THE ROLE OF COMMECIAL BANK IN INDUSTRIAL DEVELOPMENT OF NIGERIA A CASE STUDY OF UNION BANK OF NIGERIA UNION BANK PLC IJEBU ODE LOCAL GOVERNMENT AREA OGUN STATE

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CERTIFICATION

I certify that this research project was carried out under my supervision by **ODUBANJO SUKURAT OLAMIDE** with Matriculation number **18022203019**, combination Economics / Social Studies in the Department of economics, School of arts and social sciences Tai Solarin College of Education, Omu-Ijebu, Ogun State.

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DEDICATION

This project is dedicated to Almighty Allah, the beginning and the end, all knowing, all thanks, honour and glory to Him. I bless His name for sparing my life, providing me with knowledge and delivering me from all dangers encountered during my stay in the college. And to my lovely and caring parents, mr Oduniyi Jinadu Ayoleke

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TABLE OF CONTENTS

CHAPTER ONE

Introduction

1.1 Background to the study

Banking plays an important role in the financial life of a business, and the importance of banks can be seen from the fact that they are considered to be the life-blood of the modern economy. Although no wealth is created by banks, their essential activities facilitate the process of production, exchange and distribution of wealth.

Various economists have different views about the role of commercial banks in economic development. Schumpeter (2015) says, "It is the banking system which serves as a key agent along with the entrepreneur in the process of economic development". According to Prof. Cameron in his "Banking and Economic Development", "a banking system may make a positive contribution to economic growth and development."

A commercial bank is something with which every one of us is well known. However different bankers and economists have defined it in a different way:

According to Kent(2011)"An organization whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure."

According to Banking Companies Ordinance 2012:

"Banking means the accepting for the purpose of lending or investing of deposits of money from the public repayable in demand or otherwise and withdraw-able by cheque, draft order or otherwise."

From above definitions, we conclude that bank is an institute, which is established for the depositing, withdrawing and borrowing money.

ECONOMIC DEVELOPMENT "It refers to the process whereby the total supply of goods and services of the society increases leading towards improved living standards."

The practice of banking and financing in Nigeria is culturally rooted and dates back several centuries ago. In the 1940s, the traditional financial institutions provide access to credit for rural and urban low- income earners. They are mainly of the Informal Self Help Groups (SHGS) or Rotating Savings and Credit Associations (ROSCAs) types. The informal financial institutions generally have limited outreach due primarily to paucity of loan able funds. In order to enhance the flow of financial services to Nigerians, government has in the past, initiated a series of publicly financed micro credit programs and policies targeted at productivity enhancement.

Commercial Banks and Industrial are synonymous as the growth of one enhanced b y the other. Precisely, banking operation is an accent business which was already in the accent Babylon during the classical civilization, particularly in Rome. But modern banking started in Italy where banker apart from buying and selling of foreign currencies also took demand time deposits.

Notable among such programs were the Rural Banking Program, sectoral Allocation of Credits, the Agricultural credit Guarantee Scheme (ACGS) etc. Other institutional arrangement were the establishment of the Nigerian Agricultural and co-operative Bank limited (NACB), the National Directorate of Employment (NDE), the People Bank of Nigeria (PBN), the Community Banks (CBs) and the family Economic Advancement Programme (FEAP) all aimed at improving the economic growth of the nation.

In order to lower industry cost of funds, the Cash Reserve Ratio (CRR) was reduced by 6% points from 11% to 5% with the difference expected to be invested by banks in special Central Bank of Nigeria (CBN) instrument with tenure of 91days at 3% coupon rate. Furthermore, a 1- year treasury bill was introduced on July 1, 2005 with a view to restructuring the deposit profile of the federal Government. Similarly, in order to reduce inequality pressure, reverse inflationary trend and encourage long tenured investment, the 182 days non discountable bill was introduced.

Commercial Banks are involved in the process of increasing the wealth of the economy, particularly the capital goods needed for raising productivity. In developing countries like Nigeria, income is very low and that as such low level investment can be made, if possible without requiring a long period effort at saving. Financial intermediaries have a vital role to play here, in raising both the savings and investment to the level necessary to achieve a self sustained growth.

In manpower development, Banks contribute highly in training staff and development through both local and foreign facilitation. In order to strengthen our work force and take advantage of emerging market opportunities, Banks also recruit various professionals with broad industry knowledge and hands- on experience.

In financing the economy, the bank has aligned its financial intervention in the economy with a clear understanding of high impact character of government's privatization and deregulation program. The search made for the most efficient and effective domestic lending portfolio has meant that commercial Banks have led the financing of private investment in rural development in the economy.

The financial institutions are therefore capable of influencing the major savings factors namely; ability, willingness or saving propensities and opportunities. The need to achieve sustained rural industrial growth within any economy can be possible amidst strong financial institution and precisely within the existence such that are tailored to work in accordance with government policies and program in a bid to attaining the desired macro-economic objectives of a nation. Banks as components of financial sector consist of the apex i.e Central Bank, Commercial Banks, Development Banks, Merchant Banks and Specialized banks

1.2 Statement of the problem

Evidently, an important avenue for banks to boost the growth of the rural sector of the economy is through efficient and effective loans and saving investment process which ought to stimulate investment and productive activities. For the past three decades, the Nigerian economy has not shown any favorable sign of growth. for example, the real gross domestic product (G N P) growth rate figures was 2.8% in 1995 with negative figures in year like 1982 with 0.3% etc (as depicted in the C B N periodic bulletin 1986).

From this background, we are therefore poised to answer the burning questions like;

(1) In what extent does commercial bank as a financial intermediate contribute towards funds mobilization for rural industrial growth and development of the country?

(2) Is there any relationship between commercial banks and financing rural areas for economic development in Nigeria?

(3) What are the problems commercial banks encounters in their performance towards mobilization of fund for rural development?

1.3 Objectives of the study

This study aims to evaluate the role of savings in commercial banks' performance in Nigeria through the following specific objectives:

i. To assess the contribution of savings to domestic credit to the private sector

ii. To explore the effect of savings on money supply

iii. To examine the impact of savings on deposit rate

1.4 Hypotheses

The research is guided by the following hypotheses.

H_1: Commercial banks activities significantly and positively play better roles towards

fund mobilization for economic development.

H_1: Commercial banks contribute positively towards employment generation.

H_1: Commercial banks play significant role towards wealth creation for economic development of Nigerian

1.5 Significance of the Study

The usefulness of this study is that, it will highlight to the nation as a whole on how best to manipulate commercial bank loans for financing in order to improve the state of rural development in the country.

It will also give the government an overview of constraint of rural financing and how best to manage commercial bank loan in order to yield output.

It will show commercial banks how to increase rural financing for growth in the economy.

1.6 Research Questions

(i) Do commercial banks give loan for rural financing?

(ii) If so, to want extent has the rural area growth since the assistance started?

(iii) Is there any relationship between commercial banks financing and the Nigeria rural development growth?

1.7 Scope of Study

The scope of the study is aimed at liberalizing the minds of the industries on the best means to organize and utilize loan granted to them by commercial banks judiciously, beside the need for the industrialists to adheres strictly to the credit terms, credit period cannot be over emphasized as born funding services as till that lubricates the industries. On the other hand, banks should carryout heavy enlightenment campaign to educate some of illiterate industrials on how best to shamed their request to the banks for easy handing. This could be done by organizing seminars, workshops, visit etc to the industrialists and potentials ones.

Also, this thesis mounted an intensive research on common features of commercial banks types of loan and measures for security such loans, sources of fund and loan advantage, some problems facing both commercial banks and industrialists regarding loans were also focused.

1.8 Definition of operational terms

Commercial bank: a commercial bank is a type of financial institution and intermediary that lends money and provides transactional, savings and money market accounts and accepts time or call deposits.

Credit: this is the borrowing capacity provided to an individual by the banking system in the form of loan.

Savings: this means income not spent, or deferred consumption which includes putting money in a bank or pension plan.

Consolidation: this is the act of merging things into one, in this context, it is the merging and acquisition if smaller companies into much larger ones.

Cash reserve ratio: this is a central bank regulation that sets the minimum reserves each commercial bank must hold (rather than lend out) of customer deposits.

Central bank: this is the apex or supreme bank in Nigeria that issues Nigeria naira, maintains foreign currency reserves and is charged with maintaining monetary stabilities; it is also the lender of last resort for Nigeria banks.

8. Community bank. A community bank is a depository institution that is typically locally owned and operated; they tend to focus on the needs of the businesses and families where the bank holds branches and offices.

CHAPTER TWO

2.1. Conceptual Framework

Through assessing the literature review, the conceptual framework aiding the understanding of the connection between bank credit and economic growth was developed. The independent variables were majorly discussed in terms of bank aggregate credit, interest rate, inflation rate and aggregate bank deposit mobilization. The dependent variable is economic growth.

Role of Commercial banks in economic development of a country

1. Capital Formation

Banks play an important role in capital formation, which is essential for the economic development of a country. They mobilize the small savings of the people scattered over a wide area through their network of branches all over the country and make it available for productive purposes.

Now-a-days, banks offer very attractive schemes to attract the people to save their money with them and bring the savings mobilized to the organized money market. If the banks do not perform this function, savings either remains idle or used in creating assets, which are low in scale of plan priorities.

2. Creation of Credit

Banks create credit for the purpose of providing more funds for development projects. Credit creation leads to increased production, employment, sales and prices and thereby they cause faster economic development.

3. Channelizing the Funds to Productive Investment

Banks invest the savings mobilized by them for productive purposes. Capital formation is not the only function of commercial banks. Pooled savings should be distributed to various sectors of the economy with a view to increase the productivity of the nation. Then only it can be said to have performed an important role in the economic development of the nation.

Commercial Banks aid the economic development of the nation through the capital formed by them. In India, loan lending operation of commercial banks subject to the control of the RBI. So our banks cannot lend loan, as they like.

4. Fuller Utilization of Resources

Savings pooled by banks are utilized to a greater extent for development purposes of various regions in the country. It ensures fuller utilization of resources.

5. Encouraging Right Type of Industries

The banks help in the development of the right type of industries by extending loan to right type of persons. In this way, they help not only for industrialization of the country but also for the economic development of the country. They grant loans and advances to manufacturers whose products are in great demand. The manufacturers in turn increase their products by introducing new methods of production and assist in raising the national income of the country.

6. Bank Rate Policy

Economists are of the view that by changing the bank rates, changes can be made in the money supply of a country. In our country, the RBI regulates the rate of interest to be paid by banks for the deposits accepted by them and also the rate of interest to be charged by them on the loans granted by them.

7. Bank Monetize Debt

Commercial banks transform the loan to be repaid after a certain period into cash, which can be immediately used for business activities. Manufacturers and wholesale traders cannot increase their sales without selling goods on credit basis. But credit sales may lead to locking up of capital. As a result, production may also be reduced. As banks are lending money by discounting bills of exchange, business concerns are able to carryout the economic activities without any interruption.

8. Finance to Government

Government is acting as the promoter of industries in underdeveloped countries for which finance is needed for it. Banks provide long-term credit to Government by investing their funds in Government securities and short-term finance by purchasing Treasury Bills.

9. Bankers as Employers

After the nationalization of big banks, banking industry has grown to a great extent. Bank’s branches are opened in almost all the villages, which leads to the creation of new employment opportunities. Banks are also improving people for occupying various posts in their office.

10. Banks are Entrepreneurs

In recent days, banks have assumed the role of developing entrepreneurship particularly in developing countries like India. Developing of entrepreneurship is a complex process. It includes the formation of project ideas, identification of specific projects suitable to local conditions, inducing new entrepreneurs to take up these well-formulated projects and provision of counseling services like technical and managerial guidance.

Banks provide 100% credit for worthwhile projects, which is also technically feasible and economically viable. Thus commercial banks help for the development of entrepreneurship in the country.

Role of Commercial Banks in the Economy

Importance of Bank: Banking plays an important role in the financial life of a business, and the importance of banks can be seen from the fact that they are considered to be the life-blood of the modern economy. Although no wealth is created by banks, their essential activities facilitate the process of production, exchange and distribution of wealth.

Importance of Bank for Business

On the basis of these Important Functions of Banks, we may easily describe the importance of banks in today's global life.

i. **Collections of Savings and Advancing Loans:** Acceptance of deposit and advancing the loans is the basic function of commercial banks. On this function, all other functions depend accordingly. Bank operates different types of accounts for its customers.
ii. **Money Transfer:** Banks have facilitated the making of payments from one place or persons to another by means of cheques, bill of exchange and drafts, instead of cash. Payment through cheques, the draft is more safe and convenient, especially in case of huge payments, this facility is a great help for traders and businessmen. It really enhances the importance of banks for the business community.
iii. **Encourages Savings:** Banks perform an invaluable service by encouraging savings among the people. They induce them to save for profitable investment for themselves and for the national interest. These savings help in capital formation.
iv. **Transfer Savings into Investment:** Bank transfer the savings collected from the people into investment and thus increase the amount of effective capital, which helps the process of economic growth.
v. **Overdraft Facilities:** The banks allow the overdraft facilities to their trusted customers and thus help them in overcoming temporary financial difficulties.
vi. **Discounting bill of exchange:** The importance of banks can be seen through the facility of discounting the bill of exchange. Banks discount their bill of exchange of consumers and help them in financial difficulties. By discounting a bill of exchange, they able to get the desired amount for the investment they want.

vii. **Financing Internal & External Trade:** Banks help merchants and traders in financing internal and external trade by discounting a foreign bill of exchange, issuing of letters of credit and other guarantees for their customers.

viii. **Act as an Agent:** The bank act as an agent and help their customers in the purchase and sales of shares, provision of lockers payment of monthly and dividends on the stock.

ix. Issue of Traveler's Cheques

x. For the convenience and security of money for travelers and tourists, the bank provides the facility of traveler's cheques. These cheques enable travelers and tourists to meet their expenses during their journey, as these are accepted by issuing bankers, restaurants, and other businessmen both at home and abroad. No doubt, this is also one of the great functions of banks and shows the importance of banks for us in more precise ways.

xi. General Utility Services

xii. The existence of commercial banks is essential for contribution to general prosperity. Banks are the main factors in raising the level of economic development of the world. In addition to the above-cited advantages, banks also provide many services of general utilities to the customers and the general public.

2.1.1 Role of Commercial Banks in the Economy

As we know the main objectives of a commercial bank are to earn profit by the process of accepting of deposits and advancing loans through different methods. Acceptance of deposits, by opening different kinds of bank accounts

i. Advancing of loans to needy persons through different methods and requirements

ii. Provisions of agency and general utility services to his customers

iii. Making new investments in different organizations and increasing the productive capacity of the country

iv. Promote capital formation in the country by mobilizing and collection of savings for the purpose of investments

v. Development of industries in the country according to the requirements of the economy

vi. Balanced development in the economy is achieved in different sectors & regions through the resources of bank funds

vii. Development in agricultural production is made possible by providing different kinds of loans

viii. These banks help in reducing reliance on foreign assistance by their efforts in the mobilization of domestic savings

ix. These banks help in the implementation of an effective monetary policy according to the objective to the central bank.

x. Commercial banks also help in the creation and distribution of money through the sales and purchase of securities.

xi. Commercial banks are the custodian and distributor of liquid capital of the country, which is the lifeblood of all commercial and economic activities of a country.

2.1.2. Economic Growth

The term economic growth is a term that is not easy to define, though it connotes changes in quantity. Economic growth can simply be defined as the sustained increase in the monetary value of the total output or productivity of an economy.

Economic growth is simply defined as increase in a nation's total wealth. However, this definition ignores the effect of the population on the wealth. It could be viewed as the continuous improvement in the capacity to satisfy the demand for goods and services, resulting from increased production scale, and improved productivity.

This study assumes a statistically simplified definition of economic growth provided by that economic growth is the process of increasing the sizes of national economies as indicated by macro-economic indicators especially the GDP per capita, in an ascendant but not necessarily linear direction.

In a recent conference of development bankers of which NIDB is included, the relation between the level of economic development bank promotion activities was analyzed. In the view of the bankers. "promotional activities tender in general to reflect the level of economic development in the country concerned. Those who were most reluctant to take the lead in promoting enterprise were from countries in which there were already a large and active entrepreneurial class. While those that stressed most vigorously the need for promotional activities came from countries where investment opportunities were conspicuously absent or were hard to convince of the merit of new proposals in new fields.

But it should be noted however that the bank could create only limited increment in the demand for industrial capital through promotional activities. This is because while it is true that the bank is designed to influence economic development of which industrial development is only a component course as a result of the convergence of many kinds of institutions and activities on tangible and intangible.

The development bank therefore is only an institutions and its success in performing the functions and achieving the goals for which it was established is constrained by the interaction of all development forces on the economy in which it operates. Thus, failure on the part of the bank to promote and finance viable industrial units may be attributed to the bank 11 itself i.e. to it's management, its policies or its organizations. But failure may also be due to the economic environment in which it functions.

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Aggregate, have a wide variety of investment projects under consideration. If interest rates are high, only those projects with the highest expected rate of net profits will be undertaken. As the interest rate is lowered, projects whose expected rate of net profits is less will also become commercially feasible and the level of investment will rise. In general, given the net expected rate of profits from all possible~ investment projects, there will be an inverse relationship between the interest rate and the level of investment spending.

2.2 Theoretical Review

Development Banks are institutions established for the purpose of providing long-term finance for development. Examples are the Nigerian industrial Development Bank (NIDB), Nigerian Agricultural Cooperative Bank (NACB), and the Nigerian Bank for Commerce and Industry (NBCI). They do not accept deposits from the pubic and are usually owned by the government.

A number of these banks or development financing institutions were established with the assistance of the World Bank and they enjoy a lot of financial support from the World Bank in term of the provision of loanable funds. Development

Banks are also involved in innovation and creativity William Diamond asserted that the two essential function of financial institutions are the mobilization of savings and their allocation Development Banks, according to Joseph H. Kane(2015), functions between these views(i.e. the narrow and broad views). Hence he suggested that a development bank be defined as “a financial intermediary applying medium and long-term funds to bankable economic development projects and providing related services. The main consideration in selecting projects for financing is that the bank is able to revolve its funds without any problems

This definition according to the Harlander and Mezger (2014) over emphasizes the financial aspect and forget the developmental and catalytically functions, which in many cases are even move important than the mere provision of=f funds. This is especially so in African where the critical shortage of both viable projects and entrepreneurial skills is the main bottleneck in the development of most countries. Thus most African development institution offer technical, financial and management consulting services at all stage of the project.

Thus, industrial development banks, as financial intermediaries are concerned with stimulating economic development through project financing by way of lending funds, occasional equity participation and offer counseling services. The development banks are therefore one of the sizable number of institutions involved in financing and/or development activities. Invest made by other institution like Commercial Banks savings institutions, insurance companies, etc. are only to have a supportive effect, directly on economic development. This is to be expected in the context of developing economies.

, J.K. Onoh (2010) identified industrial Development Bank as one that provides long-term loans for the acquisition of productive industrial assets. He said an important function of a development bank is to advice different types of securities with different maturity periods. Acceptable first to borrowers or loanable funds for the purpose of purchasing securities and secondly, to the lenders of such funds.

A development bank, he said, is an "indispensable institution for a country whose government is bent on indigenizing its economic base" many African countries, according to Onoh (2011), established development banks to finance industrial projects out of their desire to promote rapid economic development and to be self reliant in industrial output. "This desire was identified as sequel to the belief by African countries that industrialization and technological acquisition will enhance their political status in world affairs. This is because international experience since the 1960s firmly suggest that the degree of nations political and economic influence in world affairs is directly proportional to its industrial and technological concentration". Thus, African countries in order to narrow the industrial and technological gap between the developing and developed countries, adopted industrialization as a major priority and even overzealously pursued to the detriment of agriculture.

2.2.1 INDUSTRIAL DEVELOPMENT IN THE DEVELOPING ECONOMY

The area for industrial development many initially be small compared to other sectors in a total development program. However, it is bound to be important because, if it is sound a large and significant part of an expended argued that the base of economic development in general and industrial development in particular is heavy industry and that this base must be created first, even at great sacrifice. This notion is largely founded on the idea that heavy industry is essential to support other industries. The field of industrial development is too often though of as being a homogenous grap-bag from which a country can take one thing or another quite indiscriminately and get something worth living. Actually the opposite is true. Industrial development possibilities are beyond number, but the economic value of possible industrial project ranges from a high plus to a very low minus. Generally, it is cheaper for them to import need product for heavy industry from his industrialized countries, which can make them economically to a wide market. The most logical way to find new areas for industrial development is to look for projects will process further and thereby increase the value of agricultural, mining and timber products already being produced for export.

2.2. 3 The Supply Led Finance Theory

This theory was first developed by Patrick in (2016), and is based on the assumption that finance is the most important variable to real sector growth, Supply led finance theory is growth inducing or growth induced, which means finance is the most significant factor for promoting economic development. The theory held that the provision of funds by financial institutions through the extension of credit to businesses support the creation, transformation, expansion of industries and developmental projects thus enhancing the growth potentials of the economy.

According to this view, the existence of financial sector as well as functioning financial intermediation in channeling the limited resources from surplus units to deficit units would provide efficient allocation of resources thereby, leading other economic sectors in the process. The supply led finance theory, emphasizes that finance and economic development are mutual and causal, meaning that finance and economic development have bidirectional causality.

2.2.4 Wicksell Theory of Lending And Economic Growth

This theory was postulated by a Swedish economist called Knut Wicksell in (2016) with strong influence from the quantity theory of money. Wicksell based his theory on a comparison of the marginal product of capital with the cost of borrowing money; the theory by Wicksell therefore, took a monetary approach to economic growth.

Wicksell argued that if the interest rate of borrowing money was below the natural rate of return on capital, entrepreneurs would borrow at the money rate to purchase capital goods, . This would lead to increased demand for all types of resources and, in turn, their prices. Conversely, if the interest rate of borrowing money was above the natural rate of return on capital, entrepreneurs would sell the capital goods and hold money. This would lead to a lower demand for money and in turn the cost of borrowing.

Wicksell connected the rate of interest with the production gap. The production gap represented the variance between what ought to be produced and what is produced.

This theory is important to this study since it give a direct connection between the demand for and the cost of money and output in a country. It shows how interest rates affect borrowing, which in turn affects the purchase of capital goods and how production is affected. If interest rates are higher than the natural rate of return, borrowing will reduce therefore reducing economic growth as a result of low investment. On the contrary, if the rate of interest is lower than the natural rate of return, then more borrowing will take place and this will spur economic growth through more investment,.

2.2.5 Robert Solow Model of Growth

This theory was suggested by Robert Solow in (2016). This is a model of long-run economic growth within the neoclassical economics framework. The model attempts to explain long-run economic growth means of capital accumulation, labour (population) growth, and the increases in productivity otherwise called technological progress.

The Solow model has the following assumptions. First, it assumes that capital is subject to diminishing returns in a closed economy. Secondly, holding the stock of labour constant, the impact of the last unit of capital accumulated on output will always be less than the one before. Thirdly, given no technological progress or growth of the labour force, at some point the amount of new capital produced is only just enough to make up for the amount of existing capital lost due to depreciation. At this point there is no more economic growth,.

The Solow model added the component of changing technological context in order to reduce the effect of diminishing returns in the Cobb-Douglas model. The Solow model therefore suggested that production is a function of state of technology, supply of labour, and capital. The production function made technological progress equivalent to an increase in the effective supply of labour given the state of technology which grows not at the rate of population growth only, but at the rate equal to the sum of growth rate of population and productivity,.

This theory is relevant to this study in the following sense. First, the model approaches the level of economic growth from the output perspective just like in this research. Secondly, commercial loans are assumed to provide capital which is used to improve production in a country. The theory simply provides the connection between the capital, other factors of production and level of national output given the level of technology,.

2.3. Empirical Literature Review

There are various related empirical studies carried out by various scholars in a view to establish the effect of bank services on economic growth. Presented here is a review of the summary of empirical literatures.

In their research, studied the relationship between bank credits and economic growth in Nigeria. The study modeled bank credit, inflation rate and lending rate on economic growth. The study employed the ordinary least square multiple regression technique. Findings showed that bank credit had a positive effect on economic growth in Pakistan. Also, inflation rate and lending rate had an insignificant effect on economic growth in Pakistan.

In examining the effect of financial sector development on poverty reduction in Nigeria, applied bank credit to the private sector, interest rate and money supply to measure financial sector development and per capita income to proxy poverty reduction. The error correction mechanism was applied to analyze the data collected for this study. It was showed that bank credit to the private sector had a significant effect on poverty reduction in Nigeria. Also, it was found that interest rate and inflation rate had insignificant effect on poverty reduction.

In their work, studied the effect of financial sector development on economic growth. Economic growth was proxied by gross domestic product growth rate and financial sector was measured using financial deepening variables. The Ordinary Least Square (OLS) technique was the method of data analysis. Findings showed that financial sector development had remarkable impacted on real sector growth. However, credit allocated to the private sector wields a significant impact while liquid liabilities and the size of financial intermediaries exert significant positive influence.

In investigating how the financial and real sectors interact in Nigeria a during the period 2011Q1 to 2019Q4, adopted the ordinary least square approach and findings showed that real sector output has strong association with the banking sector and the banking sector is the major contributor to output growth.

In examining the effect of financial deepening proxied by ratio of money supplied to GDP, ratio of credit to the private sector to GDP, money supply and interest rate spread on the growth of Nigeria Economy between 2018 and 2020 using Auto Regressive Distributed Lag Approach, study found among others that there is neither significant long run relationship, nor short run causality among the proxies used to capture the exogenous and endogenous variables. It revealed the sorry state of Nigerian financial system development for the period under review.

In their study, assessing financial deepening on economic growth in Nigeria between 2012 and 2018 using the vector error correction technique found broad money velocity and stock market liquidity fostering economic growth. However, money stock diversification, economic volatility and market capitalization failed to promote growth.

Employing co-integration and vector error correction model (VECM) techniques to determine the link between bank lending, economic growth and manufacturing sector in Nigeria, study revealed that manufacturing capacity utilization and bank lending rates significantly affect manufacturing output in Nigeria. This means that the growth of manufacturing output has not been enough to generate sizeable growth in the economy. The study has research gap in terms of not identifying relationship between manufacturing sector performance and economic growth in Nigeria.

2.3.1 PROBLEM OF DEVELOPMENT BANKS

Must of the problems facing the development banks are extended to them in the sense that they arise from the economic environment in which they operate. Indeed the problems are mostly among the features of economic under-development. The inadequacy of infrastructural faculties in Nigeria constitutes a major problem to the development Banks. Power supply is not irregular but limited to a new urban area, roads and communication network is extremely limited in the less developed part of the country, developed land for industrial project is also inadequate.irrespective of the level of development attained by the country, as this relationship has been found to be positive in some jurisdictions, negative in others and in some cases insignificant. Considering that only a single study on the topic has been conducted on Namibia so far, this study will thus be the second of its kind in Nigeria.

Another major problem of development bank in Nigeria is that of mobilizing adequate funds for the achievement of their objectives. Like other developing countries, Nigeria is characterized by low income and saving and a rudimentary capital market. The Federal Government has been a major source of funds for this bank through the annual budgetary allocation sin the form of loans considering the immense size of Nigeria and the volume and rapid rate of growth of demands for their services, the resources so made available are not adequate for the needs of the Banks. External loans are usually obtained to supplement local resources and meet foreign currency aspects of projects with recent unfavourable in the oil sector and hence in the Nigerian economy and the resulting drastic cut Government expenditure, the liquidity of the Nigerian development bank has been considerable reduced.

Manpower problems of development banks also deserve a special mention. The development aspects of development banking pre supposes that a development finance institution should be able to recruit fairly easily the professionals in requires to carryout its function.

2.4. Appraisal of Literature

The importance of the Nigeria industrial Development Bank (NIDB) project appraisal is to assure that, as a development bank the funds which it lends or commit to any project contributes to maximize the economic development of Nigeria. The essence of project appraisal rest on its being undertaken by specialist in engineering, law, economics, accounting and management such specialist are easily available in the Nigeria industrial Development Bank (NIDB). Basically, when the application has been screened and processed, the appraisal of projects is carried on by the team of two, namely; an engineer and an investment officer who obtains the opinions of other experts in the bank on some aspect of the project. When the appraisal has been conducted the investment officer then coordinates it for a final report indicating whether the investment is worthwhile or not. The report is represented to the board of directors for final appraisal of disapproval.

Like any other development bank, Nigeria Industrial Development Bank (NIDB) appraises its projects from the following aspect

1. Economic Aspects: The economic aspect of Nigeria Industrial development bank (NIDB) project include such considerations as:

a. Evidence of the existence of demand for the firm intended product. The market potential is an estimate based on indigenous production and import and the basis for it.

b. an assessment of the likely competition in the future and the specific feature of the sponsor's of the product will give competitive strength, for example cheapness, high quality, etc.

c. The export possibilities and the character of foreign competition. This would require that prices of import be made available with a breakdown into f.o.b. cit and selling prices.

d. The degree to which the project will add value to the GNP, this will be based on the degree of which the enterpriceses uses domestic resources.

e. The appraisal will take into account of the likely impact of the project on the balance of payment i.e its foreign exchange savings of earnings capacity, hence the higher the enterprises potential contribution to the balance of payment improvement, the better its chance of financial existence

2. Financial Aspects: This aspect of project appraisal ensures that funds should be sufficient for the implementation and operation of the project and that the finance of the enterprises conforms to the investments criteria of the lending institutions. For example, the Nigeria Industrial Development Bank (NIDB) finances only part of the total cost of project and financial prudence demands that in all cases, finances from other sources are available on reasonable terms to cover the remaining cost of the project.

Cash flow projections, profit and loss statement and project summary of balance sheets are the main components of projections facilitating the calculation of some important factors.

3. Technical Aspect: Naturally this aspect of project appraisal received much earlier consideration than other aspects, it is intended to determine whether the technical or engineering principles used in a project are sound and in line with the circumstances of the enterprises. The appraisal is normally focused on the proposed scale of operation, location, type of equipment layout design and availability, land, labour and capital and the realism of construction schedule. The adequacy and quality of technical staff available to the enterprises is another aspect of technical investigation. Where deficiencies tend to show, Nigeria Industrial development Bank (NIDB) will insist that they be taken care of

4. Commercial Aspect: The commercial aspect of project appraisal or evaluation focuses on arrangement about purchases and sale. The aspect has two dimensions namely: the purchase of equipment of the construction stage ensure that standard equipment is being installed and that it is being seared by competitive quotations from different suppliers . in respect of the operating stage. The evaluation attempts to investigate the arrangement for the purchase of various input and for marketing the product of the enterprise. With regard to the purchase of the equipment and sales of production NIDB is critical about interlocking chain of ownership. This according to Diak (2010) may be controlling the entities, which supply the main raw materials, input and retail manufactured products. This situation may give room for profiteering, manipulation of figures, tax avoidance and effective exclusion of Nigerians from partaking in certain aspect of the economic activities of the country.

5. Managerial and Organizational Aspect: The success or failure of any enterprise depends greatly on the quality management organization. The NIDB places much emphasis on this aspect of project appraisal and does not in any cases, commit funds in a project unless it is satisfied that the management and organizational facilities are adequate in quality for constructing and operating the proposed project. Where deficiencies exist NIDB examines the following aspects of management

i. Whether management has a real stake in the fortunes of the enterprise.

ii Whether it delegate sufficient authority to avert bottlenecks in decision making without losing control of the policy of operation.

iii. Whether an existing management can cope with work on a large scale; and

iv. Whether a programme exist for training candidates for senior position. Nigerian Industrial Development Bank (NIDB) usually requires some documents for projects to be appraisal purposes. Such project documents include:

(a) Formal application: This is a questionnaire to applicants for NIDB financial participation indicating the nature of the project and extent of assistance required.

(b) Memorandum and Articles of Association and Certificate of Incorporation: Application for NIDB assistance must be made by a corporate client and just an individual.

(c) Feasibility study report of detailed information indicating the economic desirability technical feasibility and commercial viability of the projects. This forms the basis of the proposal showing details of the project. Costs, product market, financial projects etc.

(d) Site plan and title deed of land (Certificate of Occupancy) as a proof of having obtained land on which it is to be sited.

(e) Quotation for materials and equipments to support costs estimate in the study and to evaluate competitive offers.

(f) Write-up on technical partners if any to ascertain their competence and ability to assist in the project.

(g) Audited account of the existing business for the past three years in the case of expansion, to enable the NIDB evaluate the applicant’s previous performance. This may not be required in the new structure.

(h) All application for National Economic Reconstruction Funds (NUERFUND) and Small and Medium Enterprises (SME) scheme should in addition to the above requirements.

(i) Give information on raw material sourcing, and

(j) Give evidence of availability security.

2.5 Conclusion

Commercial banks play an important role in the process of economic development, which is clear from the following points:

1) <u>Capital Accumulation or Formation</u>

Capital formation refers to the increase in the existing stock of capital goods in an economy. Commercial banks remove the capital deficiency by encouraging saving and investment. The commercial banks can promote capital formation in the country by moving the resources to the productive uses. Rate of capital formation is 5 % in Pakistan.

2) <u>Mobilization of Savings</u>

There operates vicious circle of poverty in developing countries like Pakistan. So, savings remain at the lowest level. Savings of people are very low due to international demonstration effect in Pakistan. Banks are playing important role in the mobilization of saving by introducing a variety of saving schemes. Banks induce the people to earn interest through saving and it provides various facilities in a country to create a will and power to save. Domestic savings are 9.5 % of GDP.

3) <u>Availability of Funds</u>

An additional point of role of banks is more availability of funds. Poor population has poor resources for the economic development in poor countries like Pakistan. the activities like inventions and innovations, research and development and initiatives (effectiveness in responding to challenges) are impossible due to insufficiency of funds in these countries. Banks remove the deficiency of capital by providing different types of funds that leads to economic development.

4) Attaining Self Sufficiency

A major problem faced by the developing countries is burden of foreign debts and dependence on other countries. Commercial banks provide incentive for the entrepreneurs to take risks and to use idle resources for more and better production. So, banks are helpful in attaining self-sufficiency. Banks provide loan to develop the various economic sectors. It results in reduction in imports and increase in exports. Accordingly, banks are very important to achieve the self-sufficiency.

5) Implementation of Modern Technology

Economic development without use of advanced and the most up-to-date technology is impossible. Almost in all the economic sectors backward techniques of productions are used due to poverty in third world countries like Pakistan. Commercial banks provide more funds to people to make it possible to use the modern techniques of production. Due to implementation of modern technology, there is increase in production level, decrease in cost and save in time.

6) Development of Agriculture Sector

All the regions and all the sectors of the economy are not equally efficient and developed in an economy. There is big need to develop the backward regions and sectors for the economic development. Rural areas and agricultural sector is still backward n Pakistan. Banks are playing an important role in the development of rural and agriculture sector. A special bank ZTBL has a major role in development of rural and agriculture sector. Growth rate of agricultural sector is 1.2 %.

7) Development of Industrial Sector

Industrial sector is the backbone of their economies in rich nations. It is still backward in Pakistan and other poor countries. Commercial banks provide different types of loans for the development of industrial sector. Some special industrial development commercial banks i. e., PICIC, IDBP etc. are provided their remarkable services for the development of industrial sector. Industrial development leads to agricultural development and it results in economic development. Growth rate of industries is 1.7%.

8) Expansion of Market

Commercial banks help in the expansion of market. They help in the formation of sound economic infrastructure in order to raise living standards and to expand trade and commerce of an economy. Commercial banks cause development of industrial as well as agriculture sector. Accordingly, there is expansion of market that results in economic development.

9) Research and Development

Commercial banks, sometimes, provide finances for research and development, which leads to inventions and innovations. Various institutes in Pakistan are operating by the loan provided by the banks. Modern techniques are established and these are applied to economy in research institutes. Due to use of modern techniques of production, better quality and more quantity is produced which leads to improve the living standard of population.

10) Essential for Foreign Trade

Foreign trade is one of the most important needs of all the countries of the world. Today international trade, without involving banks, is so difficult. International trade is necessary for the economic development. Commercials banks are helpful in increasing international trade through following ways:

i. Provision of credit facilities

ii. Low rate of interest for the exporters

iii. Opening of letter of credit (L/C)

iv. Arrangement of foreign exchange

v. Opening of foreign currency accounts

vi. Commercial banks have $ 2.2571 billion of foreign exchange reserves

11) Remove Budget Deficits

The commercial banks are very helpful for the government. Now a day, the government has to face the budget deficits because of increased expenditures and falling revenues. In this situation, government has to depend upon deficit financing to meet the budget deficits. To cover the gap between the expenditures and revenues, government borrows from the banks. As a result, the development process can be started through borrowed money from banks. Budget deficit is 5.3 % of GDP.

12) Optimum Utilization of Resources

Commercial banks help in the just and optimum allocation of resources. Some mega projects cannot be started due to the lack of capital. Commercial banks provide loans and remove the problem of deficiency of capital. Due to use of resources in an economy, there is increase in production, income and employment etc. Increase in these things leads to economic development. Natural resources contribute to GDP just less than 1 %.

13) Surplus in Balance of Payment

Developing countries are facing the problem of deficit in their balance of payment. Commercial banks are helpful to overcome this problem. Due to commercial banks, a country can improve its economy and can attain the self-sufficiency all this causes in favourable balance of trade. So, banks are helpful for the surplus in balance of payment.

14) Creators and Distributors of Money

Creation of money and distribution of money are the two main objectives of commercial bank. Commercial banks move the finances toward productive uses. There are a lot of problems in the way of economic development like inflation, deflation, low investment and saving etc. All these problems are possible to remove through creation and distribution of money by commercial banks. So, fluctuation in the supply of money can attain the economic development.

15) Provision of Valuable Services

The commercial banks are providing a lot of valuable services for the economic development. Some of the most important services provided by commercial banks are as under:

i. Due to use of credit instruments like cheques, drafts and bills of exchange, banks have reduced the use of currency at the cheapest costs and in the safest manner.

ii. Banks serve as business and commercial agents of their customers.

iii. Banks provide locker facility.

iv. Banks accept the various utility bills.

v. They guide the investors while making investment decisions.

vi. Banks advance loans for education in foreign countries.

16) Modern Facilities

Now commercial banks are providing various modern facilities like:

i. PC & Internet banking since 2003, PC banking available to all HBL customers in 14 cities.

ii. ATM & Online facilities & Balance ready cash etc.

iii. Mobile Banking and Call Centres, Smart Card and Debit Card.

iv. DD issuance, Statement inquiry and credit cards.

Summing up:

We conclude from above discussion that finance is life-blood of production and the banks are the departmental stores of finance. Commercial banks enjoy a very typical and dominated position in the present day economic world. We conclude that economic development, without banking system, is impossible.

CHAPTER THREE:

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research design emphasizes basically on the method adopted in carrying out the survey. It covers the framework that guides the collection and analysis of data for a study. It is a proof that allows the researcher to draw inference concerning casual relationship among the variables under study. According to Nachius and Nachnias (2018) “Research design is a model of proof that allows the investigator draw conclusion from his investigation. Kerlinger (2017) described research design as the plan, structure and strategy of investigation. It involves the validity objectivity, accuracy and economy of the scope of study.

3.2 RESEARCH DESIGN

The design of this study is ex-post facto. According to Kellinger (1973) ex-post facto research is defined as a systematic empirical inquiry in which the scientist or researcher does not have a direct control of dependent variable because their manifestation end has already occurred or because they are inherently not manipulatable.

3.3 CHARACTERISTICS OF THE STUDY POPULATION

Target Population: The target population to be covered in the research work will consist of the corporate, public sector, individual, current account and savings account customers within Ijebu ode

3.4 RESEARCH SAMPLE

The sample frame for the study shall be customers of Union Bank of (Nig.) Plc, Ijebu Ode branch

3.5 SAMPLING PROCEDURE

The instrument to be adopted for this study would be structured questionnaire and personal interview. The questionnaire would be designed to obtain information from the respondents about the study.

3.6 PILOT STUDY, VALIDITY AND RELIABILITY

For the purpose of protecting the study schedule for validity and reliability, a pilot study will be conducted. In carrying out this study, a sample of the entire population will be selected and data collection instrument would be administered on one hundred (50) respondents.

3.7 DESCRIPTION OF SAMPLE METHOD

The criteria for classification of sample would be on the population group to get the required representatives; a simple random sampling technique would be used. The people that would be selected out of each population would be done using random sampling.

3.8 DATA COLLECTION

Primary data would be the main sources of data for hypothesis. Data for the research would be collected using questionnaire and interviews. Some of the respondents would be asked questions in form of interviews and their responses would be briefly noted. The respondents and interviews were all customers of the banks under study.

3.9 DATA ANALYSIS METHOD

In analyzing the data to be collected, tables and simple percentages, means and standard deviation would be used and supplemented with descriptive method where necessary.

3.10 LIMITATIONS OF METHODOLOGY

Efforts would be geared up to get the best; it is however worthy of note to mention that some circumstances may create some imperfection in the methodology that would be adopted. The limitations of the methodology include those that would normally be associated with survey techniques such as sampling errors, personal bias of the interviewer which may affect results, and response rate which may be affected by lack of cooperation and trust of respondents.

CHAPTER FOUR

4.1 Introduction

This chapter is geared toward presenting and analysing the data from the primary sources. Emphasis will be laid on the questionnaire analysis. The reason is because of the nature of the research work and the kind of variables present in the topic.

4.2 Analysis and Interpretation of Study

The questionnaire instrument used for this purpose was divided into four sections see appendices. Section A deals with the respondents personal data, section B deals with the respondents personal opinion of the bankers rate of performance. Section C deals with the respondents of his/her banker. Total of 110 copies of the questionnaire were administered, out of which 100 were received. This number is deemed sufficient for the purpose of data analysis with a generalizing the outcome. The total respondents to a particular question represent a hundred percent (100%).

The analysis were done using the questions in the questionnaire of which method of analysis is the simple percentages collected based on the number of respondents, the highest percentage represents the majority opinion in all cases. In the analysis, a table showing the summary of the responses to the objective question would be presented before the proper analysis. The procedure for the analysis will be as follows:

(a) The question

(b) The aim of the question

(c) The responses presented in a table

(d) The analysis and interpretation of the responses.

4.3 Analysis Data

The findings of the research are now presented.

Section A: **Question** 1 What type of account do you maintain?

AIM: This question was intended to know the type of customer the respondent is

TABLE 4.3.01

Type of Account	Number	Percentage
Cooperate Current A/C		29%
Public Sector A/C		17%
Fixed Deposit A/C		8%
Personal Current A/C		33%
Savings A/C		13%
Total		100%

From the above table 29% of the respondents are corporate (Companies) current account holders, 17% of the respondents are public sector (Government) account, 8% are deposit accounts holders, 33% are personal current accounts holders, 13% of the respondents are savings account holders.

Questions 2 How long have you been dealing with your bank?

Aim: This question was intended to know whether the respondents are not fresh customers but have been experienced custoFrom the above table 19.20% representing 23 of the respondents strongly disagree on the questions the performance rating of the banks. 47.50% representing 57 of the respondents agree while 33.30% representing 40 of the respondents strongly agree. This therefore implies that the performances of the banks, within the context of section B of the question, are factors affecting customers" preference in of respect demand for banking service. This is so because 57 of the respondents (i.e. 47.50%) agree and 40 of the respondents (i.e. 33.30%) strongly agree. mers who can effectively express their preferences with the bank services.

TABLE 4.3.02

Type of Account	Number	Percentage
Less than one year	13	13%
1-3 years	18	18%
3-5 years	8	8%
5 years and above	28	28%
Total	100	100%

From the above table 16% of the respondents are less than one year, representing 16 customers respondents, 18% representing 21 respondents have been their bankers, customers between 1 – 3 years, 34 respondents representing 28% of the respondents have been customers 3 – 5 years while 49 respondents representing 41% of the respondents are customers above five years.

Although we have 13% of the respondents as customer with less than one year, those that have customers for over 5 years form the majority, 21 would be voiced that the respondents have adequate experience in expressing their preference for banking services of their bankers and whatever result is derived could be used in supporting a general statement.

For the purpose of brevity, the questionnaire will be analysised section by section from section B – D.

Section B: This section of the questionnaire contains the performance ratings of the bank of the respondents. The questions are as in the appendix.

Aim: The aim is to discover how the questions (performance ratings) constitute factors that affect customers' preference to banking service.

TABLE 4.3.3

Option	Number of the respondents	Percentage

Strongly Disagreed	13	13%
Disagreed	18	18%
Agreed	8	8%
Strongly Agreed	28	28%
Total	**100**	**100%**

From the above table 13% representing 13 of the respondents strongly disagree on the questions the performance rating of the banks. 18% representing 18 of the respondents agree while 8% representing 8 of the respondents strongly agree. This therefore implies that the performances of the banks, within the context of section B of the question, are factors affecting customers‟ preference in of respect demand for banking service. This is so because 8 of the respondents (i.e. 8%) agree and 28 of the respondents (i.e. 28%) strongly agree.

SECTION C

AIM

This section deals with the customer value analysis. It considers the factor that the customer values and that are very important to him or her in his or her analysis of preference to banking services.

TABLE 4.2.4

Option	Number of the respondents	Percentage
Poor	13	13%
Fair	8	8%
Good	18	18%
Very good	28	28%
Total	**100**	**100%**

From table 28% representing 28 of the respondents accepted factor that customer value and also regarded as important is fair in the banks understudy. 18% representing 18 of the respondents indicating that they are good, while 13% representing 13 of the respondents show that the customers value analysis factor is very good.

SECTION D

AIM: This section contains the corporate image assessment factors. It aims at discovering how the customer perceives his or her banker.

Table 4.2.5

Option	Number of the respondents	Percentage
Yes	60	60%
No	40	40%
Total	100	100%

From Table 4.2.4 shows that 60% representing 60 of the respondents accepted that the corporate image of the banks is 9 factors affecting their preference in their demand for their services. While 40% representing 40 of the respondents said No so it can be concluded that the corporate image of the bank is a vital factor affecting the customer's preference in demand for their services.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATION

5.1 Summary of Findings

With the help of various literatures effectively reviewed and research findings through the use of questionnaire and personal interviews, it had been established that there is effective demand for banking services in major city like Ijebu-Ode area in Ogun state. Through this research, it has been established that obtaining of facility, business advice, and accessibility of Banks (i.e. convenient location of bank branches), conducive Banking environment, branch Network, the usage of modern Technology, highly innovative Banking, asset base and prompt and courteous services are some of the basic factors affecting customers‟ preference for banking service in Ijebu-Ode.

Moreso, through personal interview it was discovered that apart from the conventional services of accepting deposit, honouring customers' cheque and safe keeping, the banking service that are highly in demand are:

1 Credit facility (ie. Overdraft for working capital purposes)

2 Locally trade finances

3 Fund transfer (locally and internationally)

4 Purchase of foreign exchange

5 International trade finance

6 Leasing

7 Consumers loan (for purchase of household items)

However, some of the interviewees complained of the difficulties experienced getting some of these services easily and promptly; even when they are got, the cost of obtaining them is high.

5.2 CONCLUSION

In conclusion, banks exist for the purpose of providing services to its customers. These customers are the boss- they are the reason for the existence of any bank. As a result, banking services of any type must be packaged putting the customers into consideration in terms of the springing up; it becomes paramount for banks to understand what their customers' needs are and provide them.

Banks should understand their customers; provide them with conducive banking environment and staff who demonstrate a true desire to satisfy them. It is necessary for banks to listen to complain and suggestion of their customers; for them to know the factors affecting their (customers) preference in this competitive banking environment.

Management should also leave no stone unturned to ensure that the legitimate needs and aspirations of their staff are met to the best of their ability and without undue friction. It is only when the staff are contended that they can be relied upon to attain a high level of efficiency and effectiveness. Improved and contended workforce will enhance good service delivery and eliminate poor counter service. For other measures which are capable of generating improvements, let us examine recent developments in the industry elsewhere in the world.

Those who are familiar with bank services in developed countries will testify to continuing improvements in banking practices. The cash point facility for instance, which enables customers to slot in a micro-sensitive disc into a computer or cash dispenser and obtain virgin currency notes. Most of the banking transactions can be done without visiting the banking hall. British banking transaction can be referred to as 24/7. Internet banking is widely used by almost all cadres of customers unlike Nigeria where it is exclusively for the elite and the rich.

It is a fairly widespread practice in the United Kingdom that cheques of certain customers are not referred before they are paid over the counter, while the market is virtually becoming cashless with the use of various credit cards. British banks are also agents of one another for purpose of cash withdrawals (made possible by the cheque – cards facility) and cash lodgments are made into one bank for credit on an account in another bank (through the bank giro system) but these are still foreign to us.

To the vast majority of bank customers the most important single reason for patronizing the bank is the hope of receiving financial assistance from the bank to take care of their difficulties and promote their business. Banks on the other hand, thrive on the interests and charges derived from loans and facilities granted to their customers. It is to their mutual benefit, therefore, the process of obtaining and granting loans and credits should be smooth and prompt. Businessmen are in competition with another and many good deals could be lost to competitors if banks are unable to give prompt attention to their customers needs. Admittedly banks are subject to many controls and constraints through Central Bank guidelines and the banking Decree. Whatever the problem is, the customer is entitled to prompt attention, and if for any reason his request is to be declined, this should be done as tactfully as possible to leave him in no doubt the his bank has done the best for him

5.3 **Recommendation**

In attempt to make my recommendation, it will be essential to quote Mr. Sola Salako CEO of Purples consult, he said; Consumers are usually wary of financial products because they are not always what they seem. Almost all these products are perceived to have hidden clauses that make it more difficult to buy than its communication lets on. Though the interest rate was reasonable to me, when I considered buying, I was immediately put off by use of conditions and „extra cost‟ I had to meet. I was required to find a vendor for the generator I wanted to finance, secure a one year guarantee from that vendor, take out an insurance policy at my own expenses on the generator which the bank as the beneficiary and of course, not to forget the legal fees. All of these conditions translated to extra cost, time wasting and of bureaucracy to me. So where is the convenience of buying this product when I could easily raise N160k by over draft at the same conditions (with collateral of course)? The experience of Mr

Salako is similar to the responses of some people interviewed. As a result, I recommend that

i. Banking services should be convenient for the customer to patronize, affordable in terms of cost, must be well communicated to the customers.

ii. Bank must endeavour to live up to their promises to their customers.

iii. Furthermore, banks should improve to be more innovative, e.g, opening an account with a bank in the web site and withdrawing cash via internet without necessary going to the Bank.

iv. The management of the bank has to be more customers focused. Branches should be fully staffed to avoid congestion of customers questing and sitting and waiting to be attended to.

v. Banks must make reference to the complaint of their customers, such as failure to issue statements of accounts to customers on regular basis. They should also endeavour to review the procedures for opening accounts, which are in some cases cumbersome. The minimum amount fixed for opening accounts may also need to be reviewed if prospective customers with limited resources are to be encouraged to inculcate good banking habits.

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