**TITLE PAGE**

**THE IMPACT OF BANKS CREDIT IN THE NIGERIA ECONOMY (A CASE STUDY OF FIRST BANK OF NIGERIA PLC AND ZENITH BANK PLC) EKWULOBIA**

**ABSTRACT**

*This research is on the impact of bank credit in the Nigeria economy, A case study of first bank plc and Zenith bank plc Ekwulobia. Objectives of the study includes: to determine the extent to which the various banks credits has been felt in the Nigeria economy, t access the level of knowledge of the various credits facilities provided by the banks in the Nigeria economy, to determine the response of the various business existing in the various sector the economy to bank’s credits and to review the impact of the central bank of Nigeria (CBN) monetary policy on the banks. The related literatures were revealed in the methodology, data were collected through questionnaire and personal interview. In the finding, it was discovered that the analysis of bank credit have a great impact to the economic growth and development in the country, and among other findings. The researcher therefore, concluded that banks credits have been greatly felt in the Nigeria economy. It is recommended that long term credit facilities should be encouraged to aid capital formation of businesses since it is the main instrument for economic growth and development; the monetary authorities should also consider the activities of banks when using the monetary policies of the central bank in order to achieve growth and development in the country.*

# TABLE OF CONTENTS

Title page- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - i

Dedication- - - - - - - - - - - - - - - - - - - - - - - - - - - - - -- - - - - ii

Approval page- - - - - - - - - - - - - - - - - - - - - - - - - - - - - -- -iii

Acknowledgment- - - - - - - - - - - - - - - - - - - - - - - - - - - - - iv

Abstract - - - - - - - - - - - - - - - - - - - - - - - - - - - - - -- - - - - - v

Table of content- - - - - - - - - - - - - - - - - - - - - - - - - -- - - - - -vi

# CHAPTER ONE

1.0 Introduction - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - 1

1.1 Background of the study - - - - - - - - - - - - - - - - - - - - - 1

1.2 Statement of the problem - - - - - - - - - - - - - - - - - - - - - 3

1.3 Objective of the study- - - - - - - - - - - - - - - - - - - - - - - - 3

1.4 Research Question- - - - - - - - - - - - - - - - - - - - - - - - - - 4

1.5 Significance of the study- - - - - - - - - - - - - - - - - - - - - - -4

1.6 Scope of the study- - - - - - - - - - - - - - - - - - - - - - - - - -5

1.7 Definition of terms- - - - - - - - - - - - - - - - - - - - - - - - - -6

# CHAPTER TWO

2.0 Review of related literature - - - - - - - - - - - - - - - - - - - 7

2.1 A brief introduction- - - - - - - - - - - - - - - - - - - - - - - - -7

2.2 Model and theories relevant to the research question- -7

2.3 Banks in Nigeria- - - - - - - - - -- - - - -- - - - - - - - - - - - - -8

2.4 Central bank as the controller of credit in Nigeria- - - - -10

2.5 Roles of monetary policy in Nigeria - - - - - - - - - - - - - -19

2.6 summary of literature review- - - - - - - - - - - - - - - - - - - -22

# CHAPTER THREE

3.0 Research Methodology- - - - - - - - - - - - - - - - -- - - - - - -23

3.1The research Design - - - - -- -- - - - - - - - - - - - - - - - - - - -23

3.2 Area of the study- - - - - - - - - - - - - - - - - - - - -- - - - - - - -23

3.3 population of the study- - - - - - - - - - - - - - - -- - - -- - - - -24

3.4 Sample of the study - - - - - - - - - - - - - - - - - - - - - - - - - - -24

3.5 Instrument for data collection- - - - - - - - - - - - - - - - - - - - - 25

3.6 Validation reliability of instrument- - - - - - - - - - - - - - - -- -26

3.7 Distribution and retrieval- - - - - - - - - - - - - - - - - - - - - - - - 26

3.8 Method of data analysis- -- - - - - -- - - - - - - - - - - - - - - - - - -26

# CHAPTER FOUR

4.0 Data presentation and analysis- - - - - - - - - - - - - -- - - - - - - 27

4.1 Brief Introduction - - - - - - - - - - - - - - - - - - - - - - - - - - - - - 27

4.2 Data presentation- - - - - - - - - - - - - - - - - - - - - - - - - - - -- - 27

4.3 Discussion of the findings- - - - - - - - - - - - - - - - - - - - - - - - 32

**CHAPTER FIVE**

5.0 Summary, conclusion and recommendation- - - - - - - - - - - - -34

5.1 Summary of findings- - - - - - - - - - - - - - - - - - - - - - - - - - - - - -34

5.2 Conclusion - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - 35

5.3 Recommendation- - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - 35

5.4 Limitation of the study- - - - - - - - - - - - - - - - - - - - - -- - - - - - - 36

5.5 Suggestion for further research- - - - - - - - - - - - - - - - - - - - - - - 36

References- - - - - - - - - - - - - - - - - - - - - - -- - - - - - - - - - - - - - - - - -38

Appendices - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - 40

questionnaire) - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - - 41

**CHAPTER ONE**

1. **INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

In Nigeria, credit has been recognized as an essential tool for promoting growth and development in the country. About 70 percent of the population is engaged in informal sector or in agricultural production. The federal and state government of Nigeria has recognized that for sustainable growth and developments in Nigeria, the financial empowerment of both the urban and rural areas in the economy is very vital being the repository of both the predominantly poor in society and in particularly the small and medium scale enterprises. If this growth strategy is adopted, and the latent entrepreneurial capabilities of this large segment of the people is sufficiently stimulated and sustained, then positive multipliers will be felt throughout the economy. To give effect to this aspiration, various policies have been instituted over time by the federal government to improve agricultural production capabilities, positivity and channel the potential of Smts to enhance their standards of living and to put the sector in the front burner of government development strategy.

The analysis of bank credit in the Nigeria economy can be said to have a great impact to economic growth and development of the country to the extent that if there were no banks, then the activities of the economic growth and development could not be possible. Banks plays important role in the economy of every nation. The health of the economy is closely related to the soundness of its banking sector. Although banks create no new wealth by their lending, borrowing and related activities that facilitate the process of production, exchange and communication of wealth.

Today, modern banks are very useful for the utilization of the resources of the country. The impacts of the banks have been felt by the various sectors of the economy. Banks as a matter of facts are like the heart in the economy structure of Nigeria and it credit products, the organs will remain sound and healthy in the blood if it is not supplied to any organ, the organ will remain useless, so it also relates to the Nigeria economy if banks credit are not provided to the various sector of the economy of Nigeria such as Agricultural sector, Industrial sector, e t c, The various sector will be useless.

Credit facilities provided by the banks works as an incentive to the producer and manufacturers to increase their production. The role played by the Nigeria banks as to provision of medium/intermediate finance, long term finance and permanent finance. Credit facilities provided by banks are so important to the economic development of the country.

**1.2 STATEMENTS OF THE PROBLEM**

The following problems necessitated for this study. This includes;

The low credit facilities provided by the banks to the various sectors of the Nigeria economy.

Insufficient knowledge of the various credit facilities provided by banks in the Nigeria economy.

The low response of the various business existing in the various sector of the Nigeria economy to banks credit facilities.

The restrictive impacts of central bank of Nigeria (CBN) monetary policy on the bank.

**1.3 OBJECTIVES OF THE STUDY**

The purpose of this study includes:

1. To determine the extent to which the various bank credits have been felt in the Nigeria economy.
2. To access the level of the knowledge of the various credit facilities provided by the banks in the Nigeria economy.
3. To determine the response of the various business existing in the various sector of the economy to banks credit facilities.
4. To review the impacts of the central bank of Nigeria (CBN) monetary policy in the banks.

**1.4 RESEARCH OUESTIONS.**

(i) Are the various bank credit felt in the Nigeria economy?

(ii) Is there adequate knowledge of the various credit facilities provided by the banks in the sector?

(iii) What is the level of response of the various business existing in the various sector of the economy to banks credit facilities.

(iv)Has the CBN monetary policies sufficiently encouraged the banks in granting credit facilities?

**1.5 SIGNIFICANCE OF THE STUDY**

This research work will be of a great significant to all sectors of the economy of Nigeria. This is due to the fact that no sector of the Nigeria economy can survive without adequate credit provided by the banks.

**Government :**This research work will be important to the government to enable her know the extent the bank credit has impacted to the economy in order to enable them formulate laws that will not be detrimental to the banks and their various facilities which may in return affect the economy generally.

**Academic Institutions:** This research work is of significance to the various disciplines in the institution such as banking and finance, business management e t c.

**Bank customer/Borrowers:** This research work will also help those that needs credit facilities from the banks to gain adequate knowledge of how the bank can assist them in their capital formation.

**Subsequent Researchers:** It will be of great help to the students in the department in respect of their research projects. And finally, it will add to the existing knowledge on the impact of banks credit in the Nigeria economy to the citizens of Nigeria.

**1.6 SCOPE OF THE STUDY**

Although bank credit has a strong impact on the development of the economy .This study will basically focus on the impact of banks credits in Nigeria in the Nigeria economy with a particular study on first bank p l c and zenith bank p l c in Ekwulobia Anambra State. The choice of the scope is because it will be too broad to study all the banks in Nigeria.

**1.7 DEFINATION OF TERMS**

**Banks:** A bank can be defined as an organization that provides various financial services such as keeping valuables, keeping and lending of money to customers, subject to the obligation of honoring cheques drawn upon them from time to time by the customers E t c.

**Credit:** This is the money borrowed from any financial institution or a bank.

**Economy:** This describes the relationship between production, trade and supply of money in a particular country.

**Short term finance:** These are loans rendered to customers by banks originally scheduled for re payment within one year.

**Long term finance:** This are fund that remains in the business for relatively long period of ten years and above.

**Medium term finance:** They are fund borrowed for a period of 5 to 10 years e g. leasing and installment credit facilities such as credit sales and hire purchase

**CHATER TWO**

**2.0 REVIEW OF RELATED LITERATURES**

**2.1 BRIEF INTRODUTION**

This chapter of the research work deals with the review of relevant literatures as it pertains to this study. Different materials such as text books, journals and other seminar work were consulted and issues related to the research topic were extracted

**2.2 MOELS TO THE RESEARCH QUESTIONS**

Commercial banks credit plays crucial roles in the development of any economy. Nzotta, S.M., (2009) contend that bank credit influence positively to the level of economic activities in any country. It influences what is to be produced, who to produce it, and how much is to be produced. CBN seminar paper (2002) postulates that credit is the money that banks give out, loans and advances with future date of repayment. An important role of bank is to provide ways of providing loans to the various sectors of the economy. The CBN prudential Guidelines of 1990 however provides a wider definition of credit, and this includes aggregate of all loans, advanced overdraft, bills discounted, banks guarantee, banks acceptance, commercial papers, leases and indemnities. Essang and Olajide (1994) identified banks as a monetary institution owned by either government or private business for the purpose of profit making. In pursuit of this profit, the commercial banks performs a number of function, one of these functions includes acceptance of deposits from the public .The deposit are in turn given out as a credit to small medium scale enterprises and among others, which led to more production and provision of employment opportunities in the economy.

**2.2.1 BANKS IN NIGERIA**

The Nigeria economy constitutes various sectors such as financial, agriculture, industrial sectors etc. Under financial sector, there are various firms that make up the industry e.g. Money deposit banks development banks, and Central Bank of Nigeria (CBN). These firms make up the Nigeria banking industry. However, this sector in Nigeria economy needs credit (money) to enable it survive, expand and grow.

Therefore, the banking industry provides credit facilities to the sectors in the economy through various types of credit instruments. The impact of credit to banks and industries in an economy cannot be over emphasized because if there were no banks, the activities of providing credits to the firms and industries in order to encourage economic growth would not have been possible in the economy.

**2.2.2 THE VARIOUS TYPES OF BANKS AND THE TYPES OF CREDITS GRANTED IN NIGERIA**

There are different types of banks that exist in an economy such as Nigeria. These banks are however classified according to the activities which they perform one of which is the granting of

Loan(credit).

**MONEY DEPOSIT BANK**: This is also known as commercial banks which are popularly known in the Nigeria economy. They are also the main source of economic growth and development in Nigeria.

The money deposit banks in Nigeria accept money from the public and make them available to the public in form of loan. Due to the fact that many deposit banks receive money on short term notice (3-12months). However, due to the concept of universal banking and increase of capital base of money deposit banks, they now land in mid -term basses(between 5 to 10 years) and also little on long term basis (10 and above). These money deposit banks grants mainly two types of

Credit facilities namely,

Loan and

Overdraft.

**OVERDRAFT**: These are credit facilities that are collectable at the bank request. This is a credit facility that is granted by money deposit bank to its current account holder .The facilities are usually collectable on a short time notice by the banks.

**LOAN**: This is also credit facilities that are granted by money deposit banks .They concentrate most of their lending on short term bases and lend little on medium and long term bases .Loan granted by money deposit banks are repayable at maturity in full including interest or it is repayable installmentally Onyeagba(2004).

These two credit facilities provided by money deposit banks provides credit to the various firms that exist in the Nigeria economy. The credit facilities also have great impact in the Nigeria economy because it provides credits to the various firms that exist in the Nigeria economic growth.

**2.2.3 CENTRAL BANK AS THE CONTROLLER OF CREDIT IN NIGERIA**

**Objective of credit control:**

According to Aguolu (1998) control is the measure that central bank of Nigeria uses in controlling the lending policy of money deposit banks. The CBN control in the Nigeria economy to achieve the following objectives:

1. To stabilize the internal price level: The major objective of credit control is to stabilize the price level in the economy of a country. Frequent charges in the price adversely affect the economy. Inflation or deflation trends needs to be prevented, this can be achieved by adopting a judicious policy or credit control.
2. To stabilize the foreign exchange rate: with change in the internal price level, exports and imports are always affected when price falls. Export increase while import decline. Consequently, the demand of foreign exchange increases and that of a local currency falls. Exports increases while imports falls thereby lowering the exchange rate of domestic currency since it is volume of credit that affects prices, the central bank can stabilize that effects prices. The central bank can stabilize that foreign exchange rate by controlling banks credit.
3. To control business circle: Business circle are common phenomenon to capitalist and mixed economy countries which lead to periodic fluctuations in production, employment and prices. They are characterized by depression during booming period and expansion of the bank credit during depression prosperity. This is large extension in the volume of credit and production and as such, price falls. The control bank can contract such cyclical fluctuation through contraction of bank credit during depression.
4. To meet business needs: Another major objective of bank control is to adjust the volume of credit of business activities in the country. Credit is needed to meet requirements of trade and industry. As business expands, large quantity of credit is needed and when and when business contracts, lesser credit is needed, therefore, it is the central banks that can meet the requirements of business by controlling the credit of the country.
5. To have growth with stability: Exchange rate stability is one of the important objective of credit control .However, the aim of credit control is to help achieve full employment and increase growth and stability in the country without inflationary pressure and balance of payment deficit. However, when the credit of a country is effectively controlled by the central bank, there are trends to be economic growth and development in the country Jhingan(2008).

**DEVELOPMENT BANK:** This is a type of bank that is being established for the purpose of development in a country, Johnson(2008).According to Ezeanate (2005), development banks are government owned banks established for non-profit making purpose but designed and equipped with facilities and basis government support to provide all the ingredient required for industrial and economic growth in the country. According to Asuzu (2003) development banks are long term financial institutions providing medium and long-term credit for the crediting and expansion of agricultural, commercial and industrial enterprises in developing countries such as Nigeria. The activities of development banks are geared towards the development of the country. They provides long term and medium term credit to various industries in various sectors of the Nigeria economy in order to stimulate industrial growth and development banks in Nigerian namely:

1. Nigeria Banks for commerce and industry (NBCI) (Ezeanata 2005)
2. Nigeria agricultural corporative and rural development banks (NACRB), Samuel (2008)

**CENTRAL BANKS**

This is the apex bank in any country. In Nigeria, it is called central Bank of Nigeria (CBN). According to Asuzu(2003),The central bank is the most important institution in any country.

The central bank of Nigeria is the apex financial institution saddled with the responsibilities of supervision, controlling, and regulating the operations of the banks in Nigeria .The main activity of the CBN is to control the activities of other banks that are in the country in order to stabilize the economy against any form of inflation (Ezenata 2005). The central bank is usually the national bank of a country charged with the responsibility of issuing new currencies and controlling the banking system in the interest of the nation (Okoye 2010). The central bank of Nigerian do not grant credit to individuals or institutions but they grant credit to money deposit banks and other financial institutions in times of tight liquidity. Some of the functions of central bank of Nigeria are as follows:

1. Banker to other bank as well as the government
2. Issuer of nations currency
3. Lender of last resort etc (Ezeanata 2005)

**2.2.4 VARIOUS INSTRUMENTS USED BY BANKS IN CONTROLING CREDITS**

According to Anyanweta (2003) the central bank controls the credit policies of money deposit banks through various instruments of monetary policy such as;

1. open market operation(Omo)
2. Bank rate
3. Cash deposit
4. Directives and moral suasions
5. Special deposits
6. Funding

**USE OF OPEN MARKET OPERATION:** This refers to situations whereby the CBN appeals to the money deposit banks to increase or decrease their credits to the public so as to be in line with government monetary policy Okoye(2010). It is also refer to the buying and selling of government securities such as treasury bills and bond from the public and business organizations. If the amount of money in circulation is high and the central bank wants to reduce it, will sell securities to the public and financial institutions. When they buy, they pay cheque to the central bank, the cheque are cleared, the amount of money left with the commercial bank will fall thereby reducing their lending capacity and this will help to reduce the amount of money in circulation. However, if the amount of money in circulation is too low, and the central The bank rate is the rate at which the central bank discount or rediscount bills for money deposit banks or the rate at which it lends money to them. The bank rate influences other interest rates in the economy. A higher bank rate leads to higher interest rate. If there is inflation, the central bank will increase the bank rate. This will force the money deposit banks to increase their interest rate. People and organizations will be discouraged from borrowing money from the money deposit banks. Their lending ability is therefore reduced, leading to a reduction in the amount of money in circulation bank wants to increase it will buy securities from the public and financial institutions and make payments to them. This will increase the amount of money left with the money deposit banks, thereby increasing the lending power, the amount of money in circulation will increase.

**THE USE OF BANK RATE:** On the other hand, if the volume of money in circulation is too small and the central bank wants to increase it, it will reduce the bank rate. This will encourage money deposit banks to reduce their interest rate. Borrowing will therefore be encouraged, and the amount of money in circulation will be increased.

**USE OF CASH DEPOSIT RATIO:** This refers to the minimum legal cash reserve requirements of the money deposit banks. It relates to the ratio of cash reserve to their total deposit liabilities. If the amount of money in circulation is too large, and has to be reduced, the central banks will increase the cash deposit ratio, if the money deposit banks keeps a higher percentage of their total cash deposit as reserve, their lending ability will therefore reduce.

However, the central banks will reduce the cash deposit ratio, if the amount of money in circulation is too small and it wants to increase it.

**USE OF DIRECTIVES AND MORAL SUATIONS:** The central banks give instructions to money deposit banks to grant loans to some sectors of the economy such as agricultural sector.

Moral Suasion is an appeal or suggestion by the central bank to the money deposit banks to pursue certain lending policies.

**2.2.4 ROLE OF MONEY DEPOSIT BANKS IN THE NIGERIA ECONOMY.**

Besides performing the normal banking function, money deposit banks in Nigeria plays an effective role in the development of the country. This is due to the fact that majority of the people in Nigeria are poor, unemployment and engages in traditional agriculture.

There is acute shortage on capital; industries are depressed coupled with the global financial crisis/melt down. The money deposit bank in Nigeria has helped to some extent in overcoming these problems and promoting economic development.

However, some of the roles performed by the money deposit banks in Nigeria economy are as follows;

1. **MOBILISING SAVINGS FOR CAPITAL FORMATION:**

The money deposit banks in Nigeria helps in the mobilization of savings through their network of branches all over the country. According to the people in the country, there have been various income but banks introduced them to save by introducing varieties of deposit schemes to suit the needs of undivided depositors. They also mobilize savings through the money deposit banks and channel them into productive investments. Thus they help in capital formation of the country.

1. **FINANCING INDUSTRIES:** According to Ihingan,(2008) money deposit banks finances industries in some numbers of ways; they provide short term and long term loans to industries. They don’t only provide finance for industries but helps in the development of money market.
2. **FINANCE TRADE:** According to Samuel, (2008), money deposit banks helps in financing both internal and external trade. The banks provide loans to wholesalers and retailers to stock goods in which they need. They also help in the movement of goods from one place to another by providing all types of trade facilities such as discounting and accepting bills of exchange, providing foreign exchange facilities to importers and exporters of goods and services.
3. **FINANCING AGRICULTURE:** According to Samuel(2008), money deposit banks helps in financing agriculture by providing loans to agricultural sector. They do this by opening networks of branches in the rural areas to provide agricultural credits. They also provide finance directly to agriculturalist for the purpose of marketing their product, for the modernization and mechanization of their farms for providing assistance for animal husbandry during farming poultry farming and horticulture.
4. **FINANCING CONSUMER ACTIVITIES:** Due to the low level of income earned by most people in the country, they may not be able to buy some durable consumer goods such as house, car etc. The money deposit banks help by providing loans to this class of people and as such improving the standards of living of the people. Samuel,(2008).
5. **FINANCING EMPLOYMENT GENERATING ACTIVITIES:** According to Jhingan,(2008) money deposit banks finances employment generating activities in Nigeria. They do this by providing loans for education of young people studying abroad and other vocational institutions of Nigeria. They also advance loans to young entrepreneurs, Medical and Engineering graduates and other technically trained people in establishing their own businesses.
6. **EXECUTOR OF MONETARY POLICY:** Ezeanata(2009) says that money deposit banks are main executor of monetary policy in the country. The CBN depends on the money deposit banks in execution of the monetary policies formulated. The money deposit banks carry out the function with the aim of stabilizing the Nigeria economy against inflation.

**2.2.5 ROLES OF MONETARY POLICY IN NIGERIA ECONOMY:**

The monetary policy in the Nigeria economy plays an important role in increasing the growth rate of the Nigeria economy by influencing the cost and maintenance equilibrium in the balance of payment .So the principal objective of monetary policy in Nigeria are: To stabilize the price level, to stabilize exchange rate etc. These roles according to Jhangan, (2008) are as follows

**(a) TO CONTROL INFLATIONARY PRESSURE:** The monetary authority (CBN) controls inflation pressure arising as a result of development. It requires the use of both quantitative and qualitative method of credit control.

**(b)INTEREST RATE POLICY:**A policy of high interest rate is an incentive to higher savings. Development banks habit had speed up the monetization of the economy which is essential for capital formation and economic growth.

**2.2. OTHER POLICY USED BY THE GOVERNMENT TO CONTROL INFLATION.(FISCAL POLICY):** Fiscal policy is the means by which a government adjust its spending levels and tax rates to monitor and influence a nations economy. It is the sister strategy to monetary policy through which a nation influences its money supply Ogbekhase, (2012).

If there is inflation, the government using the fiscal policy as a tool to control the money supply in an economy will reduce its spending and increase tax rate on the other hand, when there is deflation, the government will increase spending and reduce tax rate with more money in the economy and fewer taxes to pay. Consumers demand for good and service will increase. This in turn, rekindles businesses and turns the cycle around firm stagnant active.

**2.2.7 SPECIALISED BANKS AND THEIR CREDIT ROLES**

Specialized banks otherwise known as the development finance institution (DFI) are institutions established especially to contribute to the development of specific sectors of the economy. Their roles includes

1. To give loans to enterprises.
2. To take outermost induce rate float within the prescribed range

(c) Exertion clout through credits and agreement of account etc

**2.3 THE IMPACTS OF THE BANKING SECTOR TO THE DEVLOPMENT OF NIGERIA ECONOMY:** In Nigeria, the banking sector is an important part of the financial system. It dominates the Nigeria financial system as it accounts for about 90% of the total assets in the system. However, the banking sector has not contributed significantly to the growth and development of Nigeria economy as expected. The poor performance of the sector has been attributed to numerous problems that faced the sector as postulated by Ogbekhase(2012), such as inadequate capital; high non-performing assets which has led to frequent distress in the sector and collapse of the banks in the past.

The ultimate function of the financial sector is to help direct funds from the surplus sector to areas of needs depends to a large extent on the soundness of the capital base. The service of banking is supposed to be hinged on the effective satisfaction of both the surplus units and the deficit units of the economy but on the contrary, the Nigeria banking sector has not perfectly contributed to the development of the Nigeria economy.

**2.4 SUMMARY OF LITERATURE REVIEW**

The various credits by banks have gone a long way in stimulating industrial growth in Nigeria. The various types of banks that exist in the country have various roles they play and the various credits they grants. The money deposit banks which concentrates on short term and medium term credit. The development banks concentrates on long term and medium term credit while the central bank of Nigeria are in charge of expanding or contracting the credit in the economy through the use of monetary policy and fiscal policy.

**CHAPTER THREE:**

**3.0 RESEARCH METHODOLOGY**

The standard of a good research work is determines by its methodology. The findings of such methodology must be reliable as well valid. In this chapter, the following issues are described namely: the research design, area of the study, population of the study, instrument for data analysis.

**3.1 THE RESEARCH DESIGIN**

This means the specifications of procedures for collecting and analyzing data necessary for the identification and solution of the research problems. The researcher employed a survey research design data collected from the respondents are therefore analyzed and interpreted.

**3.2 AREA OF THE STUDY**

This research work is geographically based in Anambra state as regards to the selected banks branches in Ekwulobia, Orumba North Local Government Area of Anambra State, Nigeria. It will be too hard to study all the banks in Ewulobia so therefore the research covers only first bank Plc and Zenith bank Plc in Ekululobia.

**3.3 POPULATION OF THE STUDY**

The population of the study consist of some bank staffs and customs of selected banks the population of both one hundred (100) of which (60) are customers and (40) are staffs this can also be shown in the table below :

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Variables | First Bank | Zenith Bank | Total | Percentage |
| Customers | 28 | 32 | 60 | 60% |
| Staffs | 20 | 25 | 40 | 40% |
| Total | 48 | 52 | 100 | 100% |

**3.4 SAMPLE OF THE STUDY**

Sample refers to the process of selecting the true representatives of the total population. (modum 1995).

In order to determine the sample size of the population; the researcher made use of the yaro yamen formula

N

n = \_\_\_\_\_\_\_\_\_

1+N(e)2

Where: N = Population size

n = Sample size

1 = Level of significant (0.05)

Where N = 100, n =?, e = 0.05

100 100

n = \_\_\_\_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_

1+100(0.05)21+100(0.0025)

100 100

n = \_\_\_\_\_\_\_\_\_\_\_ = \_\_\_\_\_\_\_\_\_\_\_

1+ 0.25 1.25

n = 80

**3.5 INSTRUMENT FOR DATA COLLECTION**

For the purpose of this study, the researcher distributed structural and instrumental questions. The information was gathered through primary and secondary source of data.

**PRIMARY SOURCE:** For the purpose of reliability and accuracy, the researcher made use of personal interview, face to face, and observation in collecting data, the primary source of data includes interview and some cases observation.

1. Personal interview: this is through a direct questioning of the sample of the population selected for the research. General purpose of the interview method is to get first-hand information from the people to join information which might be too intimate or controversial in writing.
2. Observation: this means observing of items as it happens or occurs.

**SECONDARY SOURCE:** this source was basically used in the theoretical frame work (literature review). The source include: text books, periodicals like professional journals, document inform of official papers; the above listed are published materials, the unpublished materials includes lecture note and seminar.

**3.6 VALIDATION AND RELIABILITY OF THE INSTRUMENT**

To ensure the content validity of the instruments used, the questions were corrected and approved by the bank manager in one of the banks studied.

**3.7 DISTRIBUTION AND RETRIEVAL**

The questionnaires were distributed to the various staff and customers for the selected sample in order to the relevant information needed in the research work.

**3.8 METHOD OF DATA ANALYSIS**

In the analysis, the method used in data presented in the table is the sample percentage. The formula for the sample percentage is; F/N×100/1

F= frequency of response to each question

N=Number of respondents.

**CHAPTER FOUR**

**DATA PRESENTATION AND ANALYSIS**

**4.1 BRIEF INTRODUCTION**

This chapter intends to present, analyze and interpret the result obtained from questionnaire. For the purpose of this analysis, statistical method of presentation will be used as mentioned (in chapter three) of this researched work. A total of forty questionnaires were attended to and all were collected and analysis based on sample size.

**4.2 DATA PRESENTATION**

**RESEARCH QUESTION 6**

Do bank give credit to their customers? (a) yes [ ] (b) no [ ]

**4.2.1**

|  |  |  |
| --- | --- | --- |
| Response | Number of respondents | Percentage of respondents |
| Yes | 80 | 100% |
| No | 0 | 0 |
| Total | 80 | 100 |

**Sources**: field survey 2015

We can conclude that bank do give credit to their customers based on the number of respondents that are agreed to the question.

**Research question 7**

Which type of credit banks give? (a) short, medium and long term credit (b) only long term credit

**4.2.2**

|  |  |  |
| --- | --- | --- |
| Response | Number of respondents | Percentage of respondent |
| A | 65 | 81.25% |
| B | 15 | 18.75% |
| Total | 80 | 100% |

**Sources:** field survey 2015

The table above shows that the bank gives short, medium and long term credit.

This was revealed by the number respondents that went for option “A” which is 65 or 81.25% against 15 or 18.75% of the total respondents.

**Research question 8**

Are the various banks credit felt in the Nigeria economy?

**Table 4.2.3**

|  |  |  |
| --- | --- | --- |
| Response | Number of respondent | Percentage of response |
| Yes | 60 | 75% |
| No | 20 | 25% |
| Total | 80 | 100% |

**Source:** field survey 2015

In the table above, 60 or 70% of the total respondents agreed that the various banks credits are felt in the Nigeria economy while 20 or 25% of the total respondents said “no” that it not felt.

**Research question 9**

Is there adequate knowledge of the various credit facilities provided by banks in the Nigeria economy?

Table 4.2.4

|  |  |  |
| --- | --- | --- |
| Response | Respondents | Percentage of respondent |
| yes | 65 | 81% |
| No | 15 | 19% |
| Total | 80 | 100% |

**Sources:** field survey 2015

From the table above, it is analyzed that 65 or 81% of the respondents are saying that there are adequate knowledge of the various credits facilities provided by banks in the Nigeria economy, but 15 or 19% of the total respondent disagreed. Therefore, we can say that there is adequate knowledge of the credit facilities granted by banks in the Nigeria economy.

**Research question 10**

What is the impact of these credits granted by banks to these various businesses of the economy? ( a) positive [], (b) negative []

|  |  |  |
| --- | --- | --- |
| Response | Respondents | Percentage |
| Positively | 60 | 75% |
| Negatively | 20 | 25% |
| Total | 80 | 100% |

**Source:** field survey 2015

The table above shows that the various businesses existing in the various sectorsof the economies response to bank’s credit facilities is positive. The above decision is based on the number of respondents that said positively was 75% against 25% of the total respondents. That is 60 against 20 of the total 40 respondents.

**Research question 11**

Do you agree that CBN use the tool of monetary policy to control the activities of the commercial banks? (a) Yes (b) No

Table 4.2.6

|  |  |  |
| --- | --- | --- |
| Response | Number of respondents | Percentage of respondents |
| Yes | 76 | 75% |
| No | 4 | 25% |
| Total | 80 | 100 |

**Sources:** field survey 2015

In the table above, 76 or 95% of the respondents agreed that the CBN use the tool of monetary policy to control the activities of the commercial banks while 4 or 5% of the total respondents disagreed. We can conclude that the respondents that agreed have it.

**Research question 12**

Have CBN monetary policy sufficiently encouraged the banks in granting credit facilities?

Table 4.2.7

|  |  |  |
| --- | --- | --- |
| Response | Respondents | Percentage |
| Yes | 72 | 90% |
| No | 8 | 10% |
| Total | 80 | 100% |

**Sources:** field survey 2015

Table IV above shows that 72 or 90% of the total respondents says yes that the CBN monetary policy have sufficiently encouraged the bank in granting credit facilities while 8 or 10% of the total respondents are against it. We can conclude here that the monetary policy by CBN do encourage the banks in granting credit facilities.

**4.3 DISCUSSION ON FINDING**

After the data presentation and analysis, the following findings were ascertained:

Table one revealed that the various credit granted by money deposit banks in Nigeria is felt in the economy.

It was also discoursed in table two that there is adequate knowledge of these credit facilities granted by the money deposit bank in the economy.

And also, it was discovered in table three that the various businesses existing in the various sectors of the economy do respond to bank credit facilities positively.

The study finally revealed that the monetary policy by the CBN do encourage the banks in granting credit facilities.

**CHAPTER FIVE**

**SUMMARY OF FINDING, CONCLUSION AND RECOMMENDATION**

**5.1 SUMMARY OF FINDINGS**

From this research, there is no doubt that the Nigeria economy has felt great on the impact of bank credit. The various facilities granted by banks helped in stimulating economic growth and development. According to Asuzu (2008), bank credit has great impacts in many ways for instance, it facilitate economic activities by providing for the needy sectors. It also has monetary stability of the economy. The central bank of Nigeria for instance, realized the impact of banks credit on domestic growth and development in the country and gives guideline to banks in the country on credit to their customers in its annual monetary circular.

The analysis of the bank credit in Nigeria economy can be said to have great impact to the economic growth and development in the country. All the research questions tested were answered positive in summary, the various credit facilities provided by banks are so important to the country to the extent that if there is no bank, the activities of the economic growth and development would not be possible.

**5.2 CONCLUSION**

On the basis of the findings of the research project work, it is therefore concluded that bank credits have been greatly felt in the Nigeria economy

**RECOMMENDATIONS**

As regards to the findings in the research work in addition to the conclusion drawn from the findings, the following are recommended:

1. The various businesses that exist in the various sectors of the Nigeria economy should appreciate the existence of bank and take advantage of the various credit facilities provided by these banks.

(ii) Long term credit facilities should be encouraged to aid capital formation of business since it is the main instrument for economic growth and development

(iii) People should be educated on the need for bank in the economy and the various credit facilities provided by banks in the country should be made known to the general public.

(iv) The monetary authorities should also consider the activities of banks when using the monetary policies.

1. On the other hand, banks should always comply with the monetary policy of the central bank in order to achieve growths and development in the economy

**5.4 LIMITATION OF THE STUDY**

To get the relevant data needed for this research work, it was no quite simple. The fact is that not many money deposit banks are found in the area of the study. The project was also limited to few hindrances such as lack of sufficient time due to the fact that when the research was carried out, it collides with lecture hours coupled with financial constraints on the part of the researcher.

Another major problem was nonchalant attitude by some respondents who are either not too serious with the question or deliberately not willing to disclose information as the researcher wanted.

**5.5 SUGGESTION FOR FURTHER STUDY**

Due to the limitations mentioned above by the researcher, it is suggested that more effective research should be made while eliminating some of above limitations at a considerable level.

Subsequent researcher should also understudy related topics like :

1. Bank credit and economic development of Nigeria
2. Commercial bank credit indicator and rural economic growth in Nigeria
3. Credit management and bank lending in Nigeria.

**REFERNCES**

Agudu P. (pg 18, 1998) “financial Institution in Nigeria”

1st Edition, Onitsha Adson Publishers.

Anyanwuochar A. (pg 12, 2003) “Fundamental of Economics.

1st Edition Onitsha, Press book Ltd.

Asuzu C. (pg 37, 2003) “Corporate lending and Bank Service”,

For Tertiary Institutions. Press book Ltd Onitsha .

Okoye A. (pag 11, 2010) “Fundamental of Micro economics for Tertiary

Institution” Adson Publishers, Onitsha

Ezeanata W. (pg 15, 2005) “Money and Banking for Economic Development”

3rd Edition, five publishers Nkpor.

Jhigan (pg 6, 2008) “Role of Monetary Policy”, alomolaran

Publishind Company Ltd. Ibadan

Johnson (pg 23, 2006) “Development Banking in the Economy”

Aliku publisher, Benin city, Edo State.

Ogbehase (pg 16, 2012) “Money and Banking” 1st Edition umora

Publishers, Auchi.

Onyeagba J. (pg 23, 2004) “financial management” 1st Edition,

Base 5 publishers, Enugu.

Nzoita S. (pg 28, 2009) “money, Banking and Finance;

The theory and practice” Owerri International book Publishers, Oweri.

Samuel O. (2008) “Banking and our Economy” Africa publishers Onitsha.

**APPENDECES QUESTIONNAIRE**

Department o Banking and Finance,

School of Financial Studies.

Federal Polytechnic Oko.

P.M.B 21

Orumba North L.G.A

Anambra State.

Dear Sir/Madam,

**REQUEST TO FILL A RESEARCH QUESTIONNAIRE**

I am a final year student of the above institution. I am writing a project on “The Impact of Banks Credit in the Nigeria Economy” for the Award of National Diploma in Banking and Finance.

I wish to solicit for your assistance in providing answer to the attached questionnaire by filling the appropriate boxes ass shown. Every information given is purely for academic purpose and will be treated with utmost confidentiality.

Thanks for your maximum co-operation at all time.

Yours faithfully

Ebosie Maryann.

**QUESTIONNAIRE**

**SECTION A**

Please tick as appropriate, Yes [ ], or No [ ]

1. Name \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_
2. Age (a) 10-20 [ ], (b) 21-30 [ ], (c) 31-40 [ ]
3. Sex: Male [ ], Female [ ]
4. Marital status: Married [ ], Single [ ]
5. Educational Qualification: O level [ ], Degree [ ]

**SECTION B**

1. Do banks give credits to their customers? (a) yes [ ], (b) no [ ]
2. Which type of credit do bank give?\_\_\_\_\_\_\_\_\_\_\_\_\_\_
3. Are the various bank credit felt in the Nigeria economy? (a) yes [ ], (b) no [ ]
4. Is there adequate knowledge of the various credit facilities by banks in the sectors? (a) yes [ ], (b) [ ]
5. What is the impact of these credit granted by banks to these various businesses of the economy? (a) positive [ ], (b) Negative [ ]
6. Do you agree that the CBN use the tool of monetary policy to control the financial activities of commercial banks? (a) Agree [ ], (b) Disagree [ ]
7. Have the CBN monetary policy sufficiently encourage the banks in granting credit facilities (a) yes [ ], (b) no [ ]