**THE IMPACT OF COMMERCIAL BANKING ON MANUFACTURING SECTOR IN NIGERIA**

**ABSTRACT**

This study is being carried out to investigate impact of commercial banking on manufacturing sector in Nigeria taken Skye Bank of Nigeria Plc, as a case of study. Sample survey design has been used for the research work in order to gain insight into a situation that is not very clear and that has been seriously investigated. Therefore, questionnaire as a research instrument for primary data collection and review of related literature were been used to collect both primary and secondary data respectively. Finding in this work shows that commercial bank lending to manufacturing sector has not been encouraging over the years until 1987, when the CBN started to impose sanction on commercial banks. This study recommend that capital base of commercial bank should be increased which will lead to increase rate of performance placed on manufacturing industries and government should constitute law enforcement agent to monitor the activities of manufacturing industry to ensure that money obtained from commercial bank are been used judiciously. In conclusion, commercial bank is playing a vital role on manufacturing sector in Nigeria and economy as a whole.

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**CHAPTER ONE**

**INTRODUCTION**

* 1. **BACKGROUND OF THE STUDY**

The growth of economy and development of banking have often appeared inseparable until l7 century, there had existed on modern banking institution anywhere, and there had on modern developed economy. Before 1892, Nigeria was evidently underdeveloped economically, even in 1975, however, despite the growth in the number of banks Nigeria is still developing it is true that the number of bank should not be the only or even the major aspect of banking development have been taken account, it would still not be correct to imply mono casual relationship between the development of commercial bank and the growth of a modern economy.

So many factors determine the level and the rate of development of an economy .the natural resources endowment, labour supply and capital Are economy blessed with precious minerals, valuable agricultural crops and a suitable land water mix, is in a better position to develop than another economy with out these, other things being equal. In the same manner a country that does not have adequate supply of requisite manpower is at advantages. this is why most countries put a premium on manpower development, the justification for this phases has been succinctly put by Harbinsan, in-deed if a country is unable to develop its human resources, it cant build anything also, where there is modern political system, a sense of national unity or a prosperous modern economy we need not to add anything also.

Capital is another critical factor required in the process of development .the term of capital however requires some elucidation. At times, the term capital is used to refer to man-made physical facilities that aid further production of good and services, machineries and equipment are such facilities, otherwise called real capital they are produced to serve he needs of further production and not serve the needs of immediate consumption such good imply the existence of some surplus over and above the requirements for consumption purpose.

Financial capital commutes also an ideal of surplus the saving that that result from society income that have not been spent on procuring good for consumption go make up the financial capital . Financial capital is required to procure the real capital it is the concern for the provision of financial capital market the development of a capital market a desideration in an economy commercial banks happen to be a subset of these institution that makes up the capital market

* 1. **STATEMENT OF THE PROBLEM**

The problems in line with the impact of commercial bank on manufacturing sector are as follows point

1 The need to increase supply capital which was based on the level of guarantee.

2 The bulk of the product of subsistence level and therefore usually generate small surplus out of which little saving for investment could be made.

3 The inability of small and medium scale industries in obtaining loan as a result of requirement

4 The scale of expansion and the adoption of innovation to increase capital requirement.

* 1. **OBJECTIVE OF THE STUDY**

The overall objective is to know the role of commercial bank in manufacturing sector in Nigeria. However, the specific purposes are as follows

1. To know the effects of modern banking credit facilities on manufacturing industries.
2. To assess the roles of government fiscal policy in manufacturing bank over the period.
3. To highlight the problems hindering commercial bank of manufacturing and suggest possible solution.
	1. **RESEARCH HYPOTHESES**

**Hypotheses one**

**Ho:** Modern banking credit facilities do not have effect on manufacturing industries.

**Hi:** Modern banking credit facilities have effect on manufacturing industries.

**Hypotheses two**

**Ho:** Commercial banking has no effect on the manufacturing sector in Nigeria

**Hi:** Commercial banking has an effect on the manufacturing sector in Nigeria

**1.5 SIGNIFICANCE OF THE STUDY**

The study will be important to the banking industry and manufacturing sector for the benefit of the nation economy in the following areas:

1.       It will offer recommendation on way of achieving and enhance productivity in the banking industry by provision of credit to both small, medium and large scale farmer and industries.

2.       it will enable the manufacturing sector to performing well in  their productivity for the benefit of a nation by provision of technical and necessary advise through the commercial bank.

3.       Also, it will be a useful addition to the literature on proper planning in the manufacturing industry.

 **1.6 SCOPE AND LIMITATION OF THE STUDY**

This study is primarily concerned with the impact of commercial banking on manufacturing sector. The study focuses on the role of commercial bank on manufacturing sector and management, trained staff and senior staff members of Skye Bank Plc. as respondents. The researcher encountered some constraints, which limited the scope of the study. These constraints include but are not limited to the following.

**a) availability of research material:** The research material available to the researcher is insufficient, thereby limiting the study

**b) time:** The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

**1.7 DEFINITION OF TERMS**

The following are the terms used in this project work:

**COMMERCIAL BANK**:- Ibitoye T.A and O.A Ajayi (2001) Is a type of financial institution and intermediary. It is a bank that lends money and provides transaction, savings, money market account and that accepts the deposit on behalf of their customer.

**LOAN** :- Donald P. (2007)  An arrangement in which a lender gives money or property to a borrower and the borrower agrees to return the property or  repay the money usually along with interest at some future points in time.

**FINANCE:** Mercy Maranga (2009) Is the study of how investors allocate their asserts over a time under condition of certainty and uncertainty.

**INTEREST:**- Somoye (2010). It is a free paid by a borrower of assets to the owner as a form of compensation for the uses assets

 **1.8 ORGANIZATION OF THE STUDY**

This research work is organized in five chapters, for easy understanding, as follows

Chapter one is concerned with the introduction, which consist of the (overview, of the study), historical background, statement of problem, objectives of the study, research hypotheses, significance of the study, scope and limitation of the study, definition of terms and historical background of the study. Chapter two highlights the theoretical framework on which the study is based, thus the review of related literature. Chapter three deals on the research design and methodology adopted in the study. Chapter four concentrate on the data collection and analysis and presentation of finding. Chapter five gives summary, conclusion, and recommendations made of the study

**CHAPTER TWO**

**REVIEW OF RELATED LITERATURE**

**2.1 INTRODUCTION**

This chapter reviews the literature on the impact of commercial banking on manufacturing sector in Nigeria. It discusses issues arising from the topic of discuss as viewed from different perspectives, with a view of giving a theoretical and empirical foundation to the study.

**2.2 LITERATURE REVIEW**

Essentially, several empirical literature abound on the study of bank Credit and the manufacturing sector. These literatures differ in terms of time, space, setting and methodology. Arne and Mans (2003) did a panel study of whether firms in Africa’s manufacturing sector are credit constrained. Using direct evidence on whether firms have a demand for credit and the degree to which this demand was satisfied by the formal credit market, the study found out that while banks allocate credit on the basis of expected profits, micro or small firms are much less likely to get loans than large firms. It found out in effect that debt is positively related to obtaining further lending. Still along the line of micro studies and internationally documented evidence, Alexander and Luis (2003) examined the finances and the effect of credit limitations on the behavior and performance of firms in Costa Rica. Using panel data of firms in Costa Rica, the study found out that while banks are the main sources of credit for larger firms, non-banking credit (trade plus informal credit) remains the leading source of funds for smaller firms. Moreover, own funds and informal credit is a leading form of credit for newly created firms. It is also found that the probability of having banking credit and the fraction of banking credit/total debt is mostly affected by (if anything) characteristics of the firm and not by those of their owners. Indeed, the firm’s value and age, and whether it keeps formal accounting procedures appear as the most relevant determinants of access to banking credit. Nuno (2012) in examining the link between bank lending and economic growth for European Union countries (EU-27) for the period 1990-2010, used dynamic panel data generalized method of moments, system estimator. The study showed that savings promotes growth of bank credit while bank credit showed a negative impact on economic growth. Empirical evidence also abounds in this line of study with the Nigerian research space. Doing macro analyses of the effect of credit on manufacturing, Tawose (2012) investigated the effect of bank loans and advances on industrial performance in Nigeria between 1975 and 2009. Long run relationship and adjustment to shocks and dynamics were checked using Co-integration and error correction technique. The results showed that industrial performance co-integrated with all the identified explanatory variables. Industrial sector as dependent variable was proxied by real GDP, while Commercial Banks’ loan and advances to industrial sector (BLM), aggregate saving (SAV), interest rate (INT), inflation rate (INF) were used as the independent variables. The study evidently showed that the behavior of real GDP contributed by industrial sector in Nigeria was significantly explained by the commercial banks’ loan and advances to industrial sector, aggregate saving, interest rate and inflation rate within the period under study. Similarly, Onuorah and Anyachukwu (2013) explored the necessity of bank credit and economic growth of Nigeria, by examining the relationship between bank credit and economic growth in Nigeria over the period 1980 to 2011. Using various statistical technique such as co-integration VAR model and Causality test the study showed that bank credit measures such as Total Production Bank Credits, Total General Commerce Bank Credits, Total Services Bank Credit, and Other Banks Credit did not granger cause GDP instead GDP exerted influence on them. More so, short run relationship was found to have existed between bank credit measures and GDP within the studied period. The study alluded that the problems associated with bank credit facility revolved around the constraint and regulations imposed by the monetary authorities with emphasis on credit to entrepreneurs. Significantly, the studied used a lagged model in measuring the bank credit/manufacturing sector productivity nexus. Following a similar line, Aliero et al. (2013) focusing on private sector credit used autoregressive distributed lag (ARDL) model to analyze the relationship between private sector credit (credit to the manufacturing sector inclusive) and economic growth in Nigeria. Using time series data for the period of 37 years (1974- 2010), the results indicated that a long run equilibrium relationship exists between private sector credit and economic growth, when private sector credit was used as dependent variable. However, in agreement with Onuorah and Anyachukwu (2013), the causality tests indicate that there is no causal relationship between private sector and economic growth in Nigeria. Ogar et al. (2014) examined how commercial bank credit can influence manufacturing sector in Nigeria using a time series data for a sample period of 1992-2011. The study utilized ordinary least squares multiple regression analysis and discovered that commercial bank credit had a significant relationship on manufacturing sector in Nigeria. Ebere and Iorember (2016) examined the effect of commercial bank credit on the manufacturing sector output in Nigeria from 1980 to 2015 using Cochrane-Orcutt method. The study discovered that inflation rate and interest rate have negative effect on manufacturing sector output while loans and advances and broad money supply have positive effect with manufacturing sector output in Nigeria. Adolphus and Deborah (2014) analyzed the role of banks in financing the agriculture and manufacturing sectors in Nigeria from 1981 to 2010. The study employed descriptive statistics combined with multiple regression analysis. The findings revealed that there exists a significantly weak correlation between commercial bank lending and the contribution of agriculture to GDP and a significantly positive correlation between merchant bank lending and agricultural contribution to GDP. Olanrewaju et al. (2015) empirically investigated the effect of banking sector reforms on the output of manufacturing sector in the Nigerian economy between 1970 and 2011 with a view to examining the extent of the impact of banking sector reforms on the manufacturing sector. The study utilized annual time series data from 1970 to 2011, adopting the Cointegration analysis and error correction mechanism (ECM). The result revealed that Bank assets, Lending rate, Exchange rate (EXR) and real interest rate have low and positively significant effect on manufacturing output while financial deepening and interest rate have negative and significant impact on the output growth of manufacturing sector in Nigeria. Ogunsakin (2014) empirically investigated the impact of financial sector reforms on the performance of manufacturing sector in Nigeria using annual time series data for the period of 1980-2009. The study adopted the multivariate co-integration method by Johansen (1988) and Jeselius (1990) and found out that financial sector reforms in Nigeria does not have significant impact on the growth of manufacturing output in Nigeria. Yakubu and Affoi (2014) analyzed Commercial Banks’ Credit on Economic Growth in Nigeria from 1992 to 2012 employed the ordinary least square and found that the commercial bank credit has significant effect on the economic growth in Nigerian. On the study of bank Credit and the manufacturing sector, Imoughele et al. (2013) examined commercial bank credit accessibility and sectoral output performance in a deregulated financial market economy: Empirical evidence from Nigeria using a time series data for a sample period of 1986-2010. The study utilized ordinary least squares techniques and discovered that various commercial bank credit supply and other included variables has a long run relationship with sectoral output performance i.e., agricultural, manufacturing and services sector output and the main demand for credit facility in Nigeria is the manufacturing sector. The work also revealed that commercial bank credit has direct and insignificant impact on sectoral output performance but cumulative supply and demand for credit in the previous period has direct and significant impact on the growth of agriculture, manufacturing and the services sectors output. Human capital investment and interest rate has direct and insignificant impact on the sector output performance while inflationary rate has inverse and insignificant impact on the various sector performances.

**2.3 COMMERCIAL BANK CREDITS**

Credit is the extension of money from the lender to the borrower. Ajayi (2000) noted that credit implies a promise by one party to pay another for money borrowed or goods and services received. Credit cannot be divorced from the banking sector as banks serve as a conduit for funds to be received in form of deposits from the surplus units of the economy and passed on to the deficit units who need funds for productive purposes (investment). Banks are therefore debtors to the depositors of funds and creditors to the borrowers of funds. According to CBN (2003), the amount of loans and advances given by the banking sector to economic agents constitute bank credit. Credit is often accompanied with some collateral that helps to ensure the repayment of the loan in the event of default. Credit channels savings into investment thereby encouraging economic growth. Thus, the availability of credit allows the role of intermediation to be carried out, which is important for the growth of the economy. According to Nzotta (2002), the factors that determine lending in Nigeria include contact position of the bank, risk and profitability of various types of bank credit, economic condition, monetary policies, ability and exposure of bank personnel, credit need of the area served and the nature of the source of bank. Nzotta said bank credit is said to mean the act of a bank giving out advances to a debtor after considering the risk and profitability that must follow such lending decision. Anuolam (2008) defined commercial bank credit as a process where a commercial bank provides loan or advance to a single borrower or group of individual or client. It is believed that bank credit contributes significantly to banks’ profitability, with its disparities explained by the difference in their lending rates, lending policies and unavoidable competition that may be between banks. The credits granted by Nigerian commercial banks are predominantly of a short-term nature. This perhaps, is to be expected in view of the fact that the activities of commercial banks over time concentrated in the financing of foreign trade. With the growth of the economy and the wider outlets for bank funds which this has brought about, there has been a change in the pattern of bank lending. In particular, the rapid growth of industrial production has increased the demand for bank credit on the part of industrial firms. Financial institutions such as commercial banks and merchant banks have increasingly been providing finances for industries, some of which are managed by a rapidly growing number of indigenous entrepreneurs. Indeed, under the credit guidelines prescribed by the Central Bank since 1964, the banks have been encouraged to reallocate credit and re-channel it to the productive sectors of the economy (Olajide, 1976). Bank credit can be described as a process of making fund available to another sector of the economy based on some agreed terms in respect of repayment with interest. Loan may be simple, fixed payment, coupon bond and discount bond. Bank credits to the manufacturing are often referred to as business loans/advances. Business loan provides financial assistance for either small businesses that are in dare need of capital or large ones that need additional funding for expansions (Sanusi, 2009). The term ‘loan’ refers to the amount borrowed by one person or organization from another. The amount is in the nature of loan and refers to the sum paid to the borrower. Thus, from the view point of borrower, it is ‘borrowing’ and from the view point of bank, it is ‘lending’. Loan may be regarded as ‘credit’ granted where the money is disbursed and its recovery is made on a later date. It is a debt for the borrower. While granting loans, credit is given for a definite purpose and for a predetermined period. Interest is charged on the loan at agreed rate and intervals of payment. ‘Advance’ on the other hand, is a ‘credit facility’ granted by the bank. Banks grant advances largely for short-term purposes, such as purchase of goods traded in and meeting other short-term trading liabilities. There is a sense of debt in loan, whereas an advance is a facility being availed of by the borrower. However, like loans, advances are also to be repaid. Thus a credit facility- repayable in installments over a period is termed as loan while a credit facility repayable within one year may be known as advances. However, in the present study, these two terms shall be used interchangeably.

**2.4 OVERVIEW OF THE NIGERIAN MANUFACTURING SECTOR**

The manufacturing sector has been widely acknowledged as the springboard for sustainable economic development. In particular, developing countries including Nigeria have since the 1970s shown increased interest in the promotion of this sector for three main reasons: the failure of past industrial policies to generate efficient self-sustaining growth; increased emphasis on self-reliant approach to development and the recognition that dynamic and growing real sector can contribute substantially to a wide range of developmental objectives (Olorunshola, 2009). In the development process, the manufacturing sector is considered critical as it is expected to absorb excess agricultural labour released from the rural environment (Ogunrinola and Osabuohien, 2010). ‘Essentially, the process of modernization and development commence when a country undertakes effort to aggressively embrace manufacturing sector’ (Sagagi, 2007:4). Thus, it is safe to say that if any state in the federation desires to develop and create prosperity for its people, it must as a matter of fact, create an environment where manufacturing activities are facilitated and supported to grow. Structurally, across the Manufacturers Association of Nigeria (MAN)’s classification of the sector into large, medium and small scales, the following sub-sectors or groups constitute the Nigerian manufacturing sector: Food, Beverages & Tobacco; Chemical and Pharmaceuticals; Domestic and Industrial Plastic and Rubber; Basic Metal, Iron and Steel and Fabricated Metal Products; Pulp, Paper & Paper Products, Printing & Publishing; Electrical & Electronics; Textile, Wearing Apparel, Carpet, Leather & Footwear; Wood and Wood Products Including Furniture; Non-Metallic Mineral Products; Motor Vehicle & Miscellaneous Assembly (Jide, 2010). Although Nigeria had a long history of productive manufacturing sector with Lagos, Kano, Ibadan, Kaduna, Warri and Port Harcourt being the major hubs of manufacturing activities, however, the fortune of the sector in the last three decades have dwindled. It is obvious that the growth, performance and productivity of Nigeria’s manufacturing sector at present has taken the turn for the worse and the sector no longer plays the key role it played to propel the economy about three decades ago (Ku, Mustapha and Goh, 2010). According to the Manufacturers Association of Nigeria (MAN) in 2009, about 2,850 manufacturing firms either permanently closed shop or temporarily halted production in the last two decades, rendering thousands jobless and causing serious multiple ripples across several sectors of the economy (Mazi, 2010 and Sangosanya, 2011). The conditions of the sector can only be said to have deteriorated given the fact that the much needed enabling environment of economic and social infrastructures have all gotten worse. Capacity utilization in the sector over the last five years has been anything but encouraging averaging at about 37% just as demand for home manufactured goods has flattened as imported goods which are cheaper and of slightly higher quality are more patronized (Corporate Nigeria, 2012). According to Ladeinde (2011), the fact that most Nigerians still prefer imported goods is partly because of status symbol perception but the truth remains that most locally-made goods do not measure up to minimum acceptable quality standards. Still some other people believe that poor quality of our manufactured goods is not really the problem but the lack of funding.

**2.5 THE STRUCTURE OF MANUFACTURING SECTOR IN NIGERIA**

According to the Bureau of Public Enterprise (BPE) (2006), players in the Nigerian industrial and manufacturing sector can be classified into four groups, Multinational, National, Regional and Local. However, the Manufacturers Association of Nigeria has categorized its industries into Large, Medium and Small Scales in line with the National Council of Industries (NCI) classification. The Manufacturers Association of Nigeria (MAN) (2009), Standard Organization of Nigeria (SON), (2011), and the Raw Materials Research and Development Council (RMRDC), (2013), classified manufacturing sectors on the basis of the following products sectoral groups in Nigeria: Food, Beverages & Tobacco; Chemical and Pharmaceuticals; Domestic and Industrial Plastic and Rubber; Basic Metal, Iron and Steel and Fabricated Metal Products; Pulp, Paper & Paper Products, Printing and Publishing; Electrical and Electronics; Textile, Wearing Apparel, Carpet, Leather and Footwear; Wood and Wood Products Including Furniture; Non-Metallic Mineral Products; Motor Vehicle and Miscellaneous Assembly.

**2.6 THEORETICAL FRAMEWORK**

**The Loanable Funds Theory of Interest Rate**

This paper adopted the loanable funds theory of interest rate given its vagaries in explaining the dynamics of bank credit and the cost of the credit vis s avis investment decisions. According to the theory, the rate of interest is the price of credit which is determined by the demand and supply of loan able funds. The demand for loanable funds has primarily three sources; government, businessmen and consumers who need them for purposes of investment, hoarding and consumption. The government borrows money for constructing public works or for war preparations. The businessmen borrow for the purchase for capital goods and good staring investment projects. Such borrowings are interest elastic and depend mostly on the expected rate for profit as compared with the rate of interest. The demand for loanable funds on the part of consumers is for the purchase of durable consumer goods. Individual borrowings are also interest elastic. The tendency to borrow is more at a lower rate of interest than at a higher rate. Therefore, the demand curve for investment funds according to this theory slopes downward showing that less funds are borrowed at a higher rate and more at a lower rate of interest. The theory of loanable funds provides a link between commercial bank credits and manufacturing sector output in that, it buttresses the fact that borrowing for investment in the manufacturing sector is interest rate elastic since it is determined by the existing rate of interest. Several studies have previously empirically investigated the effect of the commercial bank credit on the manufacturing sector. Some of these studies are reviewed below; Ebi and Emmanuel (2014) investigated the impacts of commercial bank credit on Nigeria industrial subsectors between 1972 and 2012 using the Error Correction Model (ECM). They found that commercial bank credits impacted positively and significantly on the manufacturing sub-sector in Nigeria, commercial bank credits to mining and quarry is a positive and significant determinant of the current year Mining and Quarry output in Nigeria, previous year bank credits to real estate and construction is a positive determinant of the current year real estate and construction output, bank credits to manufacturing, mining and quarry as well as bank credits to real estate and construction correlated positively with aggregate industrial output with bank credits to real estate and construction having greater and a significant impact on industrial output. Interest rate was not an important determinant of industrial sector and industrial sub-sectors outputs, exchange rate is a negative and significant determinant of industrial sector’s outputs in Nigeria. These results point to the conclusion that, increase bank credits to industrial sector is indispensible in stimulating industrial sector growth in Nigeria. Similarly, Imoughele and Ismaila (2013) corroborated this finding in a study on the impact of commercial bank credit accessibility and sectoral output performance in Nigerian economy for the period which spanned between 1986 and 2010. They found that, commercial bank credit has direct and insignificant impact on sectoral output performance but cumulative supply and demand for credit in the previous period has direct and significant impact on the growth of agriculture, manufacturing and the services sectors output. Somoye (2008), investigated the performance of commercial banks in post-consolidation period in Nigeria. The paper analyzed published audited accounts of twenty (20) out of twenty-five (25) banks that emerged from the consolidation exercise and data from the central bank of Nigeria (CBN). The results revealed that consolidation programme has not improved the overall performance of banks significantly and also has contributed marginally to the growth of the real sector for sustainable development. Adegbaju and Olokoyo (2008), investigated the lending of commercial banks to the real sector in Nigeria and found that the main key profitability ratio such as the yield on earnings assets (YEA), return on equality (ROE) and Return on Asset (ROA) were significant meaning that there is statistical differences between the mean of the bank before 2001 recapitalization and after 2001 recapitalizations. This suggested that banks also increased their lending to the real sector in order to in turn increase their profits and develop the real sector. Also, Kul and Khan (1999) in their study assessed the impact of long-run relationship between financial sector development and real sector growth using frame works of bivariate for different county samples. The outcome was that the causality pattern varies across countries according to the success of financial generalization policies implemented in each country and the level of development of the financial sector.

**CHAPTER THREE**

**RESEARCH METHODOLOGY**

* 1. **Research design**

The researcher used the descriptive research survey design in building up this project work the choice of this research design was considered appropriate because of its advantages of identifying attributes of a large population from a group of individuals. The design was suitable for the study as the study sought to a critical analysis of the impact of commercial banking on manufacturing sector in Nigeria.

* 1. **Sources of data collection**

Data were collected from two main sources namely:

(i)Primary source and

(ii)Secondary source

**Primary source:**

These are materials of statistical investigation which were collected by the research for a particular purpose. They can be obtained through a survey, observation questionnaire or as experiment; the researcher has adopted the questionnaire method for this study.

**Secondary source:**

These are data from textbook Journal handset etc. they arise as byproducts of the same other purposes. Example administration, various other unpublished works and write ups were also used.

* 1. **Population of the study**

The Population of a study is a group of persons or aggregate items, things the researcher is interested in getting information a critical analysis of the impact of commercial banking on manufacturing sector in Nigeria. 200 staff of Skye Bank were selected randomly by the researcher as the population of the study.

* 1. **Sample and sampling procedure**

Sample is the set people or items which constitute part of a given population sampling. Due to large size of the target population, the researcher used the Taro Yamani formula to arrive at the sample population of the study.

n= N

 1+N (e) 2

n= 200

1+200(0.05)2

= 200

1+200(0.0025)

= 200 200

1+0.5 = 1.5 = 133.

**3.5 Instrument for data collection**

The major research instrument used is the questionnaires. This was appropriately moderated. The respondents were administered with the questionnaires to complete, with or without disclosing their identities. The questionnaire was designed to obtain sufficient and relevant information from the respondents. The primary data contained information extracted from the questionnaires in which the respondents were required to give specific answer to a question by ticking in front of an appropriate answer. The questionnaires contained structured questions which were divided into sections A and B.

* 1. **Validation of the research instrument**

The questionnaire used as the research instrument was subjected to face its validation. This research instrument (questionnaire) adopted was adequately checked and validated by the supervisor his contributions and corrections were included into the final draft of the research instrument used.

* 1. **Method of data analysis**

The data collected was not an end in itself but it served as a means to an end. The end being the use of the required data to understand the various situations it is with a view to making valuable recommendations and contributions. To this end, the data collected has to be analysis for any meaningful interpretation to come out with some results. It is for this reason that the following methods were adopted in the research project for the analysis of the data collected. For a comprehensive analysis of data collected, emphasis was laid on the use of absolute numbers frequencies of responses and percentages. Answers to the research questions were provided through the comparison of the percentage of response to each statement in the questionnaire related to any specified question being considered.

Frequency in this study refers to the arrangement of responses in order of magnitude or occurrence while percentage refers to the arrangements of the responses in order of their proportion. The simple percentage method is believed to be straight forward easy to interpret and understand method.

The researcher therefore chooses the simple percentage as the method to use.

The formula for percentage is shown as.

% = f/N x 100/1

Where f = frequency of respondents response

N = Total Number of response of the sample

100 = Consistency in the percentage of respondents for each item

Contained in questions

**CHAPTER FOUR**

**PRESENTATION ANALYSIS INTERPRETATION OF DATA**

**4.1 Introduction**

Efforts will be made at this stage to present, analyze and interpret the data collected during the field survey. This presentation will be based on the responses from the completed questionnaires. The result of this exercise will be summarized in tabular forms for easy references and analysis. It will also show answers to questions relating to the research questions for this research study. The researcher employed simple percentage in the analysis.

**DATA ANALYSIS**

The data collected from the respondents were analyzed in tabular form with simple percentage for easy understanding.

A total of 133(one hundred and thirty three) questionnaires were distributed and 133 questionnaires were returned.

Question 1

Gender distribution of the respondents.

TABLE I

|  |
| --- |
| **Gender distribution of the respondents** |
| Response | Frequency | Percent | Valid Percent | Cumulative Percent |
| Valid | Male | 77 | 57.9 | 57.9 | 57.9 |
| Female | 56 | 42.1 | 42.1 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

From the above table it shows that 57.9% of the respondents were male while 42.1% of the respondents were female.

Question 2

The positions held by respondents

TABLE II

|  |
| --- |
| **The positions held by respondents** |
| Response | Frequency | Percent | Valid Percent | Cumulative Percent |
| **Valid** | Administrative staff  | 37 | 27 .8 | 27.8 | 27.8 |
| accountants  | 50 | 37.6 | 37.6 | 65.4 |
| Senior staff  | 23 | 17.3 | 17.3 | 82.7 |
| Junior staff  | 23 | 17.3 | 17.3 | 100.0 |
| Total | 133 | 100.0 | 100.0 |  |

The above tables shown that 37 respondents which represents27.8% of the respondents are administrative staff 50 respondents which represents 37.6 % are accountant 23 respondents which represents 17.3% of the respondents are senior staff, while 23 respondents which represent 17.3% of the respondents are junior staff

**TEST OF HYPOTHESES**

**Ho:** Modern banking credit facilities do not have effect on manufacturing industries.

**Hi:** Modern banking credit facilities have effect on manufacturing industries.

**Table III**

|  |
| --- |
| **Modern banking credit facilities have effect on manufacturing industries.** |
| Response  | Observed N | Expected N | Residual |
| Agreed | 40 | 33.3 | 6.8 |
| strongly agreed | 50 | 33.3 | 16.8 |
| Disagreed | 26 | 33.3 | -7.3 |
| strongly disagreed | 17 | 33.3 | -16.3 |
| Total | 133 |  |  |

|  |
| --- |
| **Test Statistics** |
|  | **Modern banking credit facilities do not have effect on manufacturing industries.** |
| Chi-Square | 19.331a |
| Df | 3 |
| Asymp. Sig. | .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 33.3. |

Decision rule:

The researcher therefore rejects the null hypotheses, which states that, modern banking credit facilities have effect on manufacturing industries, as the calculated value of 19.331 is greater than the critical value of 7.82 Therefore the alternate hypotheses is accepted that Modern banking credit facilities have effect on manufacturing industries.

**TEST OF HYPOTHESIS TWO**

**Ho:** Commercial banking has no effect on the manufacturing sector in Nigeria

**Hi:** Commercial banking has an effect on the manufacturing sector in Nigeria

 Table V

|  |
| --- |
| **Commercial banking has an effect on the manufacturing sector in Nigeria** |
| Response  | Observed N | Expected N | Residual |
| Yes | 73 | 44.3 | 28.7 |
| No | 33 | 44.3 | -11.3 |
| Undecided | 27 | 44.3 | -17.3 |
| Total | 133 |  |  |

|  |
| --- |
| **Test Statistics** |
|  | **Commercial banking does not have an effect on the manufacturing sector in Nigeria** |
| Chi-Square | 28.211a |
| Df | 2 |
| Asymp. Sig. |  .000 |
| a. 0 cells (0.0%) have expected frequencies less than 5. The minimum expected cell frequency is 44.3. |

Decision rule:

The researcher therefore rejects the null hypotheses, which states that, commercial banking do not have an effect on the manufacturing sector in Nigeria, as the calculated value of 19.331 is greater than the critical value of 7.82 Therefore the alternate hypotheses is accepted that Commercial banking has an effect on the manufacturing sector in Nigeria.

**CHAPTER FIVE**

**SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 Introduction**

It is important to ascertain that the objective of this study was to have a critical analysis of the impact of commercial banking on manufacturing sector in Nigeria.

In the preceding chapter, the relevant data collected for this study were presented, critically analyzed and appropriate interpretation given. In this chapter, certain recommendations are made, which in the opinion of the researcher will be of benefit in addressing the challenges of the manufacturing sector in Nigeria.

* 1. **Summary**

This study aimed at having a critical analysis of the impact of commercial banking on manufacturing sector in Nigeria. were raised. These objectives include: To know the effects of modern banking credit facilities on manufacturing industries, to assess the roles of government fiscal policy in manufacturing bank over the period, to highlight the problems hindering commercial bank of manufacturing and suggest possible solution.

**5.3 Conclusion**

Based on the above findings pertaining to the objectives of the study the following conclusions are drawn.

The study found a positive and significant effect of commercial bank credit on the manufacturing sector output in Nigeria. Specifically, the study found out that, inflation rate and interest rate (cost of capital) negatively affects manufacturing sector output. While loans and advances and money supply positively affects manufacturing sector output.

**5.4 Recommendation**

the following recommendations are pointed out for consideration my

decision makers:

• The Central Bank of Nigeria should implement regulation to stop banks from centring loans and

advances to a particular sector which is, oil and gas to improve credit flow to other strategic sectors,

especially agriculture and industries to increase their contributions to gross domestic product of

Nigeria.

• The Central Bank of Nigeria should through monetary policy complement fiscal policies of the

government to reduce the level of inflation in country, having regard to its negative effect on index of

industrial production.

The following recommendations are pointed out for consideration by decision makers:

 The Central Bank of Nigeria should implement regulation to stop banks from centring loans and advances to a particular sector which is, oil and gas to improve credit flow to other strategic sectors, especially agriculture and industries to increase their contributions to gross domestic product of Nigeria.  The Central Bank of Nigeria should through monetary policy complement fiscal policies of the government to reduce the level of inflation in country, having regard to its negative effect on index of industrial production.

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**QUESTIONNAIRE**

**INSTRUCTION**

Please tick or fill in where necessary as the case may be.

Section A

1. Gender of respondent

A male { }

B female { }

1. Age distribution of respondents
2. 15-20 { }
3. 21-30 { }
4. 31-40 { }
5. 41-50 { }
6. 51 and above { }
7. Marital status of respondents?
8. married [ ]
9. single [ ]
10. divorce [ ]
11. Educational qualification off respondents
12. SSCE/OND { }
13. HND/BSC { }
14. PGD/MSC { }
15. PHD { }
16. Others……………………………….
17. How long have you been in skye bank?
18. 0-2 years { }
19. 3-5 years { }
20. 6-11 years { }
21. 11 years and above……….
22. Position held by the respondent in Skye bank
23. Supervisor { }
24. Administrative staff { }
25. Senior staff { }
26. Junior staff { }
27. How long have you held the position?
28. 0-2 years { }
29. 3-5 years { }
30. 6-11 years { }
31. 11 years and above……….

SECTION B

1. Commercial banking has improved credit facilities for the manufacturing sector
2. Agrees { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }
6. Government policies has not encouraged manufacturing sectors to engage in commercial banking

(a) Agrees { }

(b) Strongly agreed { }

(c) Disagreed { }

(d) Strongly disagreed { }

1. Commercial banks interest rate and inflation rates affect manufacturing industries.
2. Agreed { }
3. Strongly agreed { }
4. Disagreed { }
5. Strongly disagreed { }