

TITLE PAGE

**THE IMPACT OF COMMERCIAL BANKS LENDING POLICIES ON THE
NIGERIAN ECONOMY**

**(USING DIAMOND BANK YOLA AND FEW SELECTED SMALL SCALE
BUSINESSES IN YOLA)**

ADAMAWA STATE

BY

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DECEMBER,2012

CERTIFICATION

I Yakubu Job Alheri (PGDM/MT/011/0057) hereby certified that this project, apart from references to other scholar's work which are duly acknowledged was written by me and that it has not been presented in any form for an award of PGDM certificate elsewhere.

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Date

APPROVAL PAGE

This study, “THE IMPACT OF COMMERCIAL BANKS LENDING POLICIES ON THE NIGERIAN ECONOMY”

(USING DIAMOND BANK YOLA AND FEW SELECTED SMALL SCALE BUSINESSES IN YOLA)

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DEDICATION

This research work is dedicated to my parent Mr. and Mrs. Yakubu Pasomre and to my sisters and brother Gawinan Yakubu for their support to me always.

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First, my gratitude is to God Almighty who kept me all this while and has been helping me in all my life endeavors.

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ABSTRACT

The topic of this study is on “the impact of commercial bank’s lending policies on the Nigerian economy”. Using Diamond bank Yola and few selected small scale business in Adamawa State. The purpose of this study is to investigate the extent to which commercial bank’s lending policies affects the economy, as well as government policies through CBN. Data for this study were obtained through two major sources namely secondary and primary. The secondary data were obtained through from text books, magazines, journals and the internet. The primary data were obtained through questionnaires and personal interview of the staff of aforementioned bank and small scale business. The statistical tools employed were the Yemen’s sample size calculation technique and the Chi-square crossed tabulations are used for testing the hypothesis postulated in the study. The auxiliary tools used include simple percentage and frequency distribution table. From the analysis made in the course of this study the conclusions reached among others are: That finance, as vital element in business is inadequate in supply and is significantly hindering the growth of business in Nigeria, also, that small scale businesses access bank loans but not often to do away with the shortage gap. Furthermore, that interest rate charged by commercial banks is high thereby discouraging small scale business accessing enough credit facilities. That commercial bank’s lending policies impact significantly the economy. Finally, that the government regulations and control via the CBN navigates commercial bank’s lending policies. In order to impact the economy more positively the commercial bank’s lending policies stringency should be reduced so as to encourage more lending by small scale business with the potentials of boosting the GDP and diversifying the economy.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

In modern times where planned and regulated economy has been identified as a major means of achieving speedy economic development, the study of the contribution of some key and indispensable institution becomes imperative. This study focuses on Nigerian banking system captioned: “The Impact of Commercial Banks Lending Policies on Nigerian Economy”. The lending policies essentially, involve giving loans on preferential terms and conditions to priority sectors of the economy such as the agricultural, manufacturing enterprises and rural borrows. Essien and Akpan (2007:1)

Commercial banks share some common features with other members of the financial system and the rest of the business community namely; the desire to maximize the net present worth of the organization, which is keen to profit maximization. In the pursuit of this objective, commercial banks have a tendency of giving out more loans and advances during “economic boom” to prevent glut and maximize profit, and contract its lending during recession due to scarcity of loanable funds. This suggest that the lending operation of commercial banks can favourably and adversely affect the entire economy at both end of the circle, either worsening recession as the supply of credit decline, business investment decline, spending by customers begins to fall causing rising unemployment and eventually economic stagnation as lending continue to fall or feeding inflation (Peter and Sylvia: 2005:547). Or on the other hand, re-energize the stagnated economy by a form of “injection”, or controlling the “economic boom”by discouraging indiscriminate and idle lending. Making loans to consumers and investment

spending is the principal economic function of commercial banks (Rose and Hudgins, 2005:523). Commercial banks also, encourages savings and allocates its more productively via selective credit policy and offering a return on savings (interest).

1.2 Statement of Problem

Nigeria has been subjected to serious economic recession in the last few years. This situation is however unfortunate, but has achieved one important economic factor among others. It has help emphasized the role of commercial banks in the management of the national economy through issuing of loans to small and medium scale enterprises.

However, small and medium scale enterprises have had limited access to institutionalized credit facilities, owing to various factors some of which include:

Inability of commercial banks to sufficiently mobilized adequate capital for the development and proper functioning of small and medium scale businesses which forms the basis for national economic growth.

Commercial banks and other financial institutions tends to favour large corporate borrowers where there is assurance of security, high profitability and faster rate of returns.

Furthermore, small and medium scale businesses seeking for loans are usually unable or unwilling to provide accounting records, collateral and other documents required by commercial banks in order to qualify them to access loan.

In recognition to these problems, this study seeks to find solutions, make appropriate suggestion or recommendation for benefit of the growth of the Nigerian economy.

1.3 Objectives of the Study

The purpose of this study is to examine the measure in which commercial banks used in granting loans and impact of such loans on the economy.

The objectives are summarized as below:

- I. To examine the extent at which the lending policies affects the growth of the nation's economy.
- II. To examine why commercial banks insist on collateral before granting loans.
- III. To determine the extent at government policies and schemes affects commercial banks' lending policies.
- IV. Familiarizing impending issues that hampers the progress in the implementation of lending policies of commercial banks.

1.4 Research Questions

The research study would attempt to provide answers to the following questions:

- I. To what extent is lending policies affects the growth of the nation's economy?
- II. Why do commercial banks insist on collaterals before granting loans?
- III. How does the government policies and schemes affects commercial banks' lending policies?

IV. What are the impending issues that hamper the progress and the implementation of lending policies of commercial banks?

1.5 Research Hypothesis

As stated earlier, the purpose of this study is to throw more light on the impact of commercial banks' lending policies on the Nigerian economy. It is in light of this that the following hypothetical statements are postulated for validation in the cause of the study.

H_{1a}: Commercial banks' lending policies does not have impact on the health of the economy.

H_{2a}: Commercial banks' lending policies affect the health of the economy.

H_{1b}: Government policies have no impact on commercial banks' lending policies.

H_{2b}: Government policies have impact on commercial banks' lending policies.

1.6 Significance of the Study

Apart from fulfilling the academic requirement, this study can be useful to small and medium scale enterprises which play a significant role in the economic growth of the nation.

This research will help the user or reader to appreciate the role of commercial banks in the growth of the economy. Also, the research has the importance of adding to the existing body of knowledge.

1.7 Scope of the Study

The scope of the study is limited to Adamawa State and sample size were drawn from few small-scale business and commercial banks within Jimeta-Yola metropolis.

1.8 Limitation of the Study

This study is limited by time, finances and other factors which could have allow a more thorough job to be done in order to obtain most reliable results. Hence limited information or idea may be made available on the general aspect of the lending policies of the commercial banks as regards to nation's economic growth. Also, it only covers one bank (Diamond Bank Nig. PLC Jimeta-Yola). However, these limitations should not nullify the validity and the reliability of conclusions to be reached at the end of this study.

1.9 Definitions of Terms

- Boom:** A period of plenty.
- Bullions:** Gold or Silver in large amount or inform of bars.
- Collateral:** Anything inform of security which the bank can fall back on case of loan payment default.
- Credit Policy:** Giving out of loans on preferential terms and conditions to priority sectors of the economy.
- Credit:** A sum set aside by a BSP's for the use of customer for an agreed fee called interest rate and repayment period, which may range from days to years.
- Glut:** Situation where more than required is available and resulting to waste.
- Injection:** Anything that help boost a helpless situation.
- Interest Rate:** price paid to procure the use of capital.
- Liquidity:** A state of owing things of value that can be easily for cash.
- Magnetizing:** The management of funds.
- Recession:** A movement backward.
- Small Scale Enterprises:** An enterprise whose total cost excluding working capital is above N1m but not exceeding N10m.
- Surplus Unit:** Sector of an economy having excess idle fund
- Turning Point:** The time when an important positive change take place.

CHAPTER TWO

LITERATURE REVIEW

Introduction

As contended by Baridan in his book titled “research method in administrative sciences” it is not enough to review related literature without presenting the study by topic and determining how each of these topic relates to the researcher’s own study.

From the ongoing, this chapter is then the theoretical insight in to what other people had written earlier concerning the subject matter bearing in mind that the already stated hypothesis serve as the basis for reviewing the related literatures.

In carrying out the literature review the researcher intends to approach the work in the following manner.

Firstly, a brief historicalbackground up to date of commercial banks development in Nigeria. Secondly, the role of commercial banks then their lending policies, followed by the policies relating to granting of loans. Then, the purpose of lending policies, ensured by good principles of lending and small-scale business, control of commercial banks credit by CBN credit policies from 2000-2010.

2.1 History of Commercial Banks in Nigeria to Date

Central bank of Nigeria publication (2005), “a case study of distressed banks in Nigeria” contain a brief history of commercial banks.

Formal commercial banking activities began in Nigeria in 1892 when South-Africa based bank called “African Banking Corporation” (ABC) opened a branch in Lagos. Within two years the bank had run into operational problems

necessitating its closure and subsequently taken over in 1894 by the bank of British West Africa (BBWA) now First Bank of Nigeria. The opening of a branch of Barclays Bank (now Union Bank of Nigeria) in Lagos in 1917 was the next significant banking event. The two expatriate commercial banks monopolized the banking business in Nigeria until 1927 when the first indigenous (Industrial and commercial bank Ltd) was established.

The period of 1892 to 1951 is usually referred to as the era of “free banking” or “banking boom” in Nigeria because, apart from the complete absence of any laws governing the establishment and management of banks during this period, the establishment of banks was not related to the capacity of the economy to effectively absorb the sharp growth in the assets (CBN/NDIC, 1995). As at then, the establishment of indigenous banks was driven largely by nationalistic consideration rather than economic factors consequently most of Nigeria’s early indigenous banks collapsed in rapid succession, owing to problem of inadequate capitalization, fraudulent practices and bad management.

The number of Nigeria’s commercial banks increased phenomenally from 1960 to 1998. From 12 in 1960, the number of commercial banks operating in the country increased steady to 29 in 1986 and peaked at 66 in 1993.

There after as a result of the liquidation of 15 banks over the years, the number had declined to 54 by the end of 1998, as at 2005 after the recapilization of commercial banks by the then president OlusegunObasanjo, the number of commercial banks reduced to 25.

In terms of branch network, number of commercial banks and merchant banks (now called deposit money banks DMBs)increased from 1,323 in 1985 to 2,549 in 1996, declined to 2,298 in 1999 before climbing up to 3,247 in 2003. As at July, 2007there are 4,098 branches of Nigeria commercial banks

including 13 branches spread abroad in places like UK, Sierra leon, New York, Ghana, Gambia, Benin Republic, etc (CBN statistical bulleting 2007).

2.2 The Role of Commercial Banks in an Economy

Banks are by far the most important institutions in the entire commercial setting of an economy. A clear understanding of the role of commercial banks in the economy is a prime requisite for the formulation of banks policy. Commercial banks play a number of interrelated roles of many of which are necessary parts of our private freeentreprises as well as the regulated entreprise (Crosse and Hampel 1990:3). Some of the roles are discussed below:

A, Receiving deposit on current and deposit accounts

Customers usually deposit money in banks in form of current or deposit account which is withdrawable without prior notice and interest is charge for maintaining the account on the other hand demand account is subject to withdrawal notice. By this singular function, commercial banks create money in the form of demand deposits by making loans and investments. This distinguishes commercial banks from other financial institutions. (Umorein 2006:315).

B, Credit Creation

A bank does not create credit in a vacuum, it creates credit in order to supply the funds that are needed by the community it serves and the nation of which it is part of. Bank credit can be created in the following forms, loans, overdrafts, financing investment, export financing etc. These credits may finance production, distribution, investment, consumption and the needs of government. Without this vital role of banks, business as we know would be impeded there

by causing deterioration in standard of living consequently the economy at large. (Bench, 2001)

C, Making Transfers and Payment on behalf of Customers

With the proliferation of e-banking globally, virtually all transactions and payments are now possible electronically without the customer going to the terrestrial banking service providers for payment of bills, money transfers to credit application and disbursement of funds (Umorein 2006:315).

D, Provision of Travellers' cheque and foreign and foreign exchange Facilities

All commercial banks in Nigeria offer service to travellers by providing them with travellers' cheque and foreign currency. Travellers' cheque are inform of travelling currency giving to the holder the security of or letter of credit and convenience of a local currency.(Osuze,1986:8)

E, Depositing function

Commercial banks act as financial intermediaries, collecting money on deposit from her customers. It could be kept on current deposit account or demand deposit account. (Osuze,1986:8)

F, Brokerage Service

Commercial banks in Nigeria can engage in brokerage services, that is buying and selling of securities for their customers. (Osuze,1986:8)

G, Safe Keeping of Valuable Items

As banks' strong rooms are considered as safest place, customers surrender some of their valuables such as government stock, share certificates, insurance certificates, and certificates of occupancy or other precious items like gold or jewelry for safe keeping. (Daphus, 2009)

2.3 Lending Policies of Commercial Banks

Every bank is supposed to put in place credit policies to guide its lending decisions, taking into consideration its overall corporate mission and objectives. According to Robert Bench (2001) the scope of lending policies should include who receives the credit, who grants it and how is to be granted. Others issues like what kind of credit and under what circumstances are they granted, also, should come into this preview of credit policy making.

Furthermore, lending (credit) policy embodies those decision variables which may influence or guide management and lending officers to lend money in line with their assigned discretionally powers taking cognizance of objectives and aspirations of their bank, government and the economy at large. It attempts to standardize, simplify and accelerate decision making as well as establish a standard for control purpose.

The policy is formulated to reflect not only the central bank's monetary policy guideline, general economy conditions, industries norms, competitions, etc. But also bears relevance to the internal constraints of the bank's treasury positions. It is well documented and captioned as lending manual and to all branches with specific recommendation that it should be an essential reading document for all lending officers. The policy attempts to standardize, simplify and speed up decision making process as well as putting in place machinery for control purpose. (Osuze, 1986)

2.4 Policies Relating to Loan Granting

Important ways through which a bank can sure it's loans meet statutory regulation of CBN and others, and also to be profitable is to establish a written loan policy. Such policy gives loan officers and management, specific guidelines in making individual loan decision and in shaping the overall loan

portfolio. This should be periodically reviewed and enforced by senior management strictly. (CBN Publication,2010).

2.4.1 Content

- i.** A goal statement for the loan portfolio that is, statement of the characteristics in terms of type, maturity, size, quality of loans, purpose etc.
- ii.** Specification of the lending authority given to each loan officer and loan committee measuring the maximum amount and types of loan that each employee and committee can approve and what signature are required.
- iii.** Lines of responsibility in making assignments and reporting information within the departments.
- iv.** Operating procedures for soliciting, reviewing, evaluating and making decision on customer loan application.
- v.** The required documentation that is to accompany each loan application and what must be kept in the credit files including financial reports, forecasted budgets, security agreed upon act.
- vi.** Lines of authority within the lending intuitions detailing who is responsible for maintaining and receiving the institution's credit file.
- vii.** A guideline for taking evaluating and perfecting loan collateral.
- viii.** A presentation of policies and procedures for setting loan interest rates, fees and terms of the loan.
- ix.** A statement of quality standards applicable to all loans collaterals security such as account receivable, factory (buy debt) inventory, real property, personal property, personal guarantee etc. (Rose & Hudgins, 2005:523-547)

2.4.2 Some Regulations of Lending

Commercial banks being among the most closely regulated of all lending institutions. Not surprisingly, the quantity maximum, quality and yield of loan portfolio of any bank is heavily influenced by the character and depth of the regulation that faces it. Any loan given are subject to examination and review, hence many are restricted or even prohibited.

For example, banks are prohibited from making loans collateral by their own stocks. Real estate loan granted by United State National bank cannot exceed the bank's capital and surplus or 70% of its total time deposits. Loan to a single customer in Nigeria cannot exceed 66.7% of total amount requested.

Numerically, rating are also, assigned base on examiner's judgment of capital adequacy, management quality, earning records, liquidity position, special or outright directives and sensitivity to market risk exposure.(Umorein:2006)

2.5 Purpose of Lending Policies

Lending policies serve various purposes among which are:

- i. Credit policies provide bank credit offers, branch managers, credit controllers financial analyst with basic guidelines and rules for efficient risk selection, credit analysis, credit administration and management which is the most vital in banking operation.
- ii. They assist a bank in ensuring that in maintaining high quality risk assets and also, a high level of performing assets.
- iii. They also, assist a bank in meeting the legal and statutory requirements imposed by the monetary authorities, especially issues like capital adequacy loan capital ratios, loan deposit ratios, permissible credit to one individual or co-operate entities.

- iv. They provide a frame work for the effective scrutinization of the credit operation of banks by both external and internal inspectors. This is because the codified policies easily yield ground for an assessment of the banks operators, evaluating the deviation from the prescribed normal areas for possible operation. It also provides a standard frame work for predicting future trend in the credit operations of the bank based on available data and information.
- v. Credit policies assist a banking service provider in training and retraining of credit officers, banks' managers, credit controllers and most times the top management.
- vi. Good credit policy makes a prospective customer to make choice of banking service provider (BSP) whose credit policies are suiting to the banking service user (BSU) or his business. (Daphus:2006).
- vii. Finally, good credit policies ensure effective lending. According to Nwankwo, lending is considered effective if it successfully reconciles the bankers obligation or of maximum profitability to the shareholders and maximum liquidity to the depositors. This is done by ensuring that non-performing exposures are reduce and properly manage and hence ensure high level performing risk assts. This entails risk maximization concerns and addresses statutory constrains or specific guidelines on risk concentration by BSPs, usually by relating such exposures to the total assets of the institution. (Umorein:2006)

2.6 Principles of Good Lending

It has long been recognized that one of the fundamental obligations of commercial banks is to try to service the credit of the community it serves among others. In meeting this credit needs (loans and advances) several criteria form the general basis for evaluating all types of banks loans. (Muskin :2007)

They are also, called principles or cannon of good lending, which is discussed below:

i. Safety of Loan

A loan is said to be safe if the borrower meets both the interest and principal repayment of the loan as at when due. This is determine by assessing the character, integrity and reliability of the borrower. The customer is considered credit worthy and qualified for the loan if the resource(s) of repayment are certain and un-doubtful. Banks attach more importance to safety of the loan or advance. If loans granted are repaid promptly, this entails more turn-over and more customers will benefit. Consequently, business growth and continuous survival is guaranteed. (Daphus:2006).

ii. Suitability of the Loan

A loan is considered suitable if the purpose of the loan is lawful and does not in way contravene the credit guidelines of CBN.

Similarly, loan safety and risk should be considered. Bank must satisfy itself that advance sought which proves to be in conflict with the economic or monetary policies of the government as stated in the credit guidelines of the CBN. For example, a banker will turn down a loan request whose propose is to gamble because the loan is meant for a speculative purpose. (Daphus:2006).

iii. Profitability

This refers to profit occurring to the bank or additional business generated as a result of the loan granted to a customer. Since commercial banks are profit oriented. In order to do this, banks accept deposit from customers and pay interest on deposit and lend part of the received deposits to other customers at a profit. The rate of interest charged on its loan is higher than the rate of interest paid to the depositor and the differences constitute profit to the bank. More importantly, bankers are always eager lend if such borrowing will create a good business link between her and the customer, thereby creating other business opportunities for the bank.(Umorein:2006)

iv. The Character and Ability of the Borrowers

The character and business capability of the prospective borrowers must be studied and known. The bank may access and assess the customers' character through their operational track record with the banks. What to consider here is whether past advances granted had been repaid timely and in accordance with the prior agreed terms, if the account has been operated satisfactorily. Also, the banker must certify that the customer will be able and capable of running the business well enough to enhance profitability. (Muskin 2007).

v. Amount Required by the Customers

Customer must state how much he wants to borrow and this must be confirmed by the manager. This is to ensure that the amount needed by the customer to carry out the business into completion is advanced to him. The rule is "don't lend to much or too little". In doing this the banker will require the customer to prepare and present the a business proposal, including the cash flow budget, five or three years financial report for new or old customer respectively. Also, the customer will be required to provide

one third (1/3) of the fund needed for the project. This will serve as an incentive that will propel the customer to ensure that the business is not only carried out effectively but profitably. (Osuse, 1986:8)

vi. Purpose of the Loan

The purpose for which the loan is sought must be disclosed to the bank to determine whether or not the loan will be granted by the bank. No bank will like to lend out money for any illegal purpose or contravening the CBN guidelines, or public interest, say loan for trafficking drugs or for advance fee fraud popularly called 419. Also, before any lending the banker must satisfy his/her self that the prospective individual or corporation has the power to borrow. This can be found in the memorandum and article of association of the company. (Fergusun:2006).

vii. Length of time for which the Customer requires the Loan

Banks are required to be solvent at all times so as to meet its daily transactions and credit needs of the community and the economy it serves. This is the reason why commercial banks cannot afford to lend on long term or grant self-liquidation loan. (Daphus & Fergusun 2006:123)

viii. Security Offered by the Customer

Something of value which the borrower is prepared to leave with the bank as evident of his intentions and ability to repay the loan contracted is called security. Such property may belong to the customer or to a third party which could be referred to as direct or indirect security respectively. A good security must be easy to value, marketable or realizable. That is easy for bank to acquire legal title and in case of landed property in an accessible place for valuation. Collateral security, even when customer can produce satisfactorily proof of land ownership inadequate for closure law, absence

for vibrant market for property resale can decrease the value of real estate as collateral (Daphus& Ferguson, 2006:123).

Also, Collateral requisition for loan is also considered as one of the credit risk management tool available to commercial banks (Muskin 2007:225).

2.7 Commercial Banks' Lending Policies and Small Scale Business

Many students had written on the role of commercial banks to economic development of the nation, but not much has been done in analyzing the impact of commercial banks' lending policies on the growth of small-scale business in Nigeria.

Although, the relationship of commercial banks to economic development may be linked to its impact on business growth generally. The topic" the impact of commercial banks' lending policies on Nigeria economy using Diamond bank Yola and few selected small-scale businesses in Yola" Adamawa State, focuses on the impact of banks' lending policy with regards to credit creation and business growth. Such impact can be measured with references on the amount of loans and advances made available to small scale business in the economy which embodies different sectors of the economy like agriculture, manufacturing, commerce, building and so on.

Osuze (1986:8) was of the opinion that the cheap fund made available by especially commercial banks rises because the federal government stepped in and subsidized their lending activities. He also posited that when interest rate are kept artificially low, both mobilization, allocation of credit rationales are distorted and in the process most small- scale businesses are denied the chances of obtaining the so needed loans and advances which consequently constraint their growth. He further said that low interest rate has not done much to attract safer and easy short

terms business to the local banking services that are often eager to accept them, rather than getting involved in more risky medium and long-term businesses and finance thereby realizing profit in long run relatively.

Essen and Akpan in their paper titled “ Credit Policies and Private sector in Nigeria” (2007 :4) contends that most commercial banks in a policy based finance (lending) favour lending for low risk activities, such as self liquidating , short term working capital and trade finance. Inferingly, commercial banks are less willing to finance high risk projects with long payback periods, even if these projects may yield higher overall returns. They are so reluctant generally to finance small scale businesses that lack adequate collaterals, even though such businesses may be more innovative and promising than others. This trend has adversely affect the cost, access to, and availability of credit to the private sectors in recent times in Nigeria

In recent times the policy of commercial banks as regards loan collaterization is strict and not flexible, thereby making it hard for small-scale businesses especially to access loanable funds.

Adewumi (1982 : 910) was of the opinion that forms of collateral security demanded by the banks for loans and advances in the country should be more flexible so that prospective borrowers will access funds with ease. Umorem (2006:214) enumerated in her book tiled “the Nigeria banking services users hand book’ some acceptable collateral security below;

- i. Mortgage on landed property
- ii. Cash deposit
- iii. Stock/share certificates of quoted blue chip companies

- iv. Guarantee: personal joint and several guarantees of directors or corporate
- v. Bank grantee
- vi. Charge of fixed and/or floating assets
- vii. Shipping documents
- viii. Negative pledge
- ix. Bankers acceptance
- x. Life assurance policy
- xi. Lien on finance assets
- xii. Tripartite warehousing agreement
- xiii. Treasury bills.

Some collateral are modified in other to reduce their stringency for example Agricultural Credit Guarantee Scheme (ACGS).

The fund provides guarantee in respect of loans granted by banks for approved agricultural purposes with the aim of increasing the level of banks credit to the agricultural sectors.

There major objectives are to alleviate the problems forced by small scale borrowers seeking credit and to achieve financial and ultimately economic additionally (Mohammed 2007:120).

In an article titled ‘role of banks in a depressed economy’ Adekanya was of the view that profitability must cease to be the key objective of banks policies some emphasis however, must be placed on prompt and efficient services he said,

and whenever excess profit are made, social obligation of banks such as creating employment, nurturing young business should be encouraged. He also contend that bankers should stay in constant and frequent contact with the borrowers by way of discussion and the offering of financial advice to the borrowers.

Crosse and Hempel (1980: 147) content that much of the management of or banks liquidity position and policy formulation, will to some extent resolve around a knowledge of the need and intentions of large customers (corporate , or individual or government) and a preparation to cope with them.

Astute and proactive banks management will endeavor to keep in close touch with those customers in order to learn their plans as early as possible. This is one important reason for bank officers to visit customers and to understand the nature of their businesses. This will check fraud, aid policy formulation, help to give full effect to regulatory requirements such as “know your customers”, made by central banks of Nigeria.

2.8 Control of Commercial Banks Credit Policies by Central Bank of Nigeria

Government since the mid-17th century delegate by appointing special agents known generically as banks. The arms of the government in turn oversee these agents through their representative institutions generally known as central banks. The government licensed, regulate and execute most of the banking activities and policies through the apex banks (CBN)

The government uses the Central Bank to steer the activities of commercial banks and other financial institutions through circulars, guidelines and so forth. The chief of these circular is the CBN Monetary, Credit, Foreign trade and exchange policy guidelines circular (MCFTEPG). This serves as the Bible for commercial banks and other financial institutions in Nigeria Umoren (2006: 25).

Monetary and credit policy for every period of two years under review is contained therein.

Monetary policy is an instrument or tool available to the CBN that can be used to reach its operational targets. The monetary policy stance at a point in time consists of the prevailing value of the operational target and expected changes thereof that result from the CBN communication, such as expansionary or contractive measures. This will increase or decrease the power of commercial banks to create credit respectively (Bindseil, 2004 : 96).

Credit policy on the other hand refers to policies directed at developing and encouraging investment in certain sectors of the economy (Essen and Akpan 2007:1). Essentially it involves giving loans on preferential terms to priority sectors of the economy. It is also called “directed credit policy”. It is a tool used by the monetary authority to promote economic development by creating easier access to bank credit for the productive sector of which small-scale businesses are among.

The theoretical underpinnings of policy based or directed lending indicate that in an ideal market situation, neither government nor financial institutions need to influence the availability or allocation of credit.

However, Vittas and Chor (1996) observed that such intervention is inevitable in order to avoid conflict of interest and information asymmetry in the allocation of credit. Thus in the absence of full information, banks tend to allocate credit only to firms with reliable track records.

2.9 Review of Government Credit Policy (2002— 2010).

The government credit policy serves as “economy compass” to the entire nation. It has a direct impact on commercial banks’ lending or credit policies. In other words it navigates commercial banks policies especially credit.

The broad objectives of credit policies in Nigeria, over the years have been the enhancement of availability, reduction of cost and access of credit to the private sector as well as the stimulation of growth in the productive sectors of the economy. Consequently, credit guidelines were designed to ensure that the financial needs of Small and Medium Scale Enterprises were adequately catered for. Banks were therefore, required to pay greater attention to the prescribed aggregate and sectorial allocation of their loans and advances to enhance the attainment of the objectives of the government.

In 2002, the CBN pursued initiatives to strengthen the community banks to provide finance at macro level. Commercial banks were still enjoined to continue to provide adequate credit to the growth sector of the economy including Small Scale Enterprises. In that year commercial banks’ lending to Small Scale Enterprise to its total credit was 8.7% which amounts to N44,542.3millions out of N508,302.2 million issued out as loans.

In the year 2002 new initiative was evolved, under the aegis of the bankers’ committee, to ensure adequate assistance to Small and Medium Scale Industries performance in terms of employment generation, developing local technologies, and contributing to output growth. Under’ the Small Medium Industries Equity Investment Scheme (SMIEIS) banks were required to set aside 10.0% of their profit before tax for the financing and promotion of Small and Medium Scale Industries. The scheme, which has been the most recent up till the end of 2006,

was expected to enhance and improve funding that would facilitate achievement of higher economic growth. The government also put in place various programmes and schemes to assist the SME such as Development Finance Institutions (DFI); Family Economic Advancement Programmes (FEAP), Peoples Bank of Nigeria (PBN), Nigerians Agricultural and Cooperative Bank of Nigeria (NACB), Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI) and National Economic Reconstruction Fund (NERFUND). These institutions were later merged in 2001 to form the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) and Bank Of Industry (BOI) to ensure improved supply of credit to the agricultural sectors, the Agricultural Credit Guarantee Scheme (ACGS) was established.

In order to provide Small Scale Enterprises Credit and other poor Nigerians with low income, micro finance scheme was in 2005 introduced.

Below is a table showing the ratios of loans granted to Small-Scale Enterprises by Commercial Banks in relation to its total loans issued from 2002 to 2009.

Ratio of loans to SSE by commercial banks total credit

Years/ Qtrs.	Commercial Banks Loans to SSE (₦'M)	Commercial Banks Total Credits (₦'M)	Commercial Banks Loans to SSE as a Percentage of Total Credit.
2002	44,452.3	508,302.2	8.7
2003	52,428.4	796,164.8	6.6
2004	82,368.4	954,628.8	8.6
2005	90,176.5	1,210,033.1	7.5
2006	54,981.2	1,519,242.7	3.6
2007	50,672.6	1,899,346.4	2.7
2008:			
1 st Qtr.	73,161.3	1, 650,952.5	4.4
2 nd qtr.	86,431.2	1,823,610.7	4.7
3 rd qtr.	77,320.9	2,017,380.7	3.8
4 th qtr.	50,672.6	1,899,346.4	2.7
2009:			
1 st qtr.	24,503.3	2,286,812.9	1.1
2 nd qtr.	26,401.6	2,233,741.7	1.2
3 rd qtr.	8,188.1	2,497,721.1	0.3
4 th qtr.	25,713.7	2, 524,297.9	1.0

Source: Computed from Deposit Money Banks (DMS) CBN Statistical Bulletin 2010.

CHAPTER THREE

METHODOLOGY

3.1 Research Design

The research design primarily deals with the ways through which data will be collected.

The researcher in this study has used the “the quiz experimental” research design, which is also known, as “survey”. This is mostly employed in social science research. This entails selecting a sample from the population primarily because the entire population may be too large for a convenient research study.

A discrete population within the general staff of Diamond bank PLC Yola and workers of small scale businesses have been surveyed and a careful sampling procedure has been adapted to manage the selection of sample within the time and financial constraints.

In this project questionnaire and personal interview have been employed to obtain the necessary information.

3.2 Population of the Study

Diamondbank currently has 2500 workers nation-wide as at 2008. But, the Yola branch has 35 staff. On the other hand the small-scale businesses have 70 workers. Using the yarmen’s formula on the aggregate has provided a suitable number of questionnaires administered:

Diamond Bank - 35

Small Scale Business - 115

= 150 responses

In order for the findings of the study to be a true representative of the population, there are two possible options as follows:

- i. Make use of the complete census,
- ii. Make use of sample of the population

The second is relatively cheap and has helped to reach high level of accurate result.

The present study is concerned with the “impact of commercial banks’ lending policies on the nation’s economy, taking a case study of Diamond bank and few selected small scale enterprises in Jimeta-Yola. Hence, the sample has been drawn from the aforementioned businesses to refer to the whole population.

3.3 Sample Size

For the purpose of this study, a sample size of 35 staff of Diamond bank plc Yola and 25 staff of few selected small and medium enterprises were used. Questionnaire has been administered to them so that information driven from these was used for the purpose of this study.

3.4 Sampling Technique

A statistical sampling technique (interpolation formula) was used in order to know the number of questionnaires to be administered to the respondents. Specifically, the Yamern’s formula on sample size were also used. It is stated as followed:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = sample size

N = population size

e = limit of tolerable error = 0.1

1 = constant value

Therefore:

$$n = \frac{N}{1 + Ne^2}$$

Where:

n = sample size

N = 150

e = 0.1

1 = constant value

$$n = \frac{150}{1 + 150 (0.1)^2}$$

$$n = \frac{150}{1 + 150 (0.1)^2}$$

$$1 + 150(0.01)$$

$$n = \frac{150}{1 + 1.5}$$

$$n = \frac{150}{2.5}$$

n = 60 Therefore 60 questionnaires were administered.

3.5 Method of Data collection

The general approach which will be adopted in the execution of this study was the method of sampling technique. A simple random sampling technique was used so as to give equal chance of selection among respondents there by reducing biasness in the selection.

3.6 Instrument for Data Collection

Questionnaire and personal interview was used as an instrument for data collection.

The primary data were obtained through questionnaire administered to respondents and the conduct of personal interview with staff of Diamond bank, few selected small scale businesses.

3.7 Description of the Instrument for Data collection

The questionnaire was divided into two parts. One for the commercial bank staff (asking them about their demographic back-ground as well as processes and nature of lending policies to SSE) and the other for small-scale businesses (asking them about their business and the source of funding) each consisting of an introductory brief covering letter, which indicates educational objective of the study.

3.8 Validation of Instrument

Validity can be defined as the characteristics used in describing the research which actually measure what it claim to measure. Any research must be capable of achieving what it ought to achieve in order to measure its validity. In this study, our instrument involves use of questionnaire which was designed in a simple and precise way containing relevant question to meet the purpose of the study.

3.9 Methods of Data Presentation/ Analysis

The data that was collected for the purpose of this study, were presented inform of percentages, cross tabulations and the test hypothesis for easy analysis and interpretation, also, for testing of the research questions.

3.10 Instrument for Data Analysis

The information so collected was analyzed using the statistical tool namely “chi square” distribution denoted by χ^2

The chi square (χ^2) is given by:

$$\chi^2 = \frac{\sum(O - E)^2}{E}$$

W here;

O = Observed frequency

E = Expected frequency

Σ = Summation sign

χ^2 = Chi square

Lucey observed that χ^2 is used when it is wished to values with hypothetical or compare an actual observe expected distribution.

It is also seen as an index of dispersion in the deviation of observed values from those specified by the hypothesis. He further observed that the chi square criterion serves as a measure of the comparability of two sets of frequencies and is also referred to as "goodness of fit" test.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF DATA

4.1 Introduction

The purpose of this chapter is to present and analyze the primary data obtained from the questionnaires administered to the staff of Diamond Bank and selected small scale business in Yola and to test the hypothesis postulated in chapter one of this research. This chapter also provides a ground upon which discussion, conclusion and recommendations are based. The analysis made involves the use of:

1. Tabulation of the responses relating to hypothesis and research questions and;
2. Statistical techniques of testing hypotheses statement.

It should be noted however, as stated in chapter three of this study that the respondents of the questionnaires constitutes commercial banks and selected small scale business in Yola Adamawa state representing section A and B of the questionnaires respectively.

4.2 Questionnaire Distributed and Number Received

It could be recalled that the total number of questionnaires administered were (60) sixty as interpolated using the Yamern's formula in chapter thirty (30)

was issued to each and received twenty eight (28) questionnaires of section A and B were received back from the commercial banks and small scale businesses respectively making a total of 56 returned questionnaires. These represent a 93% of the number of questionnaire distributed.

It is tabulated below as follow in table 4.1

Table 4.1: Questionnaire administered and collected

No of questions distributed	No questionnaire received	Percentage (%0 of questionnaire received.
60	56	93

4.3 Presentation of Primary Data

Underneath is the presentation of responses received from staff of commercial banks and small scale businesses similar questions are merged.

Table 4.2: Responses from question 4 and 4 for section A and B respectively.

Questions and option	Respondents		Total	Proportion
	Section A commercial banks	Section B SSE		
Do small scale business in the area often apply for loans				
a. Yes	19	15	34	60.7
b. No	9	13	22	39.3
Total	28	28	56	100

Table 4.3: Responses from question 5 and 7 for section A and B respectively.

Questions and option	Respondents		Total	Proportion
	Section A commercial banks	Section B SSE		
To what extent do lack of finance as a factor hinders the growth of businesses Yola North.				
i. To a great extent	5	11	16	28.6
ii. To a considerable extent.	14	8	22	39.2
iii. To a slight extent	5	4	9	16.1
iv. Not at all	4	5	9	16.1

Total	28	28	56	100
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Table 4.4: Responses from question 12 and 7 for section A and B respectively.

Questions and option	Respondents		Total	Proportion
	Section A commercial banks	Section B SSE		
To what extent does CBN control the commercial banks credit policies				
a. Yes	24	17	41	73.2
b. No	4	11	15	26.8
Total	28	28	56	100

Table 4.5: Responses from question 11 and 6 for section A and B respectively.

Questions and option	Respondents		Total	Proportion
	Section A commercial banks	Section B SSE		
Does banks charge high interest				
a. Yes	18	19	37	66.1
b. No	10	9	19	33.9

Total	28	28	56	100
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Table 4.6: Responses from question 12 and 10 for section A and B.

Questions and option	Respondents		Total	Proportion
	Section A commercial banks	Section B SSE		
What extent do lack of finance as a factor hinders the growth of businesses Yola North.				Percentage (%)
i. To a great extent	7	13	20	35.8
ii. To a considerable extent.	17	4	21	37.5
iii. To a slight extent	3	7	10	17.8
iv. Not at all	1	4	5	8.9
Total	28	28	56	100

Table 4.7: Responses from question 11 and 13 for section A and B respectively.

Questions and option	Respondents		Total	Proportion Percentage (%)
	Section A commercial banks	Section B SSE		
To what extent do lack of finance as a factor hinders the growth of businesses Yola North.				
i. To a great extent	19	8	27	48.2
ii. To a considerable extent.	5	13	18	32.2
iii. To a slight extent	3	5	8	14.3
iv. Not at all	1	2	3	5.3
Total	28	28	56	100

4.4 Test of Hypothesis

Hypothesis is an intelligible guess put forward as a start point for deep reasoning and explanation without the assumption of its truth. We basically have the Null (H_0) and the alternative hypothesis (H_1).

The test were conducted at 5% level of significance using a 95% confidence level (that is, conclusion are right at least 95% of the time).

The chi-square (X^2) is the statistical tool to be employed in the test hypothesis as earlier stated in chapter three. The formular is given as follow,

$$X^2 = \frac{\sum(O - E)^2}{E}$$

Where:

O = Observed frequency

E = Expected frequency

Lucey (2002:110) explain that the X^2 test is a vital extension of hypothesis testing and is used when it is wished to compare the actual (observed) distributions with the expected frequencies.

Hypothesis 1

Ho1: Commercial bank's lending policies does not have impact on the health of the economy.

Ha1: Commercial bank's lending policies have impact on the health of the economy.

To test the validity of this hypothesis, we use the information of question 11 and 13 of table 4.7 of section A and B respectively.

Expected Frequency

The expected frequency formula use is shown below:

$$\text{Expect (E)} = \frac{TR \times TC}{OT}$$

TR = Total row

OT = overall total

TC = Total column

Degree of freedom (df) = (R-1) (C-1)

R = Number of Row

C = Number of Column

$$df = (4-1)(2-1)$$

$$= (3)(1)$$

$$= 3$$

$$\text{Cell R1 C1} = \frac{27}{56} \times 28 = 13$$

$$\text{Cell R1C2} = \frac{27}{56} \times 28 = 13$$

$$\text{Cell R2C1} = \frac{18}{56} \times 28 = 9$$

$$\text{Cell R2C1} = \frac{18}{56} \times 28 = 9$$

$$\text{Cell R3 C1} = \text{R3 C2} = \frac{8}{56} \times 28 = 4$$

$$\text{Cell R4 C1} = \text{R4 C2} = \frac{3}{56} \times 28 = 1.5 = 2$$

Table 4.8

S/N	0	E	0-E	(0-E) ²	(0-E) ² /E
1	19	13	6	36	2.7692
2	5	9	-4	16	1.7778
3	3	4	-1	1	0.2500
4	1	2	-1	1	0.5000
5	8	13	-5	25	1.9231
6	13	9	4	16	1.7778
7	5	4	1	1	0.2500
8	2	2	0	0	0
TOTAL	56	56	0		X² = 9.2479

Decision Rule: The value of the cut-off point for 3 degree of freedom (df) at 5% level of significance from the χ^2 distribution table (see appendix) which 7.815 is

lower than the computed chi-square of 9.2479. Hence, accept the alternative hypothesis and reject the null hypothesis.

Hypothesis 2

H_{02} : Government policies have no impact on commercial banks lending

H_{a2} : Government policies have impact on commercial banks lending policies.

To test the validity of this hypothesis, we use the information of question 7 and 12 of table 4.9 below of section A and B respectively.

Observed

Table 4.9

Question and options	Responses		Totals
Does government has impacts on commercial bank's lending policies	Section A	Section B	
(a) Yes	24	17	41

(b)No	4	11	15
Totals	28	28	56

Expected

$$\text{Cell R1 C1} = \text{Cell R1 C2} \frac{41}{56} \times 28 = 20.5 = 21$$

$$\text{Cell R2 C1} = \text{Cell R2 C2} \frac{15}{56} \times 28 = 7.5 = 7$$

$$\text{df} = (2 - 1)(2 - 1)$$

$$= (1)(1)$$

$$= (1)$$

Table 4.11

S/N	0	E	0 - E	(0 - E) ²	(0 - E) ² /E
1	24	21	3	9	0.4286
2	4	7	-3	9	1.2857
3	17	21	-4	16	0.7619

4	11	7	4	16	2.2857
TOTAL	56	56	0		$X^2 = 4.7619$

Decision Rule: The value of the computed $x^2 = 4.7619$ which is greater than cut-off point for 1 df at 5% level of significance (3.841). The null hypothesis is rejected and the alternative accepted. This is “government policies have impact on commercial banks lending”.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

INTRODUCTION

In this chapter, attempt is made to bring together all the ideas and thought that had been developed during the study. The work so far tried to establish whether or not “Commercial Banks Lending Policies has an impact on the economy of Nigerians as a whole”. In a bid to do this, some sectors of the economy like the small scale enterprises were identified and the commercial banks contribution to this sector were considered.

5.1 DISCUSSION

As earlier stated, the study was conducted in order to know the impact of commercial banks lending policies on the economy using Diamond, and few selected small scale enterprises in Adamawa were “X-rayed”.

The researcher stated by collecting data from secondary and primary source. The secondary source includes data form text books, magazines, journal, seminar papers, internets, news papers and other financial publications (banks especially). The primary data were collected or obtained via the administering of well designed questionnaires to the staff of the earmarked case study. Also, personal interviews were conducted with the respondents.

Analytical tools employed in the study were percentage, tables and frequency table methods.

The two major statistical techniques employed in this study were Yamerns' sampling technique in order to know the appropriate sample size and the chi-square, which was used to test the hypothesis postulated.

5.1.1 From the study conducted, the findings include:

(1) The extent to which lack of financing especially from banks hinders the growth of businesses in Yola. This is affirmed from the disclosure on table 4.3 where sixteen (16) and twenty-two (22) respondents from banks and SSE representing 28.6 and 39.3 percent chose "greater extent" and "considerable extent" respectively. This indicates an aggregate of 67.9%.

(2) That small scale enterprises apply for loans at one time or the other from commercial banks. This is evidenced from the figures on table 4.2. Showing that 34 respondents representing 60.7% of the sample of 56 respondents said yes.

(3) That banks charge high interest rate on loans issued. This is supported by the responses analyzed in table 4.5 it showed that 37 respondents out of the total sample size of 56 representing 66.1% of the sample proportion said yes.

(4) That the central bank of Nigeria of recent favours the granting of commercial banks credit to small scale enterprises. This was supported by the responses analyzed. In table 4.6 for question 12 and 10 for section A and B respectively. Here, twenty (20) and twenty-one (21) persons accepted to a great extent and to a considerable extent opinion representing about 35.71 and 37.5 percent respectively out of the sample proportion.

(5) That commercial banks lending policies contributes to the economic growth of the nation. The analyzes in table 4.6 reveals thus, figures from the analysis showed that twenty-seven (27) and eighteen (18) persons of section A and B respectively accepted “to a greater extent and “to a considerable extent” option. This indicates a 48.2 and 32.1 percentage of the total sample size.

(6) That the Central Bank of Nigeria (CBN) control commercial banks credit policies. This is further confirmed in table 4.4 analyses. From the analysis twenty-four (24) and seventeen (17) persons of section A and B accepted “yes” option. This can be also presented as 42.9 and 30.4 percents respectively of the sample size proportion.

5.2 CONCLUSION

From the findings the following are concluded by the researcher.

1. Finance an indispensable element in every business is in short supply and is significantly hindering the growth of businesses in Nigeria.
2. Small scale businesses do apply for bank loans but not often enough to do away with the shortage which is primarily due to high interest rate, ignorance among others.
3. Interest rate charge by commercial banks is high thereby discouraging small scale enterprises from obtaining bank loans.
4. That commercial banks lending policies contributes to the impact of the economy significantly.
5. That government regulations and control via the CBN control commercial banks lending policies.

5.3 RECOMMENDATION

In view of the inferences drawn in form of conclusion of these studies, the recommendation for this study among others will include:

1. The commercial banks in the country should try to relax a little their lending policies so as to make it suitable and bearable for small scale businesses to obtain adequate fund for growth and subsequently the economy.

2. Commercial banks should also see to the interest rate charge on loans so as to encourage small scale enterprises borrowing from banks.
3. Knowingly that commercial banks lending policies have impact on the economy. The commercial banks should carefully and adequately consider the interplay of various proponents of the micro and macro economy, government's lending policies as well as others before formulating it's policies on lending which should not be only profit oriented but should also be favourable to the economy.
4. The Central Bank of Nigeria (CBN) being the navigator of the entire financial system should formulate additional favourable policies, programme, scheme etc. that will tailor commercial banks policies towards customers friendly policies, especially with current global financial meltdown.
5. Despite the programmes, schemes, policies initiated by government which favours the allocation of more funds to small scale enterprises. It is not enough sprouting up such wonderful ideas but the implementation and monitors of such policies should be religiously ensured and they should give more orientation to small scale businesses.

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APPENDIX I

Department of Management Technology,

School of Post-Graduate Studies,

Modibbo Adama University

P. M. B. 2076 Yola, Adamawa State.

15th November, 2012.

Dear Respondent,

I am a Post-graduate Diploma student of the named institution above carrying out a research on the topic:

“The Impact of Commercial Bank’s Lending Policies on the Nigerian Economy”

The questionnaires are designed for the purpose of this research only and the information supplied on it will be treated with utmost confidentiality.

Thanks.

Yours faithfully,

.....

Job AlheriYakubu

QUESTIONNAIRE

Introduction

You are kindly requested to complete this questionnaire to the best of your knowledge.

SECTION 'A'

(SMALL SCALE BUSINESS)

PART I

1. Name:.....
2. Marital status: Married () Single ()
3. Sex: Male () Female ()
4. Age: 18-30 () 31-40 () 41-50 () 51-60 () Above 60 ()

PART II

1. What is the nature of your business? Specify.....
2. How do you raise the initial or starting capital? (a) Personal saving (b) borrowing (c) loans (d) others
3. How long is the business established?.....
4. Have you applied for a loan in your business before? (a) Yes (b) No
5. If yes, how often? (a) Very often (b) often (c) not often (d) not at all

6. Has your request for loan ever been turned down? If yes, state the reason.....
7. To what extent do you think lack of finance to be one of the major factors hindering the growth of business enterprises? (a) To a greater extent (b) To a greater extent (c) To a slight extent (d) not at all
8. Do you see the rate of interest charged by commercial banks a barrier hindering enterprises from demanding for loans? (a) Yes (b) No
9. What category of loans do you take from commercial banks? (a) Short term loan (b) Medium term (c) Long term loan
10. Do you think that the amount of loan your request from the bank depends on the suitability of the bank's lending policies? (a) Yes (b) No
11. Do you think that banks charge higher interest on loans? (a) Yes (b) No
12. Do you think that the amount of credit commercial banks make depends largely on government? (a) Yes (b) No
13. To what extent do you think is commercial bank's lending been contributing to the growth of the economy? (a) To a great extent (b) To a considerable extent (c) To a minima extent (d) not at all

SECTION 'B'

(Commercial Banks)

Part I

1. Name.....
2. Marital Status: Married () Single ()
3. Sex: Male () Female ()
4. Age: 18-30() 31-40 () 41-50 () 51-60 () above 60()

Part II

1. In which department of the bank do you work?.....
2. Has your bank been lending credit to small scale business in Yola?
Yes () No ()
3. What category of credit does your bank provide?
a. short term () b. medium term () c. long term ()
4. Do small scale businesses in Yola apply for loan from your bank?
a. Yes () b. No ()
5. To what extent do you think lack of finance is one of the major factor hindering the growth of small scale businesses in Yola?
a. To a greater extent () b. To a considerable extent () c. to a slight extent () d. not at all ()
6. Do your bank charge high interest rate? a. yes () b. no ()

7. To what extent does Central bank impact your bank lending policies?
 (a) To a greater extent () b. to a considerable extent () c. To a slight
 extent () d. not at all ()
8. Does your bank strictly and rigidly abide by its lending policies?
 a. yes () b. no ()
9. Do your bank encounter difficulty in implementing its lending policies?
 a. yes () b. no ()
10. Of recent, to what extent does government credit policies favor the granting
 of loans to small scale businesses? (a) To a greater extent () b. to a
 considerable extent () c. To a slight extent () d. not at all ()
11. To what extent do you think commercial banks lending been contributing to
 the growth of the economy? (a) To a greater extent () b. to a considerable
 extent () c. To a slight extent () d. Not at all ()
12. Do small scale business apply for loans in your bank? a. Yes () b. No ()
13. Do you agree that stringent lending policies of commercial banks are
 significantly hindering them from granting loans to small scale businesses?
 A. yes () No ()