeed in raising the income of rural dwellers through the provision of cheaper finance for the procurement of modern farm inputs thereby raising the productivity and income and capable of rotating people on the farms.

The rural banking scheme impact in the provision of job opportunities or in increasing the productivity of farmers and appreciably realized. This stems from the structure of these rural banks as they are subset of commercial banks showed orientation is profit making. Profit, essentially is the essence of most economic undertakings.

Without it, economic activities will be at a very high stage. If profit is important to other business, it is in the light of commercial banking. From the foregoing, the objectives of reducing rural-urban migration is not easily accomplishable by subset of commercial banks, instead we envisaged that the establishment of government banks like Nigeria Agricultural and Cooperative Bank, Nigeria Bank for Commerce and Industry and People's Bank will improve the situation.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

5.1 SUMMARY

The outcome of the research findings will be summarized in this chapter and conclusion will be made. Based on the analysis of the findings recommendation will be made for improvement of the rural banking scheme for UBA Plc and commercial banks in Nigeria. The Federal Government's concern about inadequacy of banking facilities and poor banking habit in Nigeria is justified.

The justification arises from the development process of the country as a whole and the stagnant rural economy in particular through the processes of mobilization and intermediation. The study has found that given the backwardness and generally uniformed rural populace of the country with low entrepreneurial talent, the rural banking scheme is welcome. This is because it has the potential for mobilizing and transferring resources from the traditional (non-growth) sector to modern (high-growth) sector of the economy, and for promoting and stimulating entrepreneurial response in the rural sectors of the economy.

Generally the objectives of rural banking scheme aims at assisting and transferring the rural economy of Nigeria. The scheme in effect attempt to stimulate agricultural production by making credit available to rural farmers.

The federal government and CBN anticipated serious constraint or problems and heavy cost in the implementation of the rural banking programme and measures were taken to tackle these problems as they arose. One of such major problems was that the fear of banks sited in rural areas may not be viable

owing to lowness of income of the inhabitants of such areas. Because of this, the federal government embarked on policy of emphasizing agricultural production operation feed the nation and agricultural credit scheme.

This enable rural branches to increase loan to agricultural scheme in the rural areas and thereby made some profits by way of interest on loans in order to offset some of the initial cost.

Despite all thee problems the bank (UBA) has been able to record a lot of achievement in the rural banking scheme since its inception. The result of the questionnaire administered and data collected from secondary sources indicated that UBA performed well in accomplishing the target of the federal government by opening al branches allocated to her.

5.2 CONCLUSION

From the foregoing, we have succeeded in the performance of UBA Plc in the rural banking scheme with respect to the objectives for which the programme was launched.

The study has revealed that banking habits is gradually being cultivated in the rural areas and substantial savings are being mobilized. Credit to the rural dwellers is not left out of the achievement.

From foregoing, commercial banks in the country should be encourage to open more branches or retain their branches in the rural areas since their activities will improve the level of financial intermediation us leading to greater volume of resources mobilization in rural areas. They should accept the social responsibility of contributing actively to achieving the pure developmental goals of Nigerian economy.

5.3 RECOMMENDATIONS

From the following recommendations if fully implemented, it will improve the performance of rural banking in Nigeria. Generally United bank for Africa (UBA) in particular thereby accelerating the rate of development in the country. The recommendations are categorically given to federal government and United Bank for Africa and other banks.

1. Agricultural Credit Guarantee Scheme: Introduce in 1977 by which the Central Bank guarantee loans to farmers under prescribed conditions has been of much assistance to small farmers in particular. The documentation required to qualify for guarantee under the scheme has however, proved too cumbersome for the ordinary farmer.

2. Sufficient Farmers Co-operative the cost and difficulty of banks in extending credit to agriculture are compounded by the insufficiency of farmer's co-operatives most costly and risky. Organizing with the inputs knowledge and skills they require to be better farmers and the facility for storing and marketing their outputs.

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3. The various Agricultural Development projects and agencies integrated rural development schedule, Nigeria agricultural credit co-operatives and loan boards should all be involved in a massive drive to organize farmers into co-operative to improve their prospects for obtaining bank finance.

4. Public enlightenment campaign. The federal government in conjunction with state and local government should embark on public enlightenment campaign in the rural areas to educate rural dwellers on the benefits of rural banking and merits of cultivating the banking habit. Such campaign should be designed to reach the people in their villages like at the market

places and other social gathering. The message should lay emphasis on the bank as a source of finance.

5. Interest rate disincentive. The prevailing central bank guidelines on the deregulated interest rate is not encouraging for borrowers. The interest rate offered by commercial banks is so high, that the profit that is supposed to be earned after borrowing from the banks is reaped by the bank. This does not create incentive to borrow money from the banks at all. The upliftment of the rural populace will certainly not be achieved with this high cost of borrowing from the banks.

UBA AND OTHER COMMERCIAL BANKS

The following are considered seriously.

i. Possible facility request should be processed as early as possible so as to avoid a situation where the loan is disbursed out of season.

ii. More personnel should be deployed to the agricultural department to assist in the effective supervision of the credit administrative.

iii. In order to mobilize deposits particularly from the lower stratum of the society, rural banks should create the banking awareness and improve their communication techniques.

iv. Finally, the banks should identify with rural community programmes such as festivals and fund raising ceremonies and use such opportunities to sell its services to the populace.

The above recommendations, if strictly adhered to, is expected to turn around the fortunes of the rural populace.

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