**COMPETITIVE STRATEGY AND ORGANIZATIONAL PERFORMANCE IN THE NIGERIAN BANKING INDUSTRY**

**ABSTRACT**

Banks offer many vital services but must be seen to do so, by delivering efficient customer service. Service marketing is regarded as the pivotal force behind strategic planning and business operations, and, hence, as an intrinsic component of service organizational efforts. This research project is thus a search part for physical evidence and marketing effectiveness of banks in Port Harcourt and the price and process of marketing effectiveness of banks in Port Harcourt. Chapter one of the study lays a framework for subsequent chapters. Following the general introduction, the problem statement and the objective of the study which provided basis for the significance of the study and the hypothesis were stated. The limitations of this study were also highlighted. In the literature review as contained in chapter two, works of various authors, international and local journals were reviewed to elicit views on service marketing mix and marketing effectiveness of banks. Chapter three, research methodology, description of population and sampling procedure for data collection were discussed. Methods of questionnaire design, determination of sampling size and questionnaire distribution were also highlighted. Chapter four was based on analysis of data collected. This chapter was sub-divided into data analysis, hypothesis testing and summary. Percentage table, figure and narration were carefully employed for proper understanding and testing of hypothesis. Finally, chapter five was divided into summary of findings, recommendation and conclusion.

**CHAPTER ONE**

**INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

The name Bank is derived from the Italian word banco “desk/bench” used during the Renaissance by Florentine bankers, who used to make this transaction above a desk covered by a green tablecloth. However there are traces of banking activity even in ancient time.

In fact, the word traces its origins back to the ancient Roman Empire, where money lenders would set up their stalls in the middle of enclosed courtyards called Macella on a long bench called Bancu, from which the word Banco and bank are derived.

As a money changer, the merchant at the Bancu did not so much invest money as merely convert the foreign currency into the only legal tender in Rome that of the imperial mint.

McKenna and Fleming in 1995 described competition as a market condition which exist when there are large number of business enterprise, all able to supply the same or similar products or service to a large number of purchase/buyers.

In this last decade there has been a high competition within the banking industry in Nigeria, with the licensing and establishment of more banks bringing the total number of commercial and merchant bank in the country to about eight-seven, there has been high tendency for various banks in the industry to fend for themselves for survival.

A commercial bank is defined as an establishment which accepts deposit from customers that are prepared where loans and advances and general financial business concerning all forms of trade are made. Example of such trade are retail, wholesale, import and export trade.

The 1991 banking decree defines a commercial bank as any institution which carries out banking business in Nigeria which includes a commercial banks, a discount house, financial institution and an acceptance house (Federal Republic of Nigeria 1991).

The banking industry in Nigeria has been positively and negatively affected by competition. In attempt by banks to fend for themselves, many method have being adopted to improve corporate efficiency and maximize profit. This method led the Nigeria banking into scientific approach and investigation into better ways to achieve corporate goals and objective. Some suggested method include expansion of existing operational facilities to area of wider market, improving corporate efficiency, diversification of port folio and investment banking, appropriate marketing, application of combined branch and a little degree of unitary banking, good publicity, employment and development of capable staff and carrying out research for onward positive development and growth.

Also, each day competition in the industry is heightened by emergence of new brand in banks, many of the older banks have bring forced to change in their operation due to the competition. It is interesting to watch older banks paying as much as 14-19% same deposit. Before the 1986 deregulation in the banking industry has been highly regulated.

Economic regulation in general, embraces controls, which government imposes on economic and business activities reaching the maximum regulation, the government can be said to be participating in some non-traditional public sectors activities in order to foster competition and improve economic efficiency. When regulation fails, as it often does the process of deregulation inevitable begins in a bid to avoid a collapse of the whole system. Economic deregulation is defined as deliberate and systematic removal of regulatory controls, structures and operational guideline in the administration and pricing system in the economy.

The underline philosophy of the deregulation of an economy or its component segment is the belief that factors of production, goods and services are optimally priced and allocated when their prices are freely determined in a competitive environment. The aim of the study is to examine competitive strategies and organizational performance in Nigeria banking industry.

**1.2 STATEMENT OF THE PROBLEM**

The relevance of banks in the economy of any nation cannot be over emphasized. They are the cornerstones, the linchpin of the economy of a country.

The financial deregulation in Nigeria started in 1987 and the associated financial innovation have generated an unprecedented degree of competition in the banking industry. The deregulation initially pivoted powerful incentives for the expansion of both size and number of banking and non-banking institutions.

The consequent phenomenal increase in the number of banking and non-banking institutions provide financial services which led to increased in competition amongst various banking institution and banking and non-banking financial intermediaries.

Apart from the keen competition with the range of financial activities banks have also faced problem associated with a persistence slow down in economic activities, severe political instability, virulent inflation, worsening economic financial condition of their corporate borrowers and increase incidence of fraud and embezzlement of funds. All these factors of deregulation, competition, innovation economic recession political instability, escalating inflation and frequent reversal in monetary policy have combined to create a challenging and precautious financial environment for banks. Consequence of new financial environment has been rapidly declining profitability of the traditional banking activities. Thus, in a bid to survive and maintain adequate profit level in this highly competitive environment banks have tended to take excessive risk. But, then the increasing tendency for greater risk taking has resulted to insolvency and failure of a large number of banks.

Hence the sole aim of the study is to examine competitive strategies and organizational performance in Nigeria banking industry.

**1.3 THE OBJECTIVES OF THE STUDY**

The main objective of the study is to determine the competitive strategies and changes in Nigeria banking industry.

The subsidiary objectives include:

1. Determine if competitive strategies affects the performance of banking industries.
2. To determine the various strategies that affects competition in Nigeria banking industries.
3. To determine if financial strategies affect competition in Nigeria banking industry.
4. To determine how the environment affect competition in the banking industry.
5. To determine how customers services affect competition in the banking industry.

**1.4 RESEARCH HYPOTHESES**

Spiegel (1992) observed that in an attempt to reach decisions, it is useful to make assumption or guesses about the populations involved. Such assumptions which may or may not be true are called statistical hypothesis and in general are statements about the probability distribution of the populations. In this research work four hypotheses will be tested that the proportion of the respondents who agreed that:

1. Competitive strategies do not affect the performance of banking industries.
2. Financial strategies do not affect the competitive advantages of the banks.

**1.5 SIGNIFICANCE OF THE STUDY**

This study is significant because of the following reasons:

1. It will generate information in the new millennium on environment, customer service, financial and marketing strategies that will make banks in Nigeria to cope well with the competition.
2. It will provide information on the various strategies of competition as it would be useful to economic policy makers. Banks manager and financial institution.
3. It will be useful to the researcher, student in business management, banking and finances.
4. It will be useful to the public in general.

**1.6 SCOPE OF THE STUDY**

This covers the competitive strategy of banking institutions and its effect on their performance. The study will be carried out among selected branches of Union bank in Port-Harcourt, Rivers State.

**1.7 LIMITATION OF THE STUDY**

Like in every human endeavour, the researcher encountered slight constraints while carrying out the study. Insufficient funds tend to impede the efficiency of the researcher in sourcing for the relevant materials, literature, or information and in the process of data collection, which is why the researcher resorted to a limited choice of sample size. More so, the researcher simultaneously engaged in this study with other academic work. As a result, the amount of time spent on research will be reduced.

**CHAPTER TWO**

**LITERATURE REVIEW**

**INTRODUCTION**

Our focus in this chapter is to critically examine relevant literature that would assist in explaining the research problem and furthermore recognize the efforts of scholars who had previously contributed immensely to similar research. The chapter intends to deepen the understanding of the study and close the perceived gaps.

Precisely, the chapter will be considered in two sub-headings:

* Conceptual Framework
* Theoretical Framework
* Chapter Summary

**2.1 CONCEPTUAL FRAMEWORK**

**An Overview Of Banking Industry In Nigeria**

The history of banking in Nigeria has its origin with the opening of a branch of the Africa Banking Corporation (ABC) in August 1891. It was opened as a way to accelerate the shipping business of Elder Dempster and company. This company later acquired the bank branch in 1893 by paying N2000 to ABC and it was incorporated as the bank of British West Africa in 1894. The bank later metamorphosed to Standard Bank of Nigeria and thereafter till today is first Bank of Nigeria PLC (Anyanwu et al, 1997).

In 1899 a second bank, Anglo-African bank was established, however, with the conclusion of a merger the bank of British west African (B.B.W.A) in 1912, became extinct in 1917, a colonial bank was established, this became the second bank in the country. The establishment of this bank helped to break the monopoly of British Bank for West Africa foreign owned bank activities in Nigeria.

However, this bank having been absorbed by Barclays Bank in 1925 became Barclays Bank, Dominion colonial and overseas a.k.a. Barclays Bank D.C.O and Metamorphosed to become Barclays Bank Nigeria limited and thereafter till the present day is known as Union Bank of Nigeria Limited.

A common characteristic of these two first banks is the fact of their foreign ownership. This characteristics was prevalent in Nigeria till the early 1930s when the first successful indigenous banks went into operation so as to break the monopoly of foreign banks in the domestic banking scene. It is important to note that two earlier attempts to establish indigenous banks that met with failures. In 1929, the industrial and commercial bank came into operation but failed the next year. In 1913, the Nigerian mercantile Bank also came into operation but failed in 1936. in 1933; the national Bank of Nigeria was established and it became the first surviving indigenous bank to break the monopoly of domestic banking.

Next to national was Agbonmagbe Bank set up in 1945. This bank later metamorphosed to WEMA Bank. Within the same period the Nigerian penny Bank was established but failed fast in 1946. in 1947, the third successful indigenous bank, the African Continental bank (ACB) came into operation. Also in the same year another bank named the Nigerian farmers and commercial bank came on stream but also failed in 1953. in 1929, was the first attempt to established an indigenous bank and 1959 when the regulatory Apex Bank, the central Bank of Nigeria was established several attempts at setting up indigenous banks were made but failed. Thus the successful establishment of the three indigenous banks namely the National Bank of Nigeria.

Agbomagbe (WEMA) Bank and the African continental Bank stood out as an outstanding achievement in the history of commercial banking industry in Nigeria. Unfortunately by 1996, two of these three banks namely the National Bank of Nigeria and the African Continental Bank has gone under due to huge closeness in the Nigerian Banking system.

The period between 1892 to 1959 can be seen for analytical purposes as an era in the history of banking in Nigeria with the key characteristics of the era being the absence of statutory provisions to regulate the business of banking. However, there were exceptions to this statement. There was the provision of the prohibition of the formulation of a banking company or partnership made up of more than 10 persons for the purpose of engaging in banking business unless it was registered as a company and also that the banking company had to submit a half yearly statement of its assets and liabilities which must be shown in a conspicuous place in all the offices of the company.

The period 1959 to 1985 can be seen as another era in the historical development of baking in Nigeria. It was in this era that the central Bank of Nigeria was established in 1959 and empowered to handle banking business in Nigeria. The establishment of the Central bank of Nigeria brought to a close era near unregulated and free for all banking. Within this era, many banks became fully indigenous and others partly indigenous were established of the indigenous enterprises promotion decree in 1972. The Decree was however was not intended to temper with the ownership structure of the banks in Nigeria as it excluded enterprises in the banking business. However, in 1973, the federal Government acquired 40% of the shares in the three biggest banks and this percentage was increased to 60% with the implementation of the second phase of the indigenous decree in 1976. The Federal Government also acquired 60% shares in other to expatriate banks. The second phase had the attribute that it had another round of banking boom which this time unlike what applied in the 1970’s was masterminded by the state Government.

A third era in the historical development of banking in Nigeria has been the period 1986-1995. this era also like the first two eras had an attribute of the prevalence of another round of boom occasioned this time by the adoption of the structural Adjustment Programme (SAP) with its emphasis on the privatization /commercialization of government owned enterprises, the liberalization of the foreign trade sector and very significantly, the deregulation of such key aspects of the economy as pricing of agricultural commodities as well s the adoption of a completely free floating exchange rate regime. This last policy thrust of SAP served as an incentive to the boom in banking business within this epoch. Thus within the epoch of 1986-1995, several commercial and merchant banks came on stream to take advantage of the deregulated exchange rate regime which enabled the banks to make abnormal profit from the speculative activities they were undertaking. Thus the statistics of the number of banks, the number of urban branches, the number of rural branches, the number of branches abroad and the total number of branches in 1985 were 28, 839, 457,7 and 1297 respectively. In 1995 they were 64, 1661, 701, 6 and 2368 respectively (Central Bank of Nigeria, 1997). This show that apart from the number of branches of banks abroad that fell from 7 to 6, there were a phenomenal growth in the banking section in Nigeria with the inception of SAP within the ten year period between 1985. As had been remarked earlier these banks were SAP –induced.

Another feature that characterized this era is that of distress. The distress virus ate quickly and rapidly through a substantial gamut of the banking sector bringing about the outright collapse and near collapse of others. These regrettable developments led the Central Bank of Nigeria to report that the financial service industry was generally under pressure in 1995. The operating environment remained unstable with the worsening of the distress problem continued high inflation, negative inflation rates in real terms and erosion of the confidence of the financial system.

A further feature of the third era,1985 -1995 is the promulgation of Decree 22 of 1988 which established the Nigerian Deposit Insurance and Corporation (NDIC), a body empowered to provide deposit insurance and related services for the banks as well s to provide insurance and related service for the banks as well as to provide insurance cover to depositors of und with statutory empowerment to pay up to a maximum of N50,000 of a depositor total deposit in the event of collapse of the bank in which the deposit is lodged.

The period 1996 to the present is enough to see as another era. The liquidation of 26 commercial and merchant banks in January 1798 is of great significance.

**Strategies Affecting Competition In Banks**

There are strategies that affect competition in banks. Such strategies include Environmental factor-regulation and deregulation, consolidation, also financial strategies affects competition in bank in the areas of assets and liabilities, loan and advances furthermore, the role of customer service as a competitive strategies in Nigeria banking industries.

**Environmental Strategies As It Affects Competition In Banks.**

**Regulation and Deregulation**

***Regulation***

Regulation; the main objective of Bank regulation is to reduce the level of risk in banking industries that are exposed, to reduced the risk of disruption resulting from adverse trading conditions for banks causing multiple or major bank failure.

Also, bank regulation help to reduce the risk of banks being used for criminal, also help to protect banking confidentiality and to direct credit to favored sectors.

However, with prolonged use of some regulation, a number of negative strategies affects emerged prominent among which was the loss of competitiveness and therefore efficiency in the banking industry. Furthermore, excessive regulation led the banks to adopt various methods to circumvent the direct credit controls by returns of the monetary authorities practices which severely lowered the impact and effect of the banking system while taxing the resources and effort of the central bank in trying to monitor compliance with the various regulation. Perhaps the most serious short coming of the banking industry under the spell of regulation was the tendency towards the promotion of a sub-optimal pricing and allocation system of financial resources resulting in disincentives the saving s and inadequate resources for investment.

There are principle that guides bank regulation. Such principles include:

* 1. **MINIMUM REQUIREMENTS:** Requirements are imposed on banks in order to promote the objective of the regulator. The most important minimum requirement in banking is minimum capital rates.
  2. **SUPERVISORY REVIEW:**  Banks are required to be issued with a bank license by the regulator in order to carry on business in a bank, and the regulator supervises licenses banks for compliance with the requirement and responds to braches of the requirement through obtaining undertaking, giving direction, imposing penalties or revoking the bank’s license.
  3. **MARKET DISCIPLINE:** The regulator requires banks to publicly disclose financial and other information and depositor and other creditors that are able to use this information to assess the level of risk and to make investment decision. As a result of this, bank is subject to market discipline and the regulators can also use market pricing information as an indicator of the bank’s financial health.

There various instrument and requirement of bank regulation includes: capital requirement, reserve requirement, corporate governance. Financial reporting and disclosure requirement, credit rating requirement , large exposure restriction, Related party exposure restriction .

**CAPITAL REQUIREMENT:** This set of framework on how banks handle their capital in relation to their assets. Internationally, the bank for international settlements Basel Committee on Banking supervision influences each country’s capital requirement. In 1988, the committee decided to introduced a capital measurement system commonly referred to as the Basel capital accords. The latest capital adequacy framework is commonly known as base II. This updated framework is intended to be more risk sensitive than the original one, but is also a lot more complex.

**RESERVE REQUIREMENT:** it indicate the minimum reserves each bank must hold to demand deposits and the bank notes, reserve requirement have also been used in the past to control the stock of bank notes and or bank deposit. Required reserves have at times gold coin, central bank banknote or deposit and foreign currency.

**CORPORATE GOVERNANCE:** This helps to encourage the bank to be well managed and is an indirect way of achieving other objectives. Its requirements help the bank to be a body corporate. Corporate governance help to ensure that bank have minimum number of directors, an organizational structure that includes various offices and officers. It also streamline the banks towards a constitution or article of association that is apply reveal or contains or does not contain particular clause e.g. clauses that enable directors to act other than in the best interest of the company.

**Financial Reporting And Disclosure Requirement**

Prepare annual financial statement according to a financial reporting standard have then audited and to register or publish them, prepare more frequent financial disclosures e.g. Quarterly disclosure statement, have directors of the banks attest to the accuracy of such financial disclosure, prepare and have registered prospectuses detailing the terms of securities or it issue (e.g. deposits) and relevant facts that will enable investor to better assess the level and type of financial risk in investing in those securities.

**CREDIT RATING REQUIREMENT:** Banks may be required to obtain and maintain a current credit rating from an approved credit rating agency, and to disclose it to investors and prospective investor. Also banks may be required to maintain a minimum credit rating.

**LARGE EXPOSURES RESTRICTIONS:**  Bank may be restricted from having imprudently large exposures to individual counterparties or groups of connected counterparties. This may be expressed as a proportion of the bank’s assets or equity and different limits may apply depending on the security held and/or the credit rating of the counterparty.

**RELATED PARTY EXPOSURE RESTRICTIONS**

Banks may be restricted from incurring exposures to related parties such as the bank’s parent company or directors. Typically the restriction may include: exposures to related parties must be in the normal course of business and on normal terms and conditions. Exposures to related parties must be in the best interests of banks, exposures to related parties must be not more than limited amounts or proportions of the banks assets or equity.

**DEREGULATION**

Deregulation of the banking industry has encouraged savings mobilization and improved access to bank loans. Available evidence has show that financial intermediation has improved significantlysince deregulation has also brought about a significant increase in the number of bank operating in Nigeria. There is consequently keener competition in the industry resulting in the emergence of range of now products. Indeed as it is now widely acclaimed the era of “am chair” banking is gone. There are number of problem which have emerged or accentuated with the deregulation. Among there are high cost of bank leading with it attendant adverse impact on domestic investment and the general business climate. There is a consensus too that the quality of banking services has not improved to the extent anticipated while fraudulent practice in the industry have escalated on balance, however there is no gain saying that the fact the advantage of deregulation have is far out weighted the negative effects given the background of the economic problem which led to the adoption of SAP and as with SAP itself there is hardly a more viable alternative strategy to the on-going process of deregulation of banking industry for structural growth and development of the Nigeria economy (OJo 1991).

Certainly the transition from intensive banking regulation in Nigeria has been highly demanding. One most hasten to add that the effort so far made to deregulate the banking industry have mainly serve to clear the ground of a fuller deregulation. As we all are aware the final stage in the process of deregulation in the banking system would involve the use of indirect instrument of monetary and credit control which relies on market based instruments such as the cash reserve and liquidity ration requirement and open market operations to regulate the base and therefore the banks money creation capability. Although it has its limitation this system of monetary management has over whelming advantages. The instrument involved are easy to administer and flexible. Moreover they do not interfere with competition among bank while they encourage greater efficiency in the use of funds. However the successful manipulation of this instrument required prompt availability of reliable data. On the liquidity position of banks. Banks would therefore render returns to the monetary authorities more efficiently than at present. The performance of banks with regard to efficient rendition of returns to the CBN has been very poor which limits the ability of the bank to effectively monitor monetary and credit development. This is neither in the interest of the industry not the economy as a whole.

The use of market base instrument of monetary and credit control is also incompatible with the existence of insolvent banks. Such banks must improve their performance in order to survive under the new control system.

The monetary authorities would skill need to make regulation to ensure the stability on the system. This is likely to take form of prescribing new financial reporting standards and prudential guidelines which have already been introduced for all banks and even non-banking financial institution. This underscores the desirability of strengthening the monitoring and supervising power of the monitoring authorities in order to ensure that the deregulation of the banking industry does not lead to anarchy. Consequently banks should be aware that full banking deregulation would involve some regulation initially. However there regulation only help to strengthen the infrastructural base of the system and once they are implemented they need not subject the operations of the bank to the instability demand in the past. The application between the banks and the monetary authorize.

**CONSOLIDATION**

Consolidation is simply another way of saying survival of the fittest, that is to say a bigger, more efficient, better capitalized more skilled industry. Consolidation is part of the natural evaluation of industries. It is primary driven by

1. Business motives and market forces
2. Regulatory interventions

Consolidation is a term used by the central bank of Nigeria (C.B.N) to describe the coming together of some bank within the country to become one bank and be able to meet CBN’s requirement for capitalization to a minimum of N25 billion when this happen, it is expected to improve services rendered by the banks.

Generally, capital is required to support business but the importance of adequate capital in baking cannot be over emphasized. It is an essential element which enhances confidence and permits a bank to engage in banking. A very important function of capital in a bank is to serve as a means of absorbing losses it serves a buffer between operating losses and insolvency. As Phillips (1997, 12) has correctly observed “the more capital a bank has, the more losses it an sustain without going bankrupt capital thus provide the measure for the time a bank has to correct for lapses, internal weakness or negative development. “The larger sized and capital is longer than the time a bank has before losses completely erode its capital”.

Apart from offering protection against losses adequate capital confer other benefits, among which are protection of depositors and creditors in time of failure. Strengthening of bank ability to attract funds at lower cost and enhance a bank’s liquidity position. The higher the liquidity of a bank the less risky is the bank. The snag however is that little risk is rewarded with the return inline with the observation in finance. Theory of positive linear relationship between risks and return.

Thus while inadequate liquidity will damage a banks reputation, excess liquidity will retard earnings.

In a view of its significance, the regulatory authorities consider capital adequacy or primary index to monitor bank. The traditional measures of capital adequacy, ratio, are ration equity total assets and ratio of capital fund to risk assets, i.e. capital fund risk assets.

The minimum capital adequacy ratio as prescribed by Basle committee of Central Bank’s supervision is 8%. This ratio relates capital to what considered the bank biggest risk namely credit 8% ration implies that for every N100 credit a bank needs 8% capital. A lesser ratio shows different degree of under capitalization the Basle committee is a group of international bankers that met to fashion out more stringent ways of determining a bank’s capital adequacy ratio in 2003 in their explanation of the relevance of a banks capital base they stated that “A capital serves as a foundation for a bank future growth and as a cushion against unexpected losses and provide credit to consumer and business a like throughout he business cycle including during downturns. Adequate capital thereby help to promote confidence in the banking system. Consolidation model. They named after the country which they are operated include the Lebanon model, the Goldman, Sach model, the Malaysian/Singaporean.

The Malaysian and Singaporean model provide great lessons for the Nigerian situation as these economics have faced similar challenges such as import – dependence foreign – financing of project, composing agriculture as the largest contributor to GDP in the banking sector these economic see similarities challenges like high interest rates, liquidity issues and declining assets quality. The following reforms stimulate by regulators these economic, viable banking industries have emerged capable of supporting the overall growth of these nations.

Prior to 1992, the minimum paid up capital requirement for bank in Nigeria was N12 million for Merchant bank and N20 million for commercial banks.

A review that year moved the requirement to N40-million and N50 million respectively. This level lasted till 1997 when a uniform of N500 minimum of capital was introduced. The reason for discontinuing he dichotomy was to allow a level playing field and realization that there was no real difference between the capital requirement of the two categories it was also to prepare the system for the introduction of universal banking.

In 2000 the minimum capital was moved to N1 billion for new banks, while existing banks were expected to meet this level by December 2002. N2 million minimum paid up capital was introduced for new bank in 2001 while exiting bank were given until December 2004 to comply. The reason for these adjustment include increasing cost of IT and other infrastructure, comparison with other jurisdictions, inflation and increasing interest rates, depreciation of the national currency, the Naira strengthening the operational capacity of depositing money in bank, minimizing the risk of distress.

There was also the need to curb the spate of request for licenses which in many cases were not backed with any serious intention.

The absorption capacity of the system was also an issue i.e. things like the executive capacity to run the banks supervisory resources the cut throat competition that was breeding malpractice etc. in July 6, 2004 a day now referred to a “Black Tuesday”. In banking sector of the economy, the CBN Governors Professor Charles Soludo made an obviously unexpected policy pronouncement. The highlight was the increment of the earlier N2 billion to N2 billion with full compliance deadline fixed for the end of the year. According to CBN the following are benefit of the new minimum capital based enhance capabilities to finances large projects. Size is a key strategy in the banking sector that is amongst other strategy determine, the ability of the banks to provide funds to borrowers and provide an indication of stability to deposition. In Nigeria the single borrower (obliger) limit is 35% of shareholders’ fund of N25 billion the maximum exposure allowable to a single borrower will be N8.7bn or about 64m. This figure is barely large enough to provide adequate funding for most projects in the country today, not only in the ministry of the Nigerian economy, the oil and gas industry, but also in other sector such s telecommunication, construction and power that are critical for improving the standard of living in the country.

Ensure a capital base that can support services delivery channels is to provide effectively banking services to customer and mobilize funds from the public banks will need to deploy various capital intensive service delivery channels. The over dependence on cheap public sectors funds has negatively affected the drive of Nigerian bank to provide these alternative service delivery channels and therefore, undermined the need for banks to increase their capitalization. With the new reform bank should finally begin to look beyond the minimum of N25bn and regard these policy charges as an opportunity to emerge as mega banks with capitalization of probably over N70bn to effectively migrate into and participate in the global financial market place. Bank in the country are experiencing growth while the real sector and informal sector are experiencing slow growth stagnation and even negative growth. The reason behind this is abnormality the more income generating line the Nigerian banking industry has been importing finance. The impetus for the Nigerian banking sector to support the relatively riskier real and informal sector to the economy has been eroded since the import finance business with shorter turnaround time and reduced risk can deliver the required profitability for banks. But unfortunately the impact has been a falling naira and dwindling foreign reserves with represent bank consolidation and banking sector reforms specifically the removal public sector fund from banks, banks should diversify their service to the real informal sector of the economy by devising creative means of offering services to the currently under-deserved sectors of the economy thereby supporting economic growth in a sustainable way.

**Financial Strategy Affecting Competition In Bank (Assets And Liabilities, Loan And Advances)**

Financial means monetary affairs or money matter, hence all form of money or near money e.g. debt, dept certificate and equity certificate would be implied, however, not only liquid funds subsumed in the term finance but also all form of assets which are capable of being expressed in monetary terms.

The usage recognizes the fact that tangible (non-cash) asset are merely alternative forms in which individuals or entities may choose to hold their wealth.

In a broader sense, finance may be said to incorporate not only money fund but also any form of asset which has a money denominator which is capable of being converted at some time or other at least in the intermediate term into cash. In study of business finance, one is confronted wit h the apparent fluidity in usage because of the role of money not only as a medium for expressing values. The assets and liabilities of an entity can be seen from the balance sheets. The balance sheets is an important end product in accounting transformation. Both the balance sheet and the income statement (alternatively known as the profit and loss account) are regarded with some justification as the final accounts. A reasonable amount of work of accounting staff in an organization entails generation of information which alternatively is an incorporation in one form or the other in two statement.

A balance sheet can be seen from the different perspective which are related to each other, the balance sheet may be regarded as a summary of the assets held by an accounting entity showing the manner in which these have been financial either through owner’s fund or debts.

A balance sheet may also be seen as a statement showing the amount invested in or entrusted to an accounting entity by various parties. (owners, lenders and creditor) and the various classes of assets in which these amount have suspended. That the two statement are valid representation of the balance sheet already given some insight into the structure of the statement namely we have assets (Application of fund) and on the other side we have capital and debt (sources of funds) and that the sources are expected to equal the applications. Balance sheet service to show that this statement is on collection of the residual of assets and liabilities which are carried over form one accounts period into the next period for the purpose of continuing the business of the firm. The most important strategy discussed in the balance sheet at least from the share holder’s standpoint is the net worth to owners which comprise equity capital and the accumulated surpluses (i.e. earnings or capital gains) retained in the business over the years. Apart from net worth the balance sheet also discloses other strategies which are of general use in appraising the financial soundness otherwise of the firm. Bankers, supplier and other lender as well as shareholder, therefore, place varying degrees of reliance of the firm on the balance sheet for whatever valuation they wish to need to carry out the regard to their dealing with the form.

Assets are properties and right owned by an enterprise that have monetary value and are of present or future benefit to the enterprise. Assets include actual properties such as product inventories, land, buildings and machineries and intangible right (such as patent). Assets are usually summarized into two broad categories in the balance sheet fixed asset and current asset fixed asset that have durable life (i.e. life of more than one year) and are held not for conversion or resale but for the purpose of assisting on the conduct of the business. Example of fixed asset are land buildings, plant and machinery, furniture and fitting, motor vehicle, patent and trade mark etc. note that it is perhaps a slight misnomer to call this group of asset fixed assets because not all of them are movable. The term “fixed” therefore is not the ferity of location, but durability and the tendency is to change from even though the value may diminish from time.

Current assets are those cash and asset that can be converted to cash or used upon the nearest future and are shown first in the balance sheet. It is defined as cash and other assets that are reasonably expected to be realize. In cycle, It covers the time it normally takes to buy good sell them and collect the receivable from the sales for example inventories (stock) of raw material or finished goods trade debtors and cash in hand or at the bank. The pattern terraced by the class of assets in the conduct of business activities is circulatory.

Liabilities exist in a business enterprise when the firm is indebted to other parties due to borrowing or credit purchases liabilities may be long term liabilities are called current liabilities. They are item of indebtedness which is expected to be repaid within a short term duration of less than one year. The long term liability is source of long term funds. The loan facility is usually used but not exclusively used but sole traders and individual such as salary earners help them to make over a difficult period. The amount of loan granted is generally small and in repayable over a shortest possible time. Deduction are made from the loan accounts until the loan is liquidated. The repayment terms determine the interest demand.

Operating a current account is not a sine-quo non forgetting a loan. A loan can be granted and a loan account created without a current account cheques will them be needed monthly to cover the agreed monthly repayment. Repayment may be made by sending cheque (s) covering repayment for 3 months, 6 months or more. Interest charge are paid upon demand.

**CUSTOMER SERVICE**

Customer service is the last great frontier of marketing management. It has been the least glamorous area because it is not involved directly with the customer. By definition it has escaped the attention of the marketing pundits. Yet customer services has probably produced, a department, more members of top management than any other department. The “office” has long been called the nerve centre of a business and because of the range of services provided, its enable anyone with the appropriate ambition to learn, with panoramic vision, the intricacies involved in all operational department and more importantly, how they interact with each other.

Although other activities of marketing still shows signs of a rapid move towards improvement in productivity, little is heard of how customer services may be improved. Yet the customer services department is an essential aid to those other element. Really significant improvement in total, cannot be achieved without a commensurate reformation in the interacting function. Sales men cannot develop their selling activities without the office absorbing routine tasks. Distribution cannot be improved without more effective stock control. Advertising will not bring real reward. Unless enquiry handling is sharpened. Nor will growth be achieved without adequate attention being given to the major areas of customer service. It gives attention to all these areas that result in “Total marketing concept”. Areas of customer service are:

1. Company service strategy
2. Credit control, allowances, returns, discounts, cancellation.
3. Hire purchase, credit sales, leasing, factoring, franchising
4. After-sale service, installation, maintenance service, spare parts
5. Guarantees and warranties
6. stock control
7. telephone selling
8. premiums, joint venture
9. the sales office organization
10. Enquiry handling
11. The sales supporting service
12. Management information, accounting, computer, operational research.

All these elements are designed to be customers-oriented, although they could easily be mistaken for defensive have shown how management can use these activities as positive aids to growth. They are worth considering in some detail.

**Company service strategy**

Too often companies dissipate their effort by trying to do too much and are therefore unable to do anything well. The truly efficient companies avoid the temptation to seize every little work opportunity that comes in their way. They concentrate on doing what they do well and work hard at it. But what companies can do well is subject to considerable variety. However, the range can be grouped into six categories.

1. **Full customer services:** The company tries to cater for a group of customers’ every needs. The nearest one can get to this ideal is the mail order house that tries to offer a departmental store on display in every home.
2. **Limited product line specialist**: This type of company produces basically one product and sells it primarily to another market. This is usually the function of the breweries and aircraft manufacturers.
3. **Market specialist:** The Company chooses a particular market and then tries to provide a comprehensive service. Burmah oil may be quoted as an example since its acquisition of Halfords, castrol and Quinton Hazell in order to provide a full service to the motorist
4. **Specific product specialist:** here the company has one general purpose product and markets its according to any reselected opportunity. Newspaper and magazines are good are good example. Self-adhesive tape or lettering stencils are recent developments, while paper-makers are perhaps the best example.
5. **Product line specialist:** Often these companies are suppliers of essential services and in the UK they have mostly been nationalized. They include coal, gas, electricity, railways, postal usually involved in government supported industries, such as oceanography or rockery.

These are all strategic in nature but are in essence the first effort at marketing orientation. By implication they each dominate customer services. They are in fact, customer – orientated, although the product dominate the strategy in more than one example. Yet even where the product must dominate the company, it is clear that customers identified, clear benefits to them established and the product sold accordingly. In each case the supplier has aided its customers in the development of their market.

Credit control, Allowances, Returns, Discounts, cancellation.

This is an area where it’s the centre of disruption between a company and its supplier. This must be avoided. But it is a source of promotion. Each of the activities listed involves in a contact and with that contract, there is an exchange of documents or correspondence. Moreover, each of these contacts means the transfer of money or credit, Whichever way the money moves, there is a scope for building goodwill.

Clerks trained in customer services see each of these transactions as an opportunity to show courtesy, interest, consideration and efficiency. They are taught to write letters bursting with goodwill and cooperation, and they learn telephone techniques that reflect the image of a well run personalized company

This practice is adopted because it is good for the firm both internally and externally, it is good for the firm internally because it breeds morale and good externally because the executive who handle money matters are often the customers’ senior management, but even these virtues will be of little avail if the company policy on these executives is too restrictive or as frequently happen, is so indeterminate that a conscientious but unknowing middle manger implements traditional rulings that bear little relationship to today’s needs. For example, one company in Scotland stopped buying from one source because the supplier would not accept the return on its own van of charged packages.

The ruling had been made when crates were not charged and were delivered by rail. A valuable relationship was lost because no one thought of customer services. Whenever circumstances changed suppliers will always receive complaints. If a company funds is satisfying everyone all the time, then the chances is cheating itself in some way. It is probably giving too much away.

As firms find that another concern is always capable of meeting their demands, then they tend to allow these demands to grow not necessarily intentionally. It happens because of pressures from all force them to exploit the willing. When they are suddenly let down they blame the other part, not themselves. They make a complaint. It is at this moment that the opportunist supplier acts. He uses the handling of the complaint as a means to build goodwill. Normally the irate customer is well aware that the is being unreasonable, particularly if he has been allowed to let off steam properly handled the complaint can be a major business builder. Some years ago in the essential oil business buyer was always too busy to see a supplier’s salesman. Purchases were small but steady. The sale man had a new line which he was confident the customer would buy in some volume if only he could get to section. On receipt of a small order for an essence, the salesman collected the goods and carried them about in his car until the customer complained. Within three hour of the complaint the timing was predictable because deliveries were made very fourteen days. The sales man was in the office of the buyer delivery the goods personally and collecting a planned order on the way out.

The buyer did not ask why the goods had not been delivered as usual. He was too delighted at having his problem solved by this “service oriented” supplier.

**Market Structure And Competition**

Davis and Hughe (1989) wrote that he efficiency of the resources allocation process has been the central theme of the neo–classical price theory. Price theory divides markets structure into three categories, namely:

Perfect competition monopoly and imperfect competition it is only under the theoretical ideal of the perfect competition that efficient allocation is achieved. The resource allocation in economic theory dependent on the assumption of profit maximization. In order to examine the resource allocation process in any market structure, it is necessary to identify the average revenue, marginal revenue, marginal cost and average cost and then apply the criteria needed to create a comparative static equilibrium. We should bear in mind that because the firm was to maximize profit, regardless of the particular market structure in which its firm exists, it will be producing the quality of output at which marginal revenue (MR) is equal to marginal cost (MC) this can be deduced as follow: profit ∏ is given by ∏ = R – C, where R is the revenue and C is the cost.

**Competitive Marketing Strategy**

Kotler (1990) defined marketing strategy as a consistent appropriate and feasible set of principle through which a particular company hopes to achieve its long run customers and project objectives in a particular competitive environment.

Top management in bank today is putting increased pressure on marketing executive to think more strategically. And marketing executives are responding but spelling out their strategy in clearer terms in their plans. They are providing better rationales for favouring one strategy over another (Kotler 1990).

A company’s marketing strategy will have to take several strategies into account including

i. The stage of the product life cycle

ii. The competitors marketing strategies

iii. The target market’s buying behavior

iv. The company’s competitive size and position in the market

v. The company’s resource objective and policies

vi The character of the economy.

Figure give a hypothetical market structure

The hypothetical market structure

|  |  |  |  |
| --- | --- | --- | --- |
| 40% | 30% | 20% | 10% |

Source: Kotler P (1990) Marketing management, planning Analysis and control New York Prince Hall. P. 272

Forty percent of the market is in the hands of a market leader, the firm has the largest market share.

Another 30% of the market in the hand of a market challenger, a runner-up firm that is actively trying to expand its share using highly aggressive tactics. Another 20 percent is in the hands of a market follower, another runner-up firm seeks to maintain its market share and not rock the boat. The remaining 10 percent is in the hands of several small firm called market riches, which serve small market requirement that they hope will attract the interest of the large firm.

In market leaders strategies almost every industry contain one form that is acknowledge to the market leader just as in Nigeria today where we have the big five banks leading other banks. These firms have the largest market share in the relevant product market. They usually lead the other bank in price change, new-product introduction distribution coverage and promotional intensity.

The leader may or may not be admired or respected but other firms will acknowledge its dominance. The leader is an orientation point for competitors, a company to either challenge imitate or avoid some of the best–know market. Market leader in banking industry in Nigeria today are First Bank PLC, Union Bank Plc, Wema Bank Plc. What market leader do they uses in discipline and up start firm a military point of view, they can try brinkmanship, massive retaliation “limited warfare” “graduated response”, diplomacy of violence, threats systems and so on.

1. Confrontation strategy
2. Innovation strategy
3. Harassment strategy
4. Fortification strategy

The dominant form can often restrain its competitors through legal devices. It might push legislation that would be more unfavourable to the competitors then to itself.

Market challenger strategies are the forms that occupy second, third and fourth place in an industry can be called runner – up or trailing firms. They may be quite large in their own right all through small than the leader.

Market challenge can attempt to gain market in three ways. This first is through a direct attack strategy (also called head on strategy) in which a challenger tries to best the market leader through sheer doggedness and fight. The second way is through a back door strategy (also called end run or blind side) in which the challenger runs around the dominant form rather than into the third way through a ‘gapping strategy’ of attacking smaller competitors rather than the market leaders. Many beer companies owe their growth not to takes share away the leader or each other but to the gobbling up the smaller regional and local beer companies in the process of competition.

**MARKET LEADERS STRATEGIES**

Almost every industry contains one firm that is acknowledged to be the market leader. This firm has the largest market share in the relevant product market. It usually leads the other firms in price changes new product introductions. Distribution coverage and promotional intensity. The leader may or may not be admired or respected, but other firms will acknowledge its dominance. The leader is an orientation points for competitors, for company to either challenge, initiate, or avoid (Kotler 1980).

Unless a dominant firm enjoys a legal monopoly its life is not altogether easy. It must maintain a constant vigilance, other firm keep challenging its strength or trying to take advantage of its weakness. The market leader can easily miss a turn in the roads and plug into second place. The leader might spend conservatively, expecting hard times while a challenger spends liberally, expecting a buoyant economy.

A dominant firm’s objective is to remain number one the objective breaks down into three sub objectives. The first is to find way to make the total market share through good offensive and defensive strategies. The third is to expand current market share. The dominant firms usually stand to gain the most from any increases in market sizes.

**Market Challenger Strategies**

Market challenger can attempt to gain market share in three ways. The fist through a direct-attack strategy (also called head on strategy) in which a challenger tries their best, the market leader through sheer doggedness and fight. The second way is through a back door strategy (also called end run or blind side) in which the challenger runs around the dominant firm rather than into it. The third way is through gapping strategy or attacking smaller competitors rather than the market leader.

**Market – Follower Strategies**

Market follower, although they have lower market share than the leader may be as profitable or even more profitable. A market follower must be clear on how it is going to hold on to current customers and win a fair share of new one. Each follower must work as a set of target markets to bring distinctive advantage location, services, financing.

It must be ready to enter new market that are opening up. The company must keep is manufacturing cost low and its product quality and services high.

**Market Nicher Strategy**

Almost every industry includes a number of minor firms that operate in some part of the market try to avoid clashing with the major, these smaller firms attempt to find and occupy market niches that they can serve effectively through specialization and that the majors are likely to overlook or ignore. These firms are variously called market nichers, market specialist, threshold firms, or foot hold firms.

The neo-classical model traditionally economic theory texts have concerned themselves with the neo-classical model of price and output determination in different market structure.

This process was based upon an objectives of maximum profit and was undertaken in a general equilibrium framework in which no change in price and output policy would be desired once the optimum profit position had been reached. The various dorms of market structure were then appraised according to the proximity of each outcome to the allocation efficiency required by the neo-classical model, not least of which have been those concerned with alternative objectives. More important from the point of view of this study is the recognition that the subject of market structure many more variable than that of price alone.

Indeed the current vogue is to analyzed market structure assume to lead to certain types of behaviour which in turn lead to certain performance feature. This study also examine some of the relationship which exists between market structure and performance.

Many criticisms have been those concerned with alternative objectives. More important from the point of view this study is the recognition that the subject of market structure embraces many more variable than that of price alone. Indeed the current vogue is to analyze market structure in terms or the triplicity of structure conduct performance where certain characteristics of market structure are assumed to lead to certain types of behavior which in turn lead to certain performance features. This study also examine some of the relationship which exists between market structure and performance in particular, we will examine the relationship which exist between market structure and pricing behaviour, profit, progressiveness and efficiency. This is not meant to be an exhaustive list but it will nevertheless provide some of the basic elements involved in appraising the performance of given industrial structure (Hughes and Davies).

The eficiency of the resource – allocation process has been the central feature of neo – classical price theory. Efficiency of the resource – allocation in simple terms price theory divides market structure into three main types of perfect competition. It is under the theoretical ideal of perfect competition that efficient allocation is achieved.

The resources allocation process in economic theory is based upon the assumption of profit maximization; this assumption has received much criticism. However for the purpose of the study we will accept the assumption and analyze it implication for the efficiency of the resources allocation process industries expanding and contracting in relation to the general and elimination of short-run abnormal profit.

In order to examine the resource – allocation process in any market structure, we must first identify average revenue marginal, marginal revenue average cost and managerial cost and then apply the criteria required to create a comparative static equilibrium Average revenue is simply to total revenue (price x output) divided by the number of unit output marginal revenue is the addition to total received from the sale of the last unit of output.

**Organizational Performance**

Organizational success relies heavily on performance assessment. Organizational performance is described as an organization's actual production or results as compared to its expected outputs (or goals and objectives). Organizational success entails a series of tasks that are repeated on a regular basis to develop organizational objectives, monitor progress toward those goals, and make changes to achieve those goals more effectively and efficiently. While examining the relationship between quality principles and practices and performance, scholars have used different performance types such as financial, innovative, operational and quality performance. . A brief description of measure:

**Operational Efficiency:** It is the company that converts inputs into outputs in the form of products and services more valuable than the value of the inputs through the conversion processing. In this research, operational efficiency will be measured by the following indicators: unit cost, quality, delivery, flexibility, and speed of new product introduction.

**Employee satisfaction** is a metric that assesses how happy employees are with their jobs and working environment. Employee satisfaction is influenced by a variety of factors, including working conditions, workplace safety and security, reward systems, and career advancement.

**STRATEGIES AND FINANCIAL PERFORMANCE OF BANKS**

Studies from the early period of research on innovation have typically reported a positive relationship between innovation and measures of firm performance. In a new generation of models studying the impact of innovative activities on firm performance, the focus has shifted to the complex innovation process and channels through which the innovation inputs are transformed into better performance (Loof; et al., 2006; Kemp; et al., 2003). The significance of financial innovation is described by Roberts and Amit (2003) as a means leading to a competitive advantage and superior financial performance. As revealed in many studies, financial innovation and firm financial performance have a positive relationship (for examples Zahra and Das, 1993; Calantone et al., 1995; Han et al., 1998). Innovation would appear in product, process, market, factor and organization (Kao, 1989), but the first three dimensions are more familiar in the innovation literature (Johne and Davies, 2000; Otero-Neira et al., 2009). Innovation generally does seem to have positive effects in raising financial performance of innovators (Boot & Thakor, 2007). Crepon et al. (1998) used a fourequation model, to link the innovation decision of firms to their performance through the impact of innovation input on innovation output and the innovation output on productivity and better performance. Their findings confirm the positive relationship between innovation activities and productivity at the firm level and provide further evidence on the relationship between size and innovation activities.

**2.2 THEORETICAL FRAMEWORK**

**The Bank Credit Theories**

The bank credit theories discusses in this chapter include real bill or commercial loan doctrine, the anticipated income theory, the liquidity management theory, shiftability theory, pool of funds approach, conversion of approach (asset liability interaction).

A limitation of bank has been seen as the liquidity earning dilemma. This liquidity earning dilemma views banks as if it is intended to be entirely liquid and pay back all its cash to depositors, it will not have any earnings. Also, if it wants to use all its money to grant loan to fund a high risk business venture, it will have a huge profit, but it may lack the cash for depositor’s withdrawals (Agene 1993)

**Commercial Loan Doctrine**: It has the limitation of composition this is as a result of banking system depending on this doctrine and can keep a particular bank liquid, but if the entire liquidity requirements will not be mete at the time of crises.

Thus, a loan mortgage by products cannot be paid back if the product cannot be sold or if the customer takes a loan to purchase the goods, the banking system is no more liquid or less liquid before or after a transaction in the non preference of the CBN that is usually ready to provide the required liquidity to the system in its entirely. Hence making this theory a very compact one.

**The Anticipated Income:**  This theory was built by Prochnow (1949) after a detailed research work on banks term loans. The fraud in the research work was that occasions no matter the attribute and character of the borrow business enterprise the banker have planned to pay back the terms loans from the anticipated profits or income of the borrower. To pay back in this context, is not to dispose or to sell the asserts of the borrower as in the commercial or traditional theory of bank credit, it is not to shift the term loan to another lender as in the shift ability theory of bank credit but instead to pay back the loan (present value and interest) from the anticipated income of the borrower (Prochnow, 1949).

This gives the view that the decision to give a bank loan means earmarking a subset of the borrowers profit for the settlement of the loan. This theory is still in agreement with that is today popularly known as the cash flow method to bank lending which perceives the perspective borrower’s repayment ability from the standpoint of his or her income generating capability. It can be argued that it is lending that has made banks to give longer maturity loan to business firms and to real estate and also to give mortgage loans and consumer installment loans that now make up more than 50% all bank lending (Kreps and Wacht 1992).

**Liquidity Management Theory:** This theory has observed effective liquidity, and is modern in existence than commercial loan doctrine and the anticipated income theory. Management should ensure that the banks generate enough liquid resources as at when due. Thus removing the bottleneck present in the earlier theories traditional standard with respect to self liquidating loan standards, creating grescrue money from the money market whenever a bank runs into reserve deficiency (Agene, 1993).

**The Shiftability Theory:** This theory can predict that liquidity can be gotten if a known proportion of these deposits are utilized to get such assets s loan and securities for which a secondary market exists. Thus if a bank is in a terrible need of cash to meet depositor withdrawals, increased loans demand or reserve requirements the very liquid asset can be disposed such very liquid asset include treasuring bills and treasury certificates by embracing the shiftability theory the bank manager have justified the modalities for granting of longer terms loan which have gone beyond the average maturity of the loan portfolio.

This procedure of the shiftability of assets from the less liquid loans to the more liquid money market instruments, is efficient and effectively if every bank is not at the same time disposing the liquid money market instrument to get cash it is impossible for every bank to disposing the money market instrument at the same time some of the banks or an apex bank must be a purchaser of the instruments. A trial to accelerate the entire liquidity of the banking system may not be possible unless the CBN is interested.

The shiftability suffers from the limitation of composition. Both theories must rely on a third party like the federal government through CBN to increase the supply of the total liquidity when necessary. In this non presence of the intervention of the Federal government via the CBN, what will give instant liquidity for one or a few banks at most cannot give a source of accelerated liquidity for the banking system in its entirety. The Federal Government through the C.B.N must be a ready buyer of securities from very bank for entire liquidity to be accelerated.

**The Pool Of Fund Approach**

The pool of funds approach it became relevant after the severe liquidity crises of the Great Depression, bank manager have adopted an asset emphasized safely over and above short-term profitability. Also demand deposit are by far along source of bank funds and so such as emphasis on liquidity has been more than justified due these bank liabilities are of a short term period.

A pool of funds method has its commencement as the establishment of the over all level of liquidity ascertained by top management. This method sees all the bank sources of funds (its liabilities) as originating from a general pool and the site of this pool is a function of bank control. Overall business activity community income, population.

The initial allocation of this pool of fund is for primary reserve namely result cash required deposit reserves with the CBN, and balance with other banks. The next allocation is to secondary reserve namely short term highly liquid reserves whose maturity is use than anima. Such funds give the bank with its primary source of liquidity under the method.

Immediately sufficient liquidity has been guaranteed, funds are allocated of finance every legitimate loan request take note of the asset structure or the distribution of credit which are also viewed as the reflection of the economic forces in the banks geographical area note further than the loan portfolio which is a subject of a firm” riskier assets is not seen as a source of liquidity.

Its limitation is that there is no objective method of estimating the liquidity standard. Also in the pool of funds various deposits have various volatility no indication of the importance of these variations to the total emphasis is on liquidity and not profitability, but in the final analysis the long-run safety of a bank requires adequate profits. Furthermore, the pool of funds approach largely neglects the liquidity provided by the loan portfolio through the continual generation of funds from the principal and interest payments (Prochnow 1949).

Moreso, the pool-of-funds method does not notice the interactive character of assets and liabilities in the provision of liquidity and profit earnings.

**The Conversion Of Fund Method:** This method is more applicable than the pool-of-funds method in the situations to be discussed below competition from on bank depository institution have caused a change in the structure of bank liabilities as have innovations in the sources of bank funds like repurchase agreements. The pool-of-funds method is now less applicable, it has become unrealistic to view banks source of funds as being a general pool of funds with similar, or the same attribute each source maintains its own volatility, cost and legal reserve requirements. More so, the upward interest rate has compelled bankers to become efficient and effective reserve managers (Prochnows, 10949).

It also takes each source of funds in an individual basis and balances each source of funds with an assets that has a similar maturity duration demand deposits which have a high legal reserve requirement and a fast turnover are allocated not in the same way with funds generated by the sale of long – term bonds.

A case in points is when a large part of demand deposits are allocated to primary and secondary reserves, while bank bond sales are used to finance long-term loans and procurement of fixed assets. (Prochnow, 1949).

The principal merit of the conversion of funds approach is that emphases profitability rather than liquidity in effect, it shows the average value of liquid reserves and raises and investment. However, some demerits need to be addressed. Liquidity requirements and over calculated if one equates the deposits turnover which is needed big with deposit volatility which does not require to be big if a lot of a deposit turnover is self canceling. The loan portfolio is still presently assured to be liquid. There is also the demerit that this method does not emphasize enough that assert and liability decision are connected (Agene, 1993).

**The Modern Approach (Asset Liability Interaction)**

This method is based on a asset-liability management handle the coordination of all balance sheet items in a manner that optimizes shares wealth (present value), specifically the assert-liability management method emphasizes the relationship between the variable assets (V.R.A.S) and eth variable rate liabilities (V.R.L), VRAS and V.R.R.S are those that will be turned over and so repriced at the planning horizon which can change from a few days to an annual basis depending on the situation (Prochnow 1949).

The asset –liability management strategies are each of a fund’s gap, the variation between the V.R.AS and V.R.L.S the gap measures the sensitivity of a bank’s net interest earning (its profit) to changes in market interest rates. The strategies entails in the modern method are three in number namely the zero gap funds strategy, the prosteve funds gap strategy and the negative funds gap strategy.

There are zero funds gap strategy is utilized when ban manager try to equate the ratio of the bank’s total asserts that change in value assess in market interest rate change with the ratio of the bank’s total variable ratio liabilities or interest rate change the diminishing interest rate risk (Agene, 1993).

The positive funds gap strategy is used when bank managers get the ratio of VRAS to total assets and it is more than the VRAS to total liabilities as if the former is 30% and the later is 20%. This means that the bank holds a lower rate of fixed rate liabilities paying as sets and lower rate assets to total assets. When market interest rates decrease the banks interest rate earnings as well as costs decrease, but because it has a positive funds gap, the interest earnings decrease by a bigger amount than the interest costs and hence the net earnings decrease.

In the case of the negative funds strategy the ratio by the VRAS over total interest bearing assets is less than the ratio of the VRAS over the total interest bearing assets, is less than the ratio of the VRAS over the total interest bearing liability and this strategy is adopted if bank managers link that interest rates will decrease. Here the rate of decrease of the ratio of VRAS to total assets is less than the rate of decrease of the ratio of VRIS over total liabilities, so that he increase earnings will face by a lower amount than the interest costs and so the net earnings will increased. If a bank pursues the negative gap strategy and interest rate increase the net earnings will decrease and its net worth will decrease (Prochnow 1949).

**2.3 Chapter Summary**

In this review, the researcher has sampled the opinions and views of several authors and scholars on the an overview of banking industry in Nigeria, strategies affecting competition in banks environmental strategies as it affects competition in banks, financial strategy affecting competition in bank, customer service, market structure and competition, competitive marketing strategy, market leaders strategies, market challenger strategies, market – follower strategies, organizational performance etc. The works of scholars who conducted empirical studies have been reviewed also.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

**3.1 INTRODUCTION**

In this chapter, we described the research procedure for this study. A research methodology is a research process adopted or employed to systematically and scientifically present the results of a study to the research audience viz. a vis, the study beneficiaries.

**3.2 RESEARCH DESIGN**

Research designs are perceived to be an overall strategy adopted by the researcher whereby different components of the study are integrated in a logical manner to effectively address a research problem. In this study, the researcher employed the survey research design. This is due to the nature of the study whereby the opinion and views of people are sampled. According to Singleton & Straits, (2009), Survey research can use quantitative research strategies (e.g., using questionnaires with numerically rated items), qualitative research strategies (e.g., using open-ended questions), or both strategies (i.e., mixed methods). As it is often used to describe and explore human behaviour, surveys are therefore frequently used in social and psychological research.

**3.3 POPULATION OF THE STUDY**

According to Udoyen (2019), a study population is a group of elements or individuals as the case may be, who share similar characteristics. These similar features can include location, gender, age, sex or specific interest. The emphasis on study population is that it constitute of individuals or elements that are homogeneous in description.

This study was carried out on to investigate the effect of employee performance appraisal on organizational productivity using Union Bank as case study. The population of the study is therefore comprises staff of selected branches of in Port Harcourt, Rivers State.

**3.4 SAMPLE SIZE DETERMINATION**

A study sample is simply a systematic selected part of a population that infers its result on the population. In essence, it is that part of a whole that represents the whole and its members share characteristics in like similitude (Udoyen, 2019). In this study, the researcher adopted the convenient sampling method to determine the sample size.

**3.5 SAMPLE SIZE SELECTION TECHNIQUE AND PROCEDURE**

According to Nwana (2005), sampling techniques are procedures adopted to systematically select the chosen sample in a specified away under controls. This research work adopted the convenience sampling technique in selecting the respondents from the total population.

In this study, the researcher adopted the convenient sampling method to determine the sample size. Out of the entire staff of selected union banks in Port Harcourt, Rivers State, the researcher conveniently selected 119 respondents as sample size for this study. According to Torty (2021), a sample of convenience is the terminology used to describe a sample in which elements have been selected from the target population on the basis of their accessibility or convenience to the researcher.

**3.6 RESEARCH INSTRUMENT AND ADMINISTRATION**

The research instrument used in this study is the questionnaire. A survey containing series of questions were administered to the enrolled participants. The questionnaire was divided into two sections, the first section enquired about the responses demographic or personal data while the second sections were in line with the study objectives, aimed at providing answers to the research questions. Participants were required to respond by placing a tick at the appropriate column. The questionnaire was personally administered by the researcher.

**3.7 METHOD OF DATA COLLECTION**

Two methods of data collection which are primary source and secondary source were used to collect data. The primary sources was the use of questionnaires, while the secondary sources include textbooks, internet, journals, published and unpublished articles and government publications.

**3.8 METHOD OF DATA ANALYSIS**

The responses were analysed using the frequency tables, which provided answers to the research questions. While the hypotheses were tested using Chi-square Statistical Tool, SPSS v23.

**3.9 VALIDITY OF THE STUDY**

Validity referred here is the degree or extent to which an instrument actually measures what is intended to measure. An instrument is valid to the extent that is tailored to achieve the research objectives. The researcher constructed the questionnaire for the study and submitted to the project supervisor who used his intellectual knowledge to critically, analytically and logically examine the instruments relevance of the contents and statements and then made the instrument valid for the study.

**3.10 RELIABILITY OF THE STUDY**

The reliability of the research instrument was determined. The Pearson Correlation Coefficient was used to determine the reliability of the instrument. A co-efficient value of 0.68 indicated that the research instrument was relatively reliable. According to (Taber, 2017) the range of a reasonable reliability is between 0.67 and 0.87.

**3.11 ETHICAL CONSIDERATION**

he study was approved by the Project Committee of the Department. Informed consent was obtained from all study participants before they were enrolled in the study. Permission was sought from the relevant authorities to carry out the study. Date to visit the place of study for questionnaire distribution was put in place in advance.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

1. **1 INTRODUCTION**

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of one hundred and nineteen (119) questionnaires were administered to respondents of which one hundred and nine (109) were returned while one hundred (100) were validated. This was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 100 was validated for the analysis.

**4.2 DATA PRESENTATION**

The table below shows the summary of the survey. A sample of 119 was calculated for this study. A total of 109 responses were received whiles 100 was validated. For this study a total of 100 was used for the analysis.

**Table 4.1: Distribution of Questionnaire**

|  |  |  |
| --- | --- | --- |
| **Questionnaire** | **Frequency** | **Percentage** |
| Sample size | 119 | 100 |
| Received | 109 | 91.6 |
| Validated | 100 | 84.03 |

**Source: Field Survey, 2021**

**Table 4.2: Demographic data of respondents**

|  |  |  |
| --- | --- | --- |
| **Demographic information** | **Frequency** | **percent** |
| **Gender**  Male |  |  |
| 40 | 40% |
| Female | 60 | 60% |
| Age |  |  |
| 20-30 | 14 | 14% |
| 30-40 | 48 | 48% |
| 41-50 | 38 | 38% |
| 51+ | 0 | 0% |
| **Education** |  |  |
| HND/BSC | 50 | 50% |
| MASTERS | 32 | 32% |
| PHD | 18 | 18% |
| **Marital Status** |  |  |
| Single | 17 | 17% |
| Married | 55 | 55% |
| Separated | 0 | 0% |
| Divorced | 15 | 15% |
| Widowed | 13 | 13% |
| **Work-Duration** |  |  |
| 1-3yrs | 25 | 25% |
| 4-6yrs | 40 | 40% |
| 7-9yrs | 25 | 25% |
| 10yrs + | 10 | 10% |

**Source: Field Survey, 2021**

**TEST OF HYPOTHESES**

1. Competitive strategies do not affect the performance of banking institutions.
2. Financial strategies do not affect the competitive advantages of the banks.

**Hypothesis One**

**Table 4.3: Competitive strategies do not affect the performance of banking institutions.**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Options** | **Fo** | **Fe** | **Fo - Fe** | **(Fo - Fe)2** | **(Fo˗-Fe)2/Fe** |
| Yes | 60 | 33.33 | 26.67 | 711.3 | 21 |
| No | 22 | 33.33 | -11.33 | 128.4 | 3.9 |
| Undecided | 18 | 33.33 | -15.33 | 235 | 7 |
| **Total** | **100** | **100** |  |  | **31.9** |

**Source: Extract from Contingency Table**

Degree of freedom = (r-1) (c-1)

(3-1) (2-1)

(2) (1)

= 2

At 0.05 significant level and at a calculated degree of freedom, the critical table value is 5.991.

**Findings**

The calculated X2 = 31.9 and is greater than the table value of X2 at 0.05 significant level which is 5.991.

**Decision**

Since the X2 calculated value is greater than the critical table value that is 31.9 is greater than 5.991, the Null hypothesis is rejected and the alternative hypothesis which states that competitive strategies affects the performance of banking industries is accepted.

**Hypothesis Two**

**Table 4.4: Financial strategies do not affect the competitive advantages of the banks..**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Options** | **Fo** | **Fe** | **Fo - Fe** | **(Fo - Fe)2** | **(Fo˗-Fe)2/Fe** |
| Yes | 56 | 33.33 | 22.67 | 513.9 | 15 |
| No | 22 | 33.33 | -11.33 | 128.4 | 3.9 |
| Undecided | 22 | 33.33 | -11.33 | 128.4 | 3.9 |
| **Total** | **100** | **100** |  |  | **22.8** |

**Source: Extract from Contingency Table**

Degree of freedom = (r-1) (c-1)

(3-1) (2-1)

(2) (1)

= 2

At 0.05 significant level and at a calculated degree of freedom, the critical table value is 5.991.

**Findings**

The calculated X2 = 22.9 and is greater than the table value of X2 at 0.05 significant level which is 5.991.

**Decision**

Since the X2 calculated value is greater than the critical table value that is 22.9 is greater than 5.991, the Null hypothesis is rejected and the alternative hypothesis which states that financial strategies affects the competitive advantages of the banks is accepted.

**CHAPTER FIVE**

**SUMMARY, CONCLUSIONS AND RECOMMENDATIONS:**

**5.1 Introduction**

This chapter summarizes the findings on competitive strategy and organizational performance in the Nigerian banking industry using Union bank as case study. The chapter consists of summary of the study, conclusions, and recommendations.

**5.2 Summary of the Study**

In this study, our focus was on competitive strategy and organizational performance in the Nigerian banking industry using Union bank as case study. The study is was specifically set to determine if competitive strategies affects the performance of banking industries, determine the various strategies that affects competition in Nigeria banking industries, determine if financial strategies affect competition in Nigeria banking industry, determine how the environment affect competition in the banking industry, and determine how customers services affect competition in the banking industry.

The study adopted the survey research design and randomly enrolled participants in the study. A total of 100 responses were validated from the enrolled participants where all respondent are staff of selected branches of Union Bank in Port Harcourt, Rivers State.

**5.3 Conclusions**

In the light of the analysis carried out, it was concluded that competitive strategies affects the performance of banking industries, in likewise, financial strategies affects the competitive advantages of the banks.

**5.4 Recommendation**

With respect to the findings so far, the researcher recommends that the consolidation of banks should be encouraged as it helps to reduce the competition in the banking industry. Also the level of customer service that banks render to their prospective customers should be improved and is a major tool of competition.

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**APPENDIXE**

**QUESTIONNAIRE**

**PLEASE TICK [√] YOUR MOST PREFERRED CHOICE(S) ON A QUESTION.**

**SECTION A**

**PERSONAL INFORMATION**

**Gender**

Male [ ] Female [ ]

**Age**

20-30 [ ]

31-40 [ ]

41-50 [ ]

51 and above [ ]

**Educational level**

Educated [ ]

Uneducated [ ]

**Marital Status**

Single [ ]

Married [ ]

Separated [ ]

**Work-Duration**

1-3yrs [ ]

4-6yrs [ ]

7-9yrs [ ]

10yrs + [ ]

**Section B**

**Question 1:** Are there strategies affecting competition in banks?

|  |  |
| --- | --- |
| **Options** | **Please Tick** |
| Yes |  |
| No |  |
| Undecided |  |

**Question 2**: Are there environmental strategies in competition of banks?

|  |  |
| --- | --- |
| **Options** | **Please Tick** |
| Yes |  |
| No |  |
| Undecided |  |

Question 3: Does competitive strategies affect the performance of banking institutions?

|  |  |
| --- | --- |
| **Options** | **Please Tick** |
| Yes |  |
| No |  |
| Undecided |  |

**Question 4**: Can financial strategies affect competition in banks?

|  |  |
| --- | --- |
| **Options** | **Please Tick** |
| Yes |  |
| No |  |
| Undecided |  |

**Question 5:** Can customers service affect competition in banks?

|  |  |
| --- | --- |
| **Options** | **Please Tick** |
| Yes |  |
| No |  |
| Undecided |  |

**Question 6**: Does bank consolidation has effect in the competition of banks?

|  |  |
| --- | --- |
| **Options** | **Please Tick** |
| Yes |  |
| No |  |
| Undecided |  |