

COMMUNITY BANKING AND GRASSROOTS DEVELOPMENT IN NIGERIA: ORIGIN, GROWTH AND ECONOMIC IMPACT

Introduction

In 1992, President Ibrahim Badamosi Babangida, signed into law a decree formally introducing the concept of community banking in Nigeria. However, in terms of actual practice, it was on 31 December 1990 that the first modern community bank, Alheri Community Bank, Tudun Wada, Kaduna, was commissioned by Babangida. By the provisions of the Decree, a community or a group of communities may establish a community bank for the purpose of promoting rural development through the provision of finance and banking services. The law entitled "Community Banks Decree 1992" No 46 and amended in 1993 was further intended to "improve the economic status of small-scale (African) producers both in the rural and urban areas"¹. Principally, the idea about community banking, going by the spirit of the Decree, was to stimulate banking consciousness among the grassroots populace, and thereby enhance the rapid development of productive activities among them.

This was not the first time a Nigerian government was conceiving the idea of a bank that would act as a catalyst for economic development of the country. In 1952 the Government had requested Mr. J.L. Fisher, an adviser to the Bank of England, to examine the desirability and practicability or otherwise, of establishing a central bank in Nigeria to help promote the economic development of the country. After a detailed description of the principles of central banking as developed and practised in England and a review of Nigeria's monetary system, Mr. Fisher advised against the establishment of a central bank at the time. He, however, suggested a three-phase programme, namely the:

- i transfer of the West African Currency Board with headquarters in London to Africa;

- ii establishment of a Nigerian Currency Board; and
- iii establishment of a bank of issue which would eventually develop into a full-fledged central bank².

However, it was only in 1959 that the Central Bank of Nigeria (CBN) started operation.

In this essay, we intend to examine the historical origins of modern banking in Nigeria with emphasis on community banking; we do this with particular reference to the service programme and delivery of these unit banks to the community where they operate. The essay will trace the colonial origins of community banking in Nigeria, its growth through the post-colonial period to the present time, as well as its socio-economic impact.

Origins of Community Banking in Nigeria

The origin of community banking in Nigeria is traceable to the colonial period when some attempts were made by Nigerians to establish commercial banks dedicated to the economic emancipation of the less-privileged Nigerians. This was against the backdrop of the discriminatory nature of the lending policies of the European-owned banks. Thus, in canvassing for the establishment of indigenous banks with the intent of meeting the needs of African businessmen and women, Nnamdi Azikiwe, one of the exponents of African independence from European colonialism, asserted that political freedom was not enough, if not matched with economic freedom³. Azikiwe founded the African Continental Bank, (ACB) Limited- one of the banks that blazed the trails in making an average Nigerian imbibe banking habits at a time when the Europeans had appropriated to themselves the gains of the colonial economy. Central to the idea of making the populace imbibe banking consciousness was the promotion of savings which, it was hoped, would result in capital formation among the savers. The end-result of this practice, it was further hoped, would be an investment in the economy⁴.

Using the ACB Limited as a case study, this discourse summarizes the characteristics⁵ of the early community banks as follows:

- (i) The phenomenon of hinterland branch banking as contrasted to the coastal banking. Until the formation of African indigenous banks in the 1940s, the previous decades had witnessed a practice of coastal branch banking by the foreign banks operating in the country. The reason for this was to provide adequate banking service to the expatriate enterprises whose hub of business was normally the coast. However, with the establishment of African banks, a new trend of taking the bank to the interior where a large population of Africans resided and conducted their commercial activities was introduced⁶. The obvious implication of this was to ensure that the hinterland, whether rural or urban, felt the presence of a bank that would liberalise credit facilities to the people. In addition, the programme of hinterland branch banking as practised by the ACB was, as noted earlier, intended to educate the people on the economic importance of capital formation through savings. Founded in 1947, between 1948 and 1958, ACB established branches in the Eastern, Western and Northern Regions of Nigeria. Some of the early branches were established in Aba (1949); Onitsha, Jos, Minna (1950); Calabar, Ibadan (1952); Enugu and Ilesha (1953); Maiduguri and Nguru (1955); Gusau (1956); and Uyo (1957)⁷.
- (ii) Service profile. The lending policies of the early banks were liberal and targeted at the Nigerian people. When Chief M.A. Okupe founded the Agbon-Magbe Bank Limited (now WEMA Bank, P.l.c) in 1945, it was with a view to disbursing credit to Nigerian petty traders from the Northern and the Western Regions of the country. The bank began operation at No 1 Baddeley Avenue, Yaba, Lagos (which was also its head office), and the bulk of its business was in connection with either outright advancement of credit to Nigerians or exchange of foodstuffs, kolanuts and cattle with Nigerian traders. For its earnings, the bank normally depended on the interest charged, the commission earned and the rent payable for storage space it provided to the traders⁸.

On the other hand, the lending philosophy of the ACB was anchored on liberalising credit facilities to Nigerian entrepreneurs and hastening indigenous economic and social development of the country⁹. The policy of liberalising credit could partly have been responsible for the establishment of the Bank's branches in many Nigerian cities in the 1950s and 1960s, where, it was hoped, it would be easier to reach Nigerian customers. Unfortunately, in many cases, credits to customers were not covered by adequate collateral. This practice had its backlash on the Bank and the economy¹⁰. First, cases of borrowers absconding with their loans were rampant. Secondly, as a result of the foregoing point, the Bank as well as other banks that practised a liberal lending policy soon faced liquidity problem¹¹. This was one of the causes of the bank failures of the 1950s in Nigeria.

- (iii) De-mystification of banking. Until the establishment of the African banks, banking to Africans had remained an institution shrouded in mystery and reserved for the privileged group. As a result, local Africans were scared and consequently they abstained from it, preferring, however, the age-long traditional money market system, variously called 'isusu' among the Igbo and 'esusu' among the Yoruba.¹² However, beginning from the 1940s onwards when Nigerians began to establish their own banks, the mystery shrouding banking began to wear off. Banking habit began to develop among the local people.
- (iv). Ownership structure. The origin, ownership structure and management of the early African banks were wholly in the hands of Africans. In colonial Africa, communication barriers, mediated relationship between Africans and Europeans. It was therefore not uncommon to see Africans who founded banks during this period make the management of their banks 100 per cent African. The example of a Nigerian chief and trader who simply transferred his account from the BBWA to the ACB which was managed by Africans is classic. According to a family source, Igwe Kalu, a stockfish importer, did exactly so in order to meet Igbo management and staff of the ACB

whom he hoped would bridge the gap in communication between him and his European counterparts and thus facilitate credit for his importation business¹³. However, it should be pointed out that the ownership structure of the early banks was not restricted to a defined geographical area where, as is currently the case, community development associations (CDAs) or trade associations or a social club within a defined geographical community pool their resources to float a community bank. The community banks of the colonial era transcended such confines. Ownership and management were drawn from diverse geographical areas of the country. Branches were established, according to the economic exigencies of the period. Credit was liberalised and was aimed at helping Africans expand the scope of their business in a harsh colonial environment. Their community bank standing is to be seen from their service delivery, hinterland branch network and economic development strategy.

The Post-Colonial Period

With political independence attained in 1960, there was also a compelling need to achieve economic freedom too. This would be the armour against neo-colonialism, "the last stage of imperialism", as Kwame Nkrumah described it.¹⁴

Accordingly, the independent Nigerian governments (Federal and Regional) embarked on the First Development Plan (1962-1968), with the aim of stimulating an annual growth rate of 4 per cent of Gross Domestic Product (GDP). While the Federal Government concentrated on the provision of certain key capital projects such as electricity for development as well as agriculture and industry, the regional governments put in co-ordinated efforts within the plan period to also accelerate the level of economic development in their respective areas. For example, the Government of the Eastern Region which had by 1956 acquired the ownership of the ACB, devoted most of its capital investment in the Development Plan to agriculture, industry and transport¹⁵.

In view of the fact that this was a time when the Regional Government (owner of the Bank) was investing substantially in agriculture, the period witnessed a significant increase in the Bank's capitalisation. Part of the aim was to open more rural branches in order to assist agricultural production in the region. Thus in 1961, the Bank's capital was increased to £4 million¹⁶, and then to £12 million by 1966¹⁷. Increased capital base at a time when the emphasis was on agricultural production, necessitated an accelerated expansion in the Bank's branch network in the rural and urban centres of Nigeria, especially in the Eastern Region.

According to *The Growth of ACB Ltd*, a special publication of the Bank, during the first two years of Nigeria's independence, branches were opened at Ikom, Onitsha, Asaba, Orlu and Warri. In 1967, Nnewi, Awka, and Ogbete (Enugu) branches came into being¹⁸. At the time Ikom, Orlu, Awka, and Nnewi (the towns of Eastern Nigeria) were still in their embryonic stages as rural economies. The branches were opened for the following reasons, according to the publication:¹⁹ (a) mobilisation of savings and re-investment in other sectors of the economy; (b) liberalisation of credit facilities to petty traders and small-scale farmers; (c) taking banking services nearer to the people (with the intent of ensuring that they caught the vision of "small-saver scheme"). The small-saver scheme (SSS) was aimed at encouraging customers and prospective ones to open savings accounts with a minimum of five shillings with the Bank. The scheme proved to be a success over time as it was said to have encouraged saving habits "among the petty traders, the tradesmen, the market women, the wage earners, unions and clubs who popularised the Bank as 'Number One Bank for five shilling'".²⁰

Characteristic of post-colonial community banking in Nigeria was the period of banking by legislations. In 1976, the Federal Government of Nigeria constituted the Financial Review Committee otherwise known as the Okigbo Commission to advise it on the desirability or otherwise of rural banking by commercial banks. The Committee in its report recommended a revised rural banking programme to stimulate growth in the rural economy by inculcating a saving habit among the rural dwellers as well as credit

disbursement to them.²¹ Following the Commission's recommendations, the Central Bank of Nigeria (CBN), through the Monetary Circular and Credit Guidelines No 18 of 1977, instituted the Rural Banking Programme and the Agricultural Credit Guarantee Scheme. Under the Guidelines, commercial banks were required to contribute to promoting accelerated economic development of the nation by regulating the flow of credit to the favoured sectors. They were also required to invest a greater part of their profits in the rural areas.²²

A close examination of the objectives of the Guidelines readily strikes some relative similarity with the ACB's rural banking programme during the colonial and the immediate post-colonial periods. The only difference, however, is that the Guidelines attempted to regulate the operation of the scheme through the involvement of other commercial banks in the new scheme. Thus, under the First Phase of the scheme, the commercial banks operating in the country were allocated 200 rural branch points. Under the Second Phase (1981-1983), another set of 266 rural branches were expected to be operationalised by the commercial banks bringing the total to 466 within a period of six years.²³ Of this number, 229 branches were said to have been opened by the end of 1984. As a result of the pressure mounted on the commercial banks by the CBN, a total of 28 additional branches were opened between 1985 and 1986. These brought to 257 the number of the rural branches opened under the Second Phase.²⁴

Under the Third Phase (1985-1989), launched in August 1985, 300 centres were identified and allocated to all the 28 commercial banks operating in the country as at August 1, 1985, in proportion to their sizes. Accordingly, the three dominating foreign banks - First Bank of Nigeria, the Union Bank and the United Bank for Africa - were allocated 28 centres each, while the smallest and newest banks were allocated five each. Twenty-one new branches were commissioned in 1986, bringing the number of rural branches under the Phase to 24 or 8.0 per cent of the total number allocated.²⁵

From the foregoing, it is clear that the commercial banks responded positively to the Guidelines by opening rural branches

during the first and second phases (see table 1). For instance, between December 1980 and 1983 (end of Phases One and Two), the National Bank of Nigeria had opened 19 rural branches across the country, while, the ACB opened 24.²⁶ Again, as at September 1986, the ACB is said to have established 39 rural branches²⁷, The First Bank, the oldest bank in Nigeria is said to have operationalised 71 rural branches between 1980 and 1983.²⁸

The general effect of these rural branches was the mobilisation of available savings at that level of the society. Secondly, the branches acted as an engine of development of the rural communities, providing security for money and other valuables. They were designed to boost the local economy, especially agriculture, and thereby discourage the importation of foreign food items into the country.²⁹

Table 1
INDIGENOUS BANKS' RESPONSE TO THE BANKING PROGRAMMES - PHASES 1 & 11: A COMPARATIVE ANALYSIS

Indigenous Banks	Allocation under first phase (1979-80)	Completed at end of June 1980	Completed at end of December 1981	Completed at end of December 1982	Allocation under Second Phase (1980-83)	Completed at end of December 1981	Completed at end of December 1982
National Bank of Nigeria	15	15	15	15	19	-	4
African Cont. Bank Ltd.	16	16	16	16	19	4	8
Wema Bank Ltd.	5	4	4	6	6	2	2
Bank of the North Ltd.	6	6	6	6	19	-	3
Cooperative Bank Ltd.	5	3	5	5	8	-	-
Coop. & Com. Bank Ltd.	7	4	7	7	8	-	4
New Nig. Bank Ltd.	4	4	4	4	9	-	1
Kaduna Coop. Bank Ltd	3	3	3	3	6	1	2
Kano Coop. Bank Ltd	6	4	6	6	6	2	2
Pan African Bank Ltd	5	5	5	5	6	-	-

Indigenous Banks	Allocation under first phase (1979-80)	Completed at end of June 1980	Completed at end of December 1981	Completed at end of December 1982	Allocation under Second Phase (1980-83)	Completed at end of December 1981	Completed at end of December 1982
Expatriate Banks							
First Bank of Nig. Ltd.	40	39	40	40	37	-	-
United Bank for Afri. Ltd	27	27	27	27	36	11	31
Union Bank Nig. Ltd.	27	27	27	27	32	6	28
Nig.-Arab Bank Ltd.	7	5	7	7	6	2	18
Mercantile. Bank of Nig. Ltd	3	3	3	3	6	-	3
Savannah B. of Nig. Ltd.	7	7	7	7	11	2	2
Societe Gen. Bank	-	-	-	-	6	-	2
International Bank for West Africa Ltd.	11	10	11	11	13	-	-
Bank of Credit & Comm. International	-	-	-	-	6	6	6
Allied Bank Nig. Ltd.	6	6	6	6	7	1	2
Owena Bank Nig Ltd.	-	-	-	-	-	-	2

Sources: CBN Annual and Statement of Accounts for the year ended 31st December 1982 (page 35); Bullion Silver Jubilee edition of the Central Bank of Nigeria Vol 11, July 1984, p.16.

At the end of the three phases in 1989, about 756 branches had been opened in the rural areas. This was a remarkable improvement when compared with what the situation had been before the law on Rural Banking Programme made it mandatory for the commercial banks to open some of their branches in the rural areas. Before the new policy, only a few commercial banks, particularly the indigenous banks, had attempted to spread their branches outside the major urban cities. For example, in 1976, over 36 percent of the branches of the UBA were located in Lagos, while the ACB and the NBN had 19 percent and 23 percent respectively of their presence in Lagos.³⁰ Not surprisingly, when the CBN introduced the rural banking programme in 1977, the indigenous banks were quick to point out that they had all along practised it³¹.

Community Banking System in Nigeria.

Principally, community banking was introduced in Nigeria to monetise the rural economy, provide sources of capital formation for the rural people, inculcate in them banking habits, as well as stimulate the economic development at the grassroots³³. Before the introduction of the community banking system in early 1990s, the Federal Government, through the Central Bank of Nigeria, had established specialised development-oriented banks to involve the rural people in modern banking. These included mortgage, agricultural, savings and co-operative banking institutions. In fact, the actualisation of this objective began with the establishment of the Nigerian Agricultural Bank (NAB) in March 1973, renamed in 1978, the Nigerian Agricultural and Co-operative Bank (NACB). The aim of the bank was to stimulate the agricultural sector through the provision of credit to the farmers³⁴. But the potentials of this banking programme were not fully realised due to low capital base and poor management. Perhaps, rural banking would have at the time come to an end, but for the further intervention of the Directorate of Food, Roads, and Rural Infrastructure (DFRRI), a government agency for grassroots-oriented programmes. DFRRI initiated the idea of grassroots unit banks that would "aid the programmes of rural development, self-reliance and better economic well-being for the majority of the people in sub-urban and rural areas"³⁵. This was the beginning of modern community banking in Nigeria in the sense that it emphasised community-based ownership of such banks. By December 1990, the first of such unit banks was commissioned in Kadunna by President Ibrahim Babangida.

At this point, we shall attempt to explain what a community bank is in the context of ownership structure; thereafter we shall outline its objectives as well as the functions. According to the 1994 edition of the Nigerian Community Banks Annual, a community bank can be defined as "a self-sustaining financial institution owned and managed by a community or a group of communities for the purpose of providing credit, banking and other financial services to its members largely on the basis of their self-recognition and credit worthiness"³⁶. This definition is inadequate as it pre-supposes,

wrongly, that a community bank should render its services to its members (shareholders). In an address at the opening of a community bank in the South-South Region of Nigeria, in 1993, Chief E.I. Ekpenyong, the chairman of the bank, stated, among other things, that his bank hoped to accept various types of deposits-savings, time and target deposit - from individuals, groups and organisations; provide credit facilities to customers, and advise customers on the processing of permits and incorporation of companies³⁷. Chief Ekpenyong implied that his bank was going to relate with the general public, and not just the bank's shareholders. In this regard the community banks of the 1990s share some similarities with the conventional banks' rural branches of the earlier period.

The objectives of the community banking system are all embracing, and include;

1. The promotion of rural development by providing financial and banking services as well as other facilities to communities inadequately supplied with such facilities.
2. The rapid enhancement of the development of productive activities in both rural and urban areas and hence the improvement of the economic status of small producers in the informal sectors of the national economy.
3. The promotion of the emergence of an effective and integrated national financial system that responds to the needs of the whole economy.
4. The inculcation of disciplined banking habits among the masses of low-income workers in the rural areas.
5. The fostering of the spirit of community ownership and use of economic assets³⁸.

In line with the fifth objective above, the Decree states that the ownership structure shall include:

- (a) Community Development Associations such as town unions, district associations which represent traditional apex organisations for planning and directing developmental activities within the community.

- (b) Trade associations such as co-operative societies, farmers' groups, occupational unions, market women organisations, social clubs, age grades, corporate bodies, etc, operating within the community.
- (c) Indigenes of, and individuals within, the community, except that no single indigene or individual shall hold more than five percent of the shares of the community bank. The number of promoting individual must not, however, be less than fifty³⁹. The roles expected of the community banks are in consonance with the objectives of the system. These include to
- (i) accept various types of deposits including savings, time and target deposits, from individuals, groups and organisations;
 - (ii) issue redeemable debentures to interested parties to raise funds from members of the public;
 - (iii) receive money or collect proceeds of banking instruments on behalf of customers;
 - (iv) provide ancillary banking services to customers such as remittance of funds, safe deposit facilities, etc.
 - (v) maintain and operate various types of accounts with, or for other banks in Nigeria;
 - (vi) invest surplus funds of the bank in suitable instruments, including other banks;
 - (vii) pay and receive interest as may to be agreed upon, between community banks and their clients in accordance with public policy;
 - (viii) provide credit to customers, especially small and medium-scale enterprises based in their areas of operation, promote and monitor effective loan usage, amongst them;
 - (ix) operate equipment leasing facilities, and supervise credit schemes to ensure access of their customers to farmers' inputs, including financing inputs purchase on a consignment basis, for group of clients; and
 - (x) perform non-banking functions that promote grassroots development such as supporting individuals, co-operative and group formation activities, assisting clients in marketing of agricultural, rural and other products and providing financial

and other extension services to clients, and other community members.

However, the banks are, by their local nature, not expected to engage in international banking transactions. In fact, the law establishing the community banking system in Nigeria forbids the community banks to engage in sophisticated banking services such as foreign exchange transactions. This is to enable them to retain their local focus and concentrate on community services⁴¹.

Operational Framework

To enable the banks to perform their functions, government put in place an institutional framework of operation, notably the National Board for Community Banks (NACB) and the local management boards. Recently, a new body, the National Association of Community Banks (NACOBs) was established by the NACB to assist in the management of the community banks in the country.

According to Decree No 46 of 1992, the NACB was established for the promotion, development, monitoring and general supervision of the community banks. Its functions include ensuring that the operations of the banks are closely supervised through regular monitoring, directing and inspection of their accounts books. The Board also prospects, promotes and superintends the establishment of new community banks. It collects, collates and analyses the banks' returns and forwards same to the CBN for monetary management and policy analyses. The Board further engages in the disbursement of matching grants and other on-lending schemes to enhance the working capital of the banks, when the need arises⁴².

The Board, consisting of a Chairman, a Secretary, representatives each of the Federal Ministry of Finance, the Presidency, and four other persons, is run from a national headquarters office located in Abuja. The office is organised in three departments viz: Operations, Banking Inspection, Finance and Administration as well as the Zonal Offices. There are at present eight zonal offices, each of which embarks on the close monitoring of the activities of the community banks at the local level. The Zones

are Bauchi, Benin, Enugu, Kaduna, Lagos, Makurdi, Minna and Uyo Zones; The Zonal offices, along with the other departments, normally report to the Executive Secretary of the Board.

At the local level, each community bank is organised at two levels. One is a board of directors whose function is to make broad policies for the management of the bank. The board is normally composed of a chairman and other members. The other level is a management team, with a manager at the head. Other members include the accountant and personnel manager. Each of these officials heads a department under which are other staff who assist in the implementation of the board's policies on day-to-day basis.

The role of the National Association of Community Banks (NACOBs) in the management of the community banks in the country needs to be mentioned. NACOBs is a non-governmental organisation, which has, since its inception, a few years ago, helped the NACB in the management of the unit banks at the local level. It has provided a common platform where the problems confronting the banks are identified, discussed and a concerted stand at solving them is taken by the stakeholders. Usually decisions taken at its meetings are presented to the NACB as a demand charter with a view to improving the running of the system⁴³.

Impact of Community Banking

The posers that may arise from an examination of the functions of the banks are legion. But one incorporates all: to what extent have the community banks impacted on the Nigerian society? In dealing with this question, the following considerations are germane.

First, there is the issue of growth in the level of banking practice among the people. There is no doubt that the earliest attempts at introducing conventional banks' branches in the rural communities were aimed to inculcate banking habits in the people. However, these attempts were not wholly successful, hence the introduction of the government - moderated community banking system. The present system, which enables residents in a given community to own a bank, has contributed in no small measure to the growth of

banking habits and practices at the local level. "The community banks", says one writer, "now constitute the most widespread private financial institutions that are owned, managed {by communities} and render special services to small-scale producer nationwide".⁴⁴ It is estimated that in 2000, about 1011⁴⁵ community banks were operating in the thirty-six states of Nigeria and the Federal Capital Territory, Abuja. This grassroots banking system, no doubt, would have contributed to raising the level of banking habit among the people as well as to enhancing the growth and development of the economy at the rural level. Local people no longer travel long distances to conduct their banking business. Palm wine tappers, farmers, market women, petty traders, and artisans, who in the past used to "bank" in their own homes, are now beginning to embrace the idea of depositing their money with banks in their areas.

Second, there has been substantial increase in the volume of bank credits to customers. Conventional banks, especially the expatriate ones, carrying on business in Nigeria have always been criticised for discriminating against Nigerians in their lending policy and practice. But, since the introduction of the community banking system, there has been a remarkable improvement in the volume of loans and advances disbursed to Nigerian citizens. For instance, from the sum of ₦15.9 million in 1991, the volume of loans and advances significantly increased to ₦1480.1 million in 1996, and then to ₦3666.6 million in 2000.⁴⁶ It has been estimated that between 1991 and 2000 credit disbursement grew at varying degrees with the highest growth rate of 731.4 percent occurring during 1991 and 1992 and the least growth of 1.4 percent during 1996 and 1997.⁴⁷ Credit disbursement during the period may further be examined on sectoral basis. This may be measured in the form of the percentage allocation going to some selected sub-sectors of the economy. For the commercial sub-sector, which appears most favoured, an average of 41 percent of the total credits for the years 1992 to 2000 was granted. Agriculture and forestry received 22.4 percent, while 13.7 percent of the credits went to manufacturing. The balance of 22.9

percent went to mining and quarrying, real estate and construction, transport, communications and so forth⁴⁸.

However, the problem of the above sectoral arrangement is that of misplaced priority. One of the reasons for the introduction of the community banking system was to encourage the growth of the grassroots economy, especially the rural economy where agriculture has remained the matrix of the people's life. Yet agriculture, merged with forestry, occupies a second position in the credit ranking, while commerce occupies the leading position, with 41 percent. Given that the rural economy is essentially agricultural, one expects that the greatest share of the credits disbursed should have gone to agriculture and agro-based industry.

Third, community banks have been employed as a catalyst for consultancy services and capital projects. In the first five years of their operation, the banks offered consultancy services to businessmen, entrepreneurs and professionals. They also assisted existing enterprises in the communities to provide funds for self-help development of capital projects such as building community halls, health centres, provision of boreholes and rural transportation⁴⁹. This is a commendable practice which when carried to a logical end will have a multiplier effect on the economy.

Fourth, community banks have offered employment opportunities to Nigerians. Surely, the introduction of this system of banking has contributed significantly to reducing the level of unemployment in the country. This is done through the provision of employment opportunities to employable Nigerians. Between 1994 and 1998, for an example, close to 17,000 community bank staff and representatives of community development associations (CDAs) across the country as well as self-help groups were trained by the NACB on the technique of rural banking. Part of this number is known to "constitute the core workers in some of the (community) banks" in different parts of Nigeria. At the banks' headquarters in Abuja, and the eight zonal offices, a total staff strength of 559 are engaged as permanent personnel.⁵⁰ According to Directory (2000), "Bank licensing and development grew at an average of 24%, staff

grew at an average of 130% while funding declined at an average of 94%".⁵¹

In spite of the modest achievements made by the banks as indicated above, it has been observed that the community banking system, like its commercial banking counterpart, has had a number of problems. To a large extent, these problems have tended to have negatively affected the banking industry, and generally, the economy. For example, since the introduction of the system over a decade ago, there have been cases of bank failures. The failures arise from a variety of factors.

One of these is mis-management, or poor management, an expression that has found its way into various facets of the Nigerian life. The banking sub-sector of the economy has itself, not been spared of this cankerworm. Over the years this virus has caused the collapse of many banks. Poor management is partly traceable to the recruitment of unskilled or inexperienced management staff by the banks. Because the managers are incompetent, their actions or inactions affect the productivity level in the economy. Community banks, due to their localised nature, tend to go for this class of labour some of whom were dismissed by the conventional banks.

The other factor is fraudulent management. Some managers are known to be highly experienced and competent in matters relating to the management of their banks, but are lacking in ethics and moral comportment. They often resort to favouritism in lending to customers. As long as the intending borrower is considered to be well connected politically or socially or is perhaps a biological relation of the manager, strict adherence to the rules is put aside. There have been cases of borrowers from banks absconding without re-paying it. This was one of the causes of the bank failures of the 1950s and 1990s. As Okigbo has stated, the admixture of politics with banking, might make good politics, but bad banking⁵².

Conclusion

Our discussion has attempted to examine efforts aimed at alleviating the problem of the ordinary Nigerian customer of modern banks. The discourse has done this from different perspectives.

These include the angle of the conventional commercial banks taking their branches to the rural areas where the majority of Nigerians resided. The others are that of rural branch banking by legislation and an outright unit banking, better described as community banking. In each case, the objectives have been the same: to inculcate banking habits in the people and thereby stimulate the tempo of economic activities at the grassroots. It can thus be said that grassroots banking in Nigeria- whatever the nomenclature by which it is called- is one project with one aim, but many approaches. The goal has always been to achieve an improved grassroots economy as an integral part of the Nigerian national economy.

References

1. See *Community Bank Act/Decree* (Laws of the Federal Republic of Nigeria, 1990) Lagos: Ministry of information, p.2.
2. Federal Government of Nigeria. *Report of the World Bank Mission on the Economic Development of Nigeria*, Lagos: Federal Government Printers. 1954, p.22.
3. Nnamdi Azikiwe, *Zik: A Selection from the Speeches of Nnamdi Azikiwe* (London: Cambridge University Press. 1961).p. 213.
4. See Dan O. Chukwu, "Fighting Colonialism through Banking: the Story of Nnamdi Azikiwe...", *UNIZIK Journal of Arts and Humanities* pp. 126-147.
5. It is believed that the conventional commercial banks of the colonial period with a bent towards hinterland banking and rural development shared certain features in common with modern community banks in Nigeria.
6. ACB, *Spotlight on ACB; The Growth of ACB Ltd* (These are in-house publications of the Bank: they highlight the philosophy, growth and impact of the Bank on the Nigerian Society.
7. ACB, *Growth of ACB Limited* p.p. 2-4.
8. Azikiwe, *Zik* pp. 210-211.
9. ACB, *Spotlight on ACB and The Growth of ACB Ltd*.
10. When borrowers default in repayment, both the bank and prospective borrowers are adversely affected, so also the economy.
11. A bank can suffer liquidity crisis when its money is absconded with. This can as well lead to bank failures.
12. See W. Bascom, "The ESUSU: A credit Institution of the Yoruba" *Royal Anthropological Institute*, LXXXII (1952), pp. 63-65.
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