**THE ROLE OF COMMERCIAL BANKS IN THE DEVELOPMENT OF RURAL AREAS IN NIGERIA**

**ABSTRACT**

This work draws attention to the role rural banking can play in Nigeria development. This is because rural banking, will immensely increase the degree of monestisation of economy, making available for rural dwellers, greater opportunities for savings, credit investment and enhance the effectiveness on monetary policies in the achievement of desired national macro " economic objectives.

It is with the above objectives in mind, that the rural banking programme was initiated by the Nigeria government in 1977. although the programme has made appreciable progress in the realization of its objectives. The problem of inadequate infrastructure in rural areas has continued to pose a serious hindrance to it.

The introduction of appropriate measures, will however ameliorate the situation, thus, bringing the role of commercial banks in rural areas to be better appreciated.

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**CHAPTER ONE**

**INTRODUCTION**

**1.1 BACKGROUND OF THE STUDY**

The importance of the financial sector of an economy, which comprises banks and non­bank financial intermediaries, the regulatory framework and the ever increasing financial products, in stimulating economic growth is widely recognized in the literature on development economic. Schumpter (1934) in his seminal publication on the theory of economic development set the pace for the avalanche of other works on the interdependent relationship between banks and economic growth (Goldsmith, 1969; Fry, 1988; Patrick, 1966).

Through the process of financial intermediation, the financial sector act as the engine of growth and more so in emerging markets such as Nigeria where it is openly acknowledged that the provision of adequate financial resources is a sine qua non for the country’s industrial take­off, transformation and eventual economic prosperity. The literature is also rich on the significance of banks in the growth and development of any economy.

Banks and other financial institutions all over the world act only as intermediation agent by mobilizing financial resource form the surplus units in an economy and channeling the same to the deficit units. The banking institutions do not own these resources but rather in accordance with the agency hypothesis, these institutions act as the risk managers of the funds. In performing this financial intermediation, banks also function as unique agents that combine the traditional intermediation function with the payment services. Thus, the industry is the enabling hub of national and global payment system by facilitating trade transactions within and amongst numerous national, regional and international economic units and by so doing, it enhance commerce, industry and exchange. As a catalyst in the process of economic growth, the Nigeria banking institutions have progressively become deep, broad and sophisticated in structure and operations. Over the last two decades the financial system, and the banking sector in particular, has undergone remarkable changes in terms of ownership and control of its operating institutions, the depth and breadth of its trading instruments, the number and distribution of established institutions, and the regulatory and statutory framework guiding the operations and transactionary relationships amongst the financial and other corporate economic entities within the system. As will be seen later in this project, the Nigerian financial system of which the banking industry constitutes the dominant sector, has been used for redirecting one or more of those vital variables for economic growth and prosperity of the country. In the light of this, the research work is focusing on the activities within the banking industry of the financial sector of the Nigeria economy and their influence on other sectors of the economy through which there can be economic growth. The study will examine the financial implication on Nigerian economy and extent to which the governments undertake economic development as deliberate policy scheme to reposition the banking industry.

**1.2 STATEMENT OF THE PROBLEM**

The major problem necessitating the study operated from the Central Bank of Nigeria’s laws, regulation, supervision and central placed over the activities of commercial banks are:

1. These relive the commercial and every commercial bank is excepted with respect to their proper books of account and it must be submitted to the National Board not later than 28 days.
2. Another problem can be seen its books and affairs because it is a fully fledged banks, it books and affairs are subject to continuous examinations by Central Bank working through natural board for commercial banks.
3. Equally, not later than for months after end of its financial year, each commercial bank must submit to the National Board and exhibit prominently to the view of all members of the commercial banks balance sheet and profit and loss account.

**1.3 OBJECTIVE OF STUDY**

The objective of this study is to critically examine the impact of commercial banks in rural development in Nigeria, in order to pose the strengthen of the commercial bank capital base, increase their branch network both locally and offshore.

The study further gave the commercial banks to invest in state of the art information technology and working capital i.e (having adequate working and sufficient liquidity to meet its immediate and foreseeable obligation and funding requirement).

**1.4 STATEMENT OF HYPOTHESIS**

**Hypothesis I**

**Ho:**  There is no relationship between commercial Banks service and the rural development.

**Hi:**  There is relationship between commercial Banks service and the rural development.

**Hypothesis II**

**Ho:** Commercial bank does not enhance the development of the rural areas.

**Hi:** Commercial bank enhance the development of the rural areas.

**Hypothesis III**

**Ho:** Commercial banking does not enhance the development of banking habit of rural areas.

**Hi:** Commercial banking enhances the development of banking habit of rural areas.

**1.5 SCOPE OF THE STUDY**

This research is centered on the impact of commercial banks in rural development in Nigeria. First bank of Nigeria banks is used as a case study for the purpose of the research work.

**1.6 LIMITATION OF THE STUDY**

In the course of this research work the researcher encounter a lot of problem, which have all contributed enormously to the quality of the information that found and used in the study.

The following limitation are considered as the major constraints to this research work i.e non availability of sufficient past work on the study particularly textbook on the impact of Commercial Bank in rural Development in Nigeria. The availability of such past work will contribute to the quality and quantity of the information that will be deriving to work on the subject.

Finally, time and financial constraints also hindered the research covering more number of micro-finance banks in Nigeria

**1.7 SIGNIFICANCE OF THE STUDY**

The study has revealed the important and the impact of commercial banks on the rural areas. Most especially the contribution of First bank of Nigeria banks on the development of the banking habits of people in its environs.

The result of the study will be useful to the following:

1. Government: The result will be useful to the three tiers of government as well as the three arms of government in formulating their respective policies as touching the monetary and economic policies.
2. Communities: local communities (towns and villages) will fund the result of the project useful in the area of determination and creation of small scale community based employment opportunities for the rural areas.
3. Individuals and corporate bodies: This set of people will find the result of the project useful in the area of mobilization of credit for smooth ruining of their businesses in the case of corporate bodies and in the area of building savings for self actualization.

**1.8 ORGANIZATION OF THE STUDY**

Chapter one of this project deals on the round of the study, statement of the problem, objective of the study, statement of hypothesis, scope of the study, limitation of the study, significance of the study and definition of the terms.

Chapter two talk about review of related literature, historical background of micro-finance Banks, objectives of micro-finance Banks in Nigeria, operation of Commercial Banks in Nigeria, problems of Micro-finance Banks in Nigeria, the impact of Micro-finance Banks in Nigeria Development in Nigeria.

Chapter three reveals restatement of hypothesis, Research design, Description of the study population, Sample design and procedure, Data collection instrument, Method of data collection and method of data analysis.

Chapter four focus on area of study brief history of ospoly Micro-finance Bank limited, presentation and analysis of data according to hypothesis and interpretation of findings / results.

Chapter five expiations much on summary, conclusion, recommendation, references and appendix

**1.9 DEFINITION OF TERMS**

i. According to Joanna Ledgerwood (2000) in his book AN INSTITUTIONAL PERSPECTIVE MICRO-FINANCE as a financial institution establishment to cater for the savings and credit needs of small scale producers throughout the country.

ii. According to Joanna Ledgerwood (1999) in his book AN INSTITUTIONAL AND FINANCIAL PERSPECTIVE MINIMUM capital requirements are set for all organizations entering the financial sector. This means that financial organizations wanting to formalize must have a minimum amount of capital to support their activities (stated as a currency amount rather than as a percentage of assets).

iii. Elder O.A Ajayi (2005) in his book STRATEGIC MANAGEMENT capital refers to the amount of equity an institution holds.

iv. Elder O.A Ajayi (2005) in his book STRATEGIC MANAGEMENT capital adequacy as a situation were adjusted is sufficient to absorb all losses as fixed assets of the bank leaving a comfortable surplus for the current operation and future expansion.

v. Joanna Ledgewood (2002) in his book AN INSTITUTIONAL AND FINANCIAL PERSPECTIVE liquidity requirements: refers to the amount of available cash (or near cash) relate to the MTIs demand for cash.

vi. Joanna Ledgerwood (2000) in his book AN INSTITUTIONAL AND FINANCIAL PERSPECTIVE ASSET quality: represents the role to earnings derived from made by the organization.

vii. Mathew O. Omotoso (2007) in his book INVESTMENT ANALYSIS portfolio: as a combination or collection of investments, through the diversifying of holdings and owning of several stocks instead of owning a single stock.

**CHAPTER TWO**

**2.0 LITERATURE REVIEW**

CHAPTER TWO

LITERATURE REVIEW

# 2.1 INTRODUCTION

There is a growing acceptance of the preposition that financial institutions such as the Banking Industry, contribute significantly to

economic development.

The direction of casual relationship between economic growth and the banking sector is one area of contention amongst economists. (Schumpeter 1934:78) was a strong advocate of the role of the banking sector in stimulating economic growth and stated that “the banker stands between those who wish to form new combination and the possessors of productive means. He is essentially a phenomenon of development, though only when no central authority directs the social process. He makes possible the carrying out of new combinations, authorizes people, in the name of the society as it were to form them. He is the ephor of the exchange economy”. Harrison et al (1999)

however argued that banking activity and profitability are a function of

economic growth.

In the light of this, there is need to regulate the economy. The banking industry stands apart to do this function. Bank as a concept plays a Central role in regulating the imbalance. They stimulate savings through deposit and ignite investment in asset or production of goods and services. As such regulate the circular flow of money and close the gap between surplus and deficit in an economy. To this end, the role of money cannot be overemphasized: as it is the means of stimulating investment through the activities of the money market. However, bank growth has an implied effect on economic development as it bridges the gap between savers and users.

# 2.2 CONCEPT OF BANKING

The concept of banking relates to acceptance of deposit and advancing loan to facilitate investment and economic development. Banking practice has enjoyed a great deal of patronage from the time of the goldsmith to the present. It is doubtful if there is any modern society that does not engage in one form of banking or the other. It will therefore not be out of place to say that banking is a global economic activity. But it may be difficult to believe that in the face of this popularity, banking business, for a large part of its existences, was nor accorded official definition. Even when attempts are now being made, there is no generally accepted definition across the world. People and nations tends to define the subject based on their customs of trade and exigencies. According to the chamber’s twentieth century dictionary, a bank is “an institution for the keeping, lending and exchange for

money”.

No wonder in the barter economy due to the high risk of keeping valuable like jewelries and gold, man seeing the honesty of the goldsmith resort to keeping such valuable with him; who took special precaution to secure them for a little charge and issues receipt for them

in returns. This receipt were later used for exchange of emerged.

Ordinary banking business consist of changing cash for bank deposit and bank deposit for cash; transferring bank deposit from one person or corporation to another; giving bank deposit in exchange for bill of exchange, government bonds the secured or unsecured

business or repay. From the foregone, it is believed that the concept of banking has commercial tendencies where bank functions as accepting deposit, advances, loans for short term and long term, creating credit as

well as agency function Akpan (2004).

Similarly the concept has agricultural tendencies and

development tendencies as banks concentrate on specialized function to provide short term, medium term and long term credit for agricultural and development needs of an economy. It also has cooperative tendencies to provide short, medium and long term loans to

their members.

On the other hand, Kent (1999) sees banks as an organization whose principal operation are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to other for expenditure. As such banks could have saving tendencies where banks promote small savings and mobilize them. In the same vein it would have industrial tendencies where banks provide medium and long term finance for industrial development as well as underwrite debenture and share. To Crowther, (1990), the bank

business is to take debt of other people to offers its own in exchange and thereby create credit. To this sequel, banks could have exchanged tendencies, where banks deal with foreign exchange. Finally, banks could have a control tendency where banks functions as the apex bank of a country by regulating and controlling the monetary and banking structure. As such regulate the circular flow of money within the economy. Therefore, the concept of banking depicts the circular flow of money and the role of money in an economy.

## 2.2.1 CIRCULAR FLOW OF MONEY

Modern economics rely on money to function as such economic activities are monetized. Therefore, value of money increase as it moves round the chain of economic activities. This means money

changes hand at every point in time within the economic activity. This is through saving and investment, which is the function of the banking sectors. Therefore, bank stand apart to affect the circular flow of money by bridging the gap between the deficit and surplus unit of the individual sector and give such money to the deficit sector for investment purpose. And this income received by the consumers and business firms are saved in the bank. Such saving of consumers and firms are not hoarded but are invested in bonds, share, debentures, etc.

in the capital market. They flow into the capital market. Akpan (2010).

On the other hand, business firms borrow funds from the capital market for making investment. Thus saving which flow into the capital market are taken away by the business sector for investment and the circular flow of money is maintained in the economy.

## 2.2.2 ROLE OF MONEY

Money is of vital importance to the operation of the national and international economy. Money plays an important role in the daily life of a person whether he is a consumer, a producer, a businessman, an academician, a politician or an administrator. “An individual need not be a banker to be actually aware that money plays an important role in

modern life; he need think only of his own experiences” Ubom (2009).

The static and dynamic roles money play in an economy makes its vital. Its static role emerges from its traditional function in its dynamic role, money play an important part in the life at every citizen

and in the economic system as a whole Acha (2011a).

In a capitalist economy, the fundamental purpose of money is a way to distribute the ownership in the society. And by consequence,

money is also used as a mean of exchange.

But, if you analyze the way that money works you will understand that as a tool to help exchange, that money is a very imperfect tool. Furthermore, it should be analyzes that money is also a social instrument which helps to coordinate social relation between individuals. Akpan (2004).

# 2.3 NEED FOR BANKING

Economic development entails total improvement of economic

activity, where all the sectors within the economy function effectively. For an economy to function effectively, there is need to regulate the financial activities with a view to igniting investment and economic development. The banks stand apart to do this function. This is so because the bank is the life wire of any country’s economy: as it provides most of the fund and money that is used to organize the

economic activities. The health of the economy is closely related to the soundness of its banking system. Although banks create no new wealth but their borrowing, lending and related activities facilitate the process

of production, distribution, exchange and consumption of wealth. Lavine (2005)

In this way, they become very effective partners in the process of economic development. Today, modern banks are very useful in the utilization of the resources of the country, and as well mobilize the savings of the people for the investment purposes. If there would be no

banks then a great portion of a capital of a country would remain idle.

A bank as a matter of fact is just like a heart in the economic structure and the capital provided by it, is like blood. As long as blood is in circulation the organs will remain sound and healthy. If the blood is not supplied to any organ, the parts would become useless. So if finance is not provided to Agriculture sectors or industrial sector, it

will be destroyed. Loan facility provided by banks works as an

incentive to the producers to increase their productions.

2.4 CATALYTIC ROLE OF BANKS IN ECONOMIC GROWTH

Globally, activities of banks reflect their unique role as the engine of growth in any economy. Dealing mainly in financed assets especially money, which as a medium of exchange, store of value, unit of account and standard for deferred payments covers every aspect of past, current and future economic activities, it therefore places the banks as the hub of the growth process all over the world. From the Bretton wood institutions and their subsidiaries, to state owned and private international banks as well as country­specific financial institutions, the generic functions of banks remain the same in spite of their level of sophistication in service delivery. In this section i made a brief reference to the international dimension of the catalytic role of

banks and then go in greater detail later. (Ekezie 1997)

From the foregoing, the catalytic role of financial institutions in general and banks in particular derives from the performance of their traditional functions of financial intermediation and as pivotal agents in the payment system. (Acha 2011a) While these two functions may be regarded as banks primary functions, a third and equally important function of serving as a conduit for the transmission of monetary policies to the real sector combines with the other two stated functions to squarely place banks as the catalyst in the economic development process. This fact is not only true of banks within a country serving as

a catalyst in the context of the domestic economic development process but also true of international multilateral financial institutions/banks in relation to the global economic development process. The contributions of the world bank and its sister Bretton woods financial institutions to the global economic growth are glaring proof of the catalytic role of banks at the global level. However, it is generally the domestic dimension of this phenomenon that is more widely discussed and appreciated (Levine 1999).

2.4.1 The International Dimension of the

# Catalytic Role of Banks

As a starting point, we acknowledge the various controversies and misconceptions about the role and activities of the Bretton woods institutions and their subsidiaries. Although the World Bank, the International Monetary Fund, the International Development

Association, the International Finance Corporation, the Multilateral

Investment Guarantee Agency and other affiliates of the Bretton Wood Institutions as well as some regional financial institutions have come under heavy criticism in recent times, the fact of the case is that these

institutions do provide long­term financing options for economic projects, especially in the poorer countries of the world. One must admit that many of the criticism arise out of the lack of transparency of

the borrower nations and their poor management of the facilities

provided by these multilateral institutions (Sam et al., 2006).

Coming to country­specific experience, this has been as varied as there are countries and indeed, in spite of striking similarities in

some banking systems especially those with common antecedents, countries have varied structures and adopted different approaches in the functioning of their banking systems. Whereas in the United States, the emphasis is on unit and community banking in addition to the numerous savings and loans institutions as well as the countless number of credit unions, in the United Kingdom and other parts of Europe, the experience is that of an oligopoly of a few strong banks with large networks of branches. It is the same branch­banking model that is being practiced in the South­East Asian region. Regardless of this difference, the banks in the US, Europe and Japan act as catalyst not only in financing corporate borrowing but also household debts. Indeed, what has made these economies strong for decades have been the ability to sustain consumer demand through the household access

to credit facilities.

Furthermore, to sustain the growth of their economies, specialised banks such as U.S. Eximbank, The Eximbank of Japan and export credit guarantee Department of U.K. were created and empowered to specifically finance manufacturing industries with

export­bias. Similar financial institutions were also established in some of the emerging markets of the world including Argentina, Hong Kong, Malaysia, Indonesia and Mexico (Agene, 1991).

The main difference is in the efficiency of service delivery of the institutions in the industrialized countries and the complementary role of their legal/judicial system. Until recently when a few African countries started establishing Export­Import Banks, some selected commercial/merchant banks or in some cases, the central banks were made to provide loans for export­financing activities. This was the case in Nigeria beginning from 1968 when the central bank was statutorily empowered to undertake the direct financing of produce marketing until the demise of marketing boards and the emergence of NEXIM

which took over the role of export financing.

## 2.4.2 The Role of Banks in the Economic Growth of Nigeria

Starting this with an overview of the size and strength of the banking sector in the last two decades including the notable

developments in the regulatory framework, will actually add life into the subject matter. At this point, it is pertinent to note that the banking sector in Nigeria reasonably approximates the formal financial sector and also that the mainstream banks dominate the sector. For instance, the total assets of the financial sector were N1783.9 billion and

N2584.6 billion in year 2000 and 2001 respectively, out of which the mainstream banks accounted for N1627.0 billion and N2449.1 billion (or 91.2% and 94.8%) respectively in the corresponding periods (NDIC, 2002).

Furthermore, much as the entire financial system witnessed considerable growth following the deregulation of the sector in mid 1986 as part of the national economic reform programme, the growth experienced in the banking sector during the deregulation period was phenomenal. Standard indicators of this growth include the bank total assets, the number of licenced banking firms in operation, branch network and volume of intermediation and payment activities (Acha 2011b).

# **2.5 BANKING AND THE FINANCIAL SECTOR**

The financial ability of any country determines its economic activities. Financial ability centers on the strength of its financial sector, this sector tends to regulate the transfer of funds and security from savers to users. In the light of this, they offer financial services and opportunities for business organizations and the government. It is now widely recognized that there are strong positive linkages between

the financial sector and economic development.

The bank and the financial sector stand as makers of financial products through capital and money markets. But in this study, a more look will be taking into the case of money market, (Ekpenyong et al., 2011).

## 2.5.1 Money Market

It is a component of the financial markets for assets involved in short­term borrowing and lending with original maturities at one year or shorter time frames. It is also the market for short­term instrument that are close substitute for money (Jhingan, 2005). Trading in the money markets involves Treasury Bills, commercial paper, bankers’ acceptances, certificates of deposit, federal funds, and short­lined mortgage and asset­backed securities. It provides liquidity funding for

the global financial system.

No money market existed in Nigeria before the establishment of the Central Bank of Nigeria. This is however not to say that a market for short­term funds did not exist before then. Before the advent of commercials banking, there existed some element of short­term lending and borrowing based on commercial paper. The market was an integral part of the London money markets. It worked by moving funds from London to Nigeria during the season in order to finance the export of produce. At the end of season, the funds were moved back to London, when there was all­season money market activity. The establishment of the Nigerian money market involved, on the part of the Central Bank of Nigeria, repatriating these ‘roving’ funds to

Nigeria for the country’s economic development.

The development of the Nigerian money market is not

unconnected with the systematic introduction of the various instrument used in the market. The Nigerian money market like any other money market in the world primarily exist as a means of liquidity adjustment, the major considerations being the safety, liquidity at financial instruments and the rate of return. Commercial banks are the dominant players in the money market while the market itself provides the basis for the operation, manipulation and execution of monetary policies (indirect instruments), with discount houses intermediating funds between the central bank and other banks where the former is playing the role of the lender of last resort to the market. (Ekpenyong et al

2011)

# 2.6 BANK AND NON­BANK INSTITUTIONS

Bank and non­bank institutions are the institutions that deal with the various grade of near money. “Bank and non­bank institutions are network of markets that are grouped together as a result of the deal in financial instruments that have similar function in the economy and are to some degree substitute from the point of the view of the holder” (Jhingan, 2005).

In addressing the finance­high­growth rate nexus, we deal with the impact to different financial institutions­banks and non­bank financial institutions. Banks typically are state­owned, large, operate nationwide, and have many branches. Non­bank financial institutions in contrast, operate locally within the province and are much smaller.

Banks are generally technologically more advanced, better developed and dominate the financial system. Bank, however, are known for their reluctance to grant loans to small private companies (Allen et al., 2005 and Boyreau –Debray, 2002), while most non­bank institution loans

are extended to the non­state­owned sector (Xiaoqian 1998).

The Distinct performances of bank and non­bank financial institutions can mainly be attributed to the differences in their geographical scope, size and organization, and efficiency. However, the presence of non­bank financial institutions stimulates competition in the local banking market. Specifically, the positive impact of banks

development on growth becomes more pronounced when the local financial sector is less concentrated. The bank and non­bank institutions comprises of Central Bank, Commercial Bank, Non­Bank Financial intermediaries, discount houses and bill broken and acceptance houses.

## 2.6.1 Central Bank

The Central Bank is the apex bank in a country. It is called by different names in different countries. It is the Reserve Bank of India in India, the Bank of England in England, the Federal Reserve System in America, the Bank of France in France and Central Bank of Nigeria in Nigeria. A Central Bank has been defined in terms of its functions. According to Vera Smith, “the primary definition of Central Banking is a banking system in which a single bank has either complete control

or a residuary monopoly of note issue”.

In Nigeria, it was established in 1958 following the report of a commission of Enquiry set up in 1957 by the Colonial Government to advise it on the possibility of establishing a central bank. The setting up of the commission was prompted by the bank failure of the early 1950s and the need to put in place appropriate machinery for

independent government (Nwankwo, 1980).

The positive recommendations of Loynes encouraged the

Nigerian House of representatives into passing the Central Bank of Nigeria Act on 15th May, 1958. The fully authorized capital of CBN, when it began operation in July 1958, was 1.5m pounds of which

1.25m pounds were fully paid up. CBN is wholly owned by the Federal Government. Its operations, however, did not start until the 1st of July, 1959. The CBN Act of 1958 created a very liberal Central Bank along the lines of the Bank of England (Onoh, 2002). The CBN Act of 1958

specified the following functions for the CBN:

* The issuing of legal tender currency in Nigeria;
* Maintaining external reserves so as to protect the value of the

currency;

* Promoting monetary stability and efficient financial system; and  Acting as banker and adviser to government.

These objectives have been retained and expanded in the Bank’s latest Act of 2007. Two other objectives have been added; they

include:

* Acting as banker to other banks; and
* Managing the public debt.

In fulfilling these objectives, the CBN has become a strong tower on which banks and non­banking institutions lean. It serves as the mirror through which government monitors what goes on in the economy and thus institutes appropriate regulations and promotions where and when necessary.

## 2.6.2 Commercial Banks

Commercial banks are the largest operators in the money market. The First Commercial Bank, the African Banking Corporation started operation in Lagos in 1892. it is today known as First Bank Plc.

The 30s and 40s witnessed the mushrooming of mainly

undercapitalized and mismanaged indigenous banks which collapsed as suddenly as they emerged. The collapse of the banks led to the promulgation of the Banking ordinance of 1952, which was the first ever attempt to put down the conditions under which a bank can operate. Since the Banking ordinance of 1952, there have been a number of legislations designed by the monetary authorities to tighten the rules and regulations governing the establishment of a bank and its operations. They include the Banking Act, 1958; Banking Act, 1969 and the Banking and other Financial Institutions (BOFID) Decree No.

25, 1991, and the amendment.

The functions of the commercial bank include the following:

* Keeping customers’ deposits and making them available on

demand to customers;

* Channeling surplus funds to deficit units on short­term basis;
* Provision of domestic and international banking services to

clients;

* Managing funds entrusted to it in a manner that shareholders and

depositors interest are not jeopardized; and

* Keeping to the laws, regulations and guideline governing banks

in the course of providing services.

The rush into banking and bank failures observed in the late 1940s and early 1950s subsided in the middle of 1950s following the institution of regulatory framework for banking in 1952. In 1960, there were only 13 banks in the country; the number grew marginally to 14 in 1970. In 1980, there were 20 commercial banks, eight got added five years later bringing the total to 28. The number however expanded on a fast note between 1986 and 1992 following financial liberalization of the time. In 1990, the number of Commercial Banks stood at 58. It rose to 64 in 1995 and fell to 51 in 1996. As at 2010, the number of banks slumped to 24. But the banks are larger in size, capital base and asset structure, having gone through a consolidation exercise initiated in 2004. As earlier said, none of them has a capital base of less than 25 billion and the fit was attained through capital shoring with new issues and mergers and acquisitions. The consolidation programme also saw the cessation of merchant banking in Nigeria as some that survived the post liberalization hassles had to seek conversion into commercial Banks (Onoh, 2002).

Growth in Commercial Banking, and indeed the entire banking industry, is still fraught with a number of short­comings. The bankercustomer ratio is still low resulting in long queues at the banks. Most branches of the banks are located in the cities thus pushing rural people into informal finance.

# 2.7 ROLE OF COMMERCIAL BANKS IN A DEVELOPING ECONOMY

Besides performing the usual commercial banking functions, banks in developing countries play an effective role in their economic development. The majority of people in such countries are poor, unemployed and engaged in traditional agriculture. There is acute shortage of capital. People lack initiative and enterprise. Means of transport are undeveloped. Industry is depressed. The commercial banks help in overcoming these obstacles and promoting economic development. Some of these roles played by Commercial Bank in a

developing country are as follows:

#  Mobilizing Savings for Capital Formation: The Commercial

Bank help in mobilizing savings through a network of branch banking. People in developing countries have low incomes but the bank induces them to save by introducing variety of deposit schemes to suit the needs of individual depositors. They also mobilize idle savings of the few rich. By mobilizing savings, the banks channelize them into productive investments. Thus, they help in the capital formation of a developing country.

 Financing Trade: The Commercial Banks help in financing

both internal and external trade. The banks provide loans to retailers and wholesalers to stock goods in which they deal. They also help in the movement of goods from one place to another by providing all

types of facilities such as discounting and accepting bills of exchange, providing overdraft facilities, issuing draft, etc. Moreover, they finance both exports and imports of developing countries by providing foreign

exchange facilities to importers and exporters of goods.

#  Financing Consumer Activities: People in underdeveloped

countries being poor and having low income do not process sufficient financial resources to buy durable consumer goods. The commercial banks advance loans to consumers for the purchase of such items as houses, scooters, fans, refrigerators, etc. In this way, they also help in raising the standard of living of the people in developing countries by

providing loans for consumptive activities.

#  Financing Employment Generating Activities: The

Commercial Banks finance employment generating activities in developing countries. They provide loans for the education of young persons studying in engineering, medical and other vocational institutes of higher learning. They advance loans to young

entrepreneurs, medial and engineering graduates, and other technically trained persons in establishing their own business. Such loan facilities are being provided by a number of commercial banks. Thus the banks not only help in human capital formation but also in increasing

entrepreneurial activities in developing countries (Jhingan, 2005).

# 2.8 DEVELOPMENT BANKING

Development banks are those financial institutions which provide term finance, promote entrepreneurship, enhance organization effectiveness and upgrade know­how and do­how. They provide either loan or equity capital or both, as also advisory, promotional and entrepreneurial services. Thus, development banks administer a blend

of financial and development service. Development banks are

government­sponsored financial institutions concerned primarily with the provision of long­term capital to industry. These institutions are known to have played a crucial role in the rapid industrialization process of continental Europe and Japan (Yasudo, 2007). However, there is a general perception that more recent development banks in the less developed countries (LDCs) have often failed to replicate the success of earlier examples. High area ratios, poor cost­benefit evaluations, and widespread evidence of mismanagement and corruption have undoubtedly contributed to the current

disenchantment.

Another important function of a development bank is to devise different types of securities with different maturity periods acceptable to borrowers of loanable funds wishing to purchase securities and to the lender of such funds. A development banks is an indispensable institution to a developing country determined to indigenize its economic base. The bank can assist in the absence of a developed financial market, in the orderly transfer of shares, from resident or non­resident foreign investors to indigenes. It was for the same purpose that the Nigeria Bank of Commerce and Industries (NBCI)

was established in 1973 to accelerate the indigenization of the Nigerian

economy, (Onoh 2002).

The desire to promote rapid economic development and to be

self­reliant in industrial output led to the establishment of development banks or development finance companies in many African countries to finance industrial projects. African countries are in a hurry to achieve rapid industrial and technological development in the belief that industrialization and technological acquisition will enhance their standard of living and political standing in world affairs. International experiences since the 1960s firmly suggest that the degree of a nation’s

political and economic influence in world affairs is directly

proportional to its industrial and technological concentration. In order to narrow the industrial and technological gap between the developing and developed countries industrialization has become a major priority area for African countries. At times industrial programs in the developing countries are over­zealously pursued to the detriment of agriculture, Onoh (2002).

# 2.9 GENESIS OF NIGERIAN DEVELOPMENT BANKS

In the context of Nigeria, the Bank of Industry, the Federal

Mortgage Bank of Nigeria, Nigeria Agricultural Cooperative and Rural Development Bank, Nigeria export import bank and the urban

development bank of Nigeria Plc. qualify as development banks.

The first but now defunct finance company in Nigeria was the Nigerian Local Development Board set up in Lagos by the Nigerian government in 1946. It was abolished in 1996 with the creation of regions by the Richards Constitution. In its place, three Regional Development Loans Board were set up for the Northern, Western and Eastern regions. A colony development board was set up for the Lagos area. The four boards inherited the assets and liabilities of the Nigeria Local Development Board. The Boards financed co­operatives, individuals and companies. The Regional Production Development Boards were also set up to administer funds provided by the Regional

Marketing Boards for developing purposes of the regions.

With the attainment of regional autonomy, more finance companies were established by the regions. Each newly formed

company had wider functions and inherited the assets and liabilities of preceding companies. Thus, in 1955, the Northern and eastern Region Development Corporations were formed by merging the Regional

Development Loans Boards and the Regional Production Development

Board. The Western Region Finance Corporation was formed from the Loans Board. These establishments did not only grant loans but operated like full­fledged modern development finance companies by participating with equity in companies and by making direct investments. In 1959, the Western Region Development Corporation was born out of the Production Development Board. The new corporation financed industrial and commercial projects. The Development Corporations were phased out partly because of insolvency and partly because of their inability to fulfill their functions due to excessive political interference.

# 2.10 FACTORS INHIBITING THE CATALYTIC ROLE OF BANK IN NIGERIA’S ECONOMIC GROWTH

There is no doubt that banks and other financial institutions have grown dramatically over the years both in number of institutions, the variety of services offered, the quality of services delivery and the volume of transactions processed. In spite of the numerous gains recorded however, the industry is still plagued by some inhibiting factors, which continue to constrain banks in the performance of their role as a catalyst in Nigeria’s quest for economic development and growth. The public expectations for the catalytic roles of the banks in the economic growth of Nigeria are high but such expectations have to be tempered by the consideration of the various environmental

bottlenecks which confront the banks in the discharge of their duties. Some of the most important environmental factors which can enable or impair the Nigerian banks as a catalyst for economic growth and prosperity are as follows (Nwankwo, 1980):

a) SOCIO­CULTURAL AND POLITICAL ENVIRONMENT:

Nigerian society is unduly tolerant of some negative sociocultural tendencies and as a result, has some societal

peculiarities especially in its value system. This perhaps explains

why wealth accumulation and ostentatious living attract no remarkable sanction or condemnation. The penchart to

accumulate wealth is freely expressed irrespective of whether the source is illegal or not. Between 1992 and 1998, the amount involved in fraud within the banking system has grown by as much as 664.5% from N411.75 million to N3.15 billion. Such a rising trend gives bank operators a major concern because it constitutes a formidable threat to successful banking operation as well as a hindrance to the intermediating effort of banks in the

country.

Closely related to this is the week culture of Nigerians. The generality of the people still treat financial instruments, especially cheques and the card instruments, with scorn. They prefer to operate in a cash environment in contradistinction to the cashless and electronic banking environment in advanced economies. It is obvious that Nigerians have to change their attitude toward banking and its instruments if the banking

institutions must contribute to meaningful economic

developments and growth. Furthermore, political instability in Nigeria has been a bane of growth and development. As

successive governments rolled out their objectives and economic policy, overnight reversal and policy somersaults tended to undermine coherent and stable operations of the banking sector, an observation which largely contributed to the fragility of the

banking industry.

b) ECONOMIC ENVIRONMENT: Arguably, the worst problem

that has militated against the effectiveness of monetary and banking policies in Nigeria within the past two decades was the persistence of government’s large fiscal deficits and its mandatory financing by the Central Bank of Nigeria (CBN). The

financing of such huge government deficits by the CBN

adversely affected the money supply, banking system liquidity, exchange rate movements and interest rates. We can only hope that the democratic dispensation has put paid to the unchecked incidence of high fiscal deficits by government. Furthermore on the economy, banks can only thrive if there is increased prosperity through the empowerment of people. But where there is a strong consumer resistance, the probability of corporate failure will be high, the stable sources of bank deposits will diminish the viable avenues for project funding and bank lending will be impaired and in a vicious cycle, the growth of the economy will be stunted and national poverty aggravated

rather than alleviated, (Sanusi, 2011).

c) REGULATORY ENVIRONMENT: Although, bank operations

are not opposed to regulation, what they advocate is not the absence of control but the restraint from ‘unnecessary’ intervention. The truth is that given the significance and catalytic role of the banking institutions in the economic growth and development of any nation, governments all over the world (including the most democratic­United State) do regulate the industry more than any other so as to ensure their efficiency, and safety and soundness in order to provide the needed support for economic activities. Thus, in consonance with the practice of banking in other economies, regulation was introduced early in the development process of the Nigerian banking industry to check the incidence of fraud, distress and failure. The banking failure recorded in the early 1950s necessitated the introduction of a formal framework for banking supervision and regulation in Nigeria. After the 1952 Banking ordinance, the legal framework

for the operations of banks gradually emerged with the

promulgation of the Central Bank of Nigeria (CBN) ordinance in 1958, Nigerian Deposit Insurance Corporation (NDIC) Decree

No. 22 1988 as well as the CBN Act and the bank and Other Financial Institutions (BOFI) Act of 1991. The content of these laws as amended up to date form the pillars of the regulatory

framework for banks operating in Nigeria today.

In all, the greatest problems faced by the banks in their roles as catalysts for economic growth are the constant policy reversals and the surprise elements in the announcement of shifts in the policy. The way such policies migrate and get accepted from time to time in the US and the U.K banking systems is for the regulators and the regulated to constantly ‘jaw­jaw’ and rub minds. The consolation at present in Nigeria is that the CBN has charged tactics impressively and one can say that the country should benefit from their new approach of

constant policy dialogue and advocacy with the operators.

# d) TECHNOLOGICAL ENVIRONMENT: The half of the 20th

century was marked by large­scale global conflicts while the second half had seen a great revolution of a different kind. Both

occurrences seem likely to be a child’s play going by the Information Technology revolution being witnessed even in the first few years of the 21st century. The dream of the true global village is here with us and no one can afford to miss the train. As such, banking activities and competition all over the world are being shaped and driven by Information Technology (IT). Banks that are unable to harness their IT potentials will be consigned to extinction. However, Nigeria’s technological environment is bereft of necessary and support infrastructural facilities and personnel know­how. For over two decades, the country’s energy sector which powers IT has, for the most part been unreliable, worse still was the Telecommunications sector (thanks to democracy for making the dream of improved access to telecommunication facilities a reality with the licensing of Five GSM operators and a host of other telecommunications services providers). The constraints from the communication’s end have greatly hampered banks’ contribution to the country’s

economic growth. Banks have to make unnecessary huge

investments in communication technologies to be able to meet certain requirements for modern payments system especially with globalization. Because such technologies are designed for handling large­scale processing, banks are made to harbour excess capacity in the respect especially in the provision of VSAT and other communication facilities, (Ekpenyong *et al*., 2011).

There are predominant linkages between the banking sector and the rest of the economy whether from the demand or supply side. Thus, if the judicial sector will facilitate economic growth and development in Nigeria, the change agenda and perspective of the judiciary must conform to the imperatives of these vital linkages. What we see so far is that the judicial authorities have realized for a long time that these linkages are essential but then, the time is ticking away and progress is yet to be recorded. For instance, the special courts for bank frauds and related issues that was promised has not come into fruition, but we do believe that its necessity is getting increasingly appreciated, (Ojo,

1995).**CHAPTER THREE**

**3.0 RESEARCH METHODOLOGY**

Research methodology is the various methods that are used in the process of conducting investigations for this research work. This chapter deals extensively on the collection of data and methods used, sources of data, the collection of data and methods used, sources of data instrument used etc.

**3.1 RESTATEMENT OF HYPOTHESIS**

**Hypothesis I**

**Ho:** There is no relationship between commercial Banks services and rural development.

**Hi:** There is relationship between commercial Banks services and rural development.

**Hypothesis II**

**Ho**: Commercial banking activities does not enhance the development of banking habit of rural dwellers.

**Ho**: Commercial banking activities enhance the development of banking habit of rural dwellers.

**3.2 RESEARCH DESIGN**

In carrying out this research work information and data were both obtained from both primary and secondary data. This was necessary in order to achieve the objective of this research work.

The primary data are original data gathered specifically for this project and more reliable and authentic for reference purpose. They are obtained through the survey method, which involves the administration of questionnaires conduct of interview etc. while secondary data are those data that have already been gathered and assembled for some purposes. They are collected from the work of some authors and also from publications and documents written by such people.

Therefore, all the facts and figures obtained in this project were from interview, information supplied by respondents based on questionnaire, various periodical publication, journals as well as references who have contributed in other words quotation will be acknowledge and facts will highlight.

**3.3 DESCRIPTION OF THE STUDY POPULATION**

The population of a study represents the target of the study as defined by the aims and objects of the study. This research project covers the impact of commercial banks in rural developments in Nigeria but with exclusion on (First bank of Nigeria,).

Theorist in his study quoted that the population is the entire objective or subject under investigation that is it is made up of all considerable element such as subject or observation relating to a particular characteristics of interested investigator.

**3.4 SAMPLE DESIGN AND PROCEDURE**

In order to get a good representation size, I was necessary to select a sample from the total population of worker in the bank, since it will not be possible for everybody to be included in the sample or else data will become very large and unmanageable.

To have a sample that will be a good representation all various categories of workers and all departments design was based on random sampling for the purpose of determining the number of people to select from cash category, questionnaires were distributed to the respondents with the assistance of a staff in the organization for cashier distribution and collection.

**3.5 SAMPLE SIZE**

The information on this research was collected from First bank of Nigeria Bank. The bank has a fairly large number of customers.

**3.6 DATA COLLECTION INSTRUMENT**

The instrument for gathering data together is questionnaire and other instrument like journals it contains 15 properly structure question.

**3.7 METHOD OF DATA COLLECTION**

Making use of the questionnaire and personal discussion to carryout a survey. The questionnaire was designed to collect information from the staff and management of First bank of Nigeria FBN just by talking in the appropriate column provided.

**3.8 METHOD OF DATA ANALYSIS**

The data collected will be tested both quantitatively and qualitatively. The hypothesis formulated will be analyzed using chi-square method as the statistical tool

i.e X2 = (o - E)2

E

Explanation of symbols

O = observed value

E = expected value

X2 = chi – square

E = summation

X = 1 = degree of freedom

0.005 = level of significant

**CHAPTER FOUR**

**4.0 DATA ANALYSIS AND INTERPRETATION OF DATA**

This chapter focused on the presentation and analysis of data obtained from the field. The presentation were quantified and expressed in tabular form with short notes written after each table. And also the data are expressed in percentage.

This chapter comprises the analysis of presented data, testing by hypothesis table and its interpretations and statistical analysis of data for clear understanding the analysis of respondent, bio data shall be in section A while that of the research questions will be in section B.

**SECTION A (BIO DATA)**

Analysis of respondent’s bio data

**Table One:** Gender distribution

|  |  |  |
| --- | --- | --- |
| **SEX** | **NUMBER** | **PERCENTAGE (%)** |
| Male | 25 | 62.5 |
| Female | 15 | 37.5 |
| **Total** | **40** | **100** |

It can be deduced from the above table that 62.5% of the respondents are male while 37.5% are female.

**Table Two:** Age distribution

|  |  |  |
| --- | --- | --- |
| **AGE** | **NUMBER** | **PERCENTAGE (%)** |
| 18 – 25 | 8 | 20 |
| 26 – 34 | 14 | 35 |
| 35 – 43 | 12 | 30 |
| 44 and above | 6 | 25 |
| **Total** | **40** | **100** |

It can be seen from the table above that 20% of the respondent are between the ages of 18 and 25, 35% are between 26 and 34, 30% are between 34 – 43 and 15% fall between 44 and above.

**Table Three:** Marital Status

|  |  |  |
| --- | --- | --- |
| **MARITAL STATUS** | **NUMBER** | **PERCENTAGE (%)** |
| Single | 18 | 45 |
| Married | 20 | 50 |
| Divorced | -- | -- |
| Indorsed | 2 | 5 |
| **Total** | **40** | **100** |

From the table 45% are single, 50% are married no divorced respondent while 5% are indored

**Table Four:** Occupation Distribution

|  |  |  |
| --- | --- | --- |
| **OCCUPATION** | **NUMBER** | **PERCENTAGE (%)** |
| Civil servant | 14 | 35 |
| Self employed | 22 | 55 |
| unemployed | 4 | 10 |
| **Total** | **40** | **100** |

The tables above shows that 35% of the respondents are civil servants, 5% are self employed while 10% are unemployed.

**Table Five:** Academic Qualification

|  |  |  |
| --- | --- | --- |
| **ACADEMIC QUALIFICATION** | **NUMBER** | **PERCENTAGE (%)** |
| First school leaving certificate | 12 | 30 |
| WAEC . GCE or Equivalent | 4 | 36 |
| HND / BSC or Equivalent | 8 | 20 |
| MBA / MSC | 6 | 15 |
| Un certificated | -- | -- |
| **Total** | **40** | **100** |

From the table above 30% of respondent obtain first school leaving certificate 36% has WAEC / GCE., 20% has HND / BSC, 15% has MISA / MSC while none of the respondent has no certificate.

**SECTION BE (RESEARCH QUESTION)**

**Table Six:** Commercial Bank and Stimulation of Banking Habit.

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 35 | 87.5 |
| No | 4 | 10 |
| Undecided | 1 | 2.5 |
| **Total** | **40** | **100** |

From the table above 87.5% of respondents said yes, 10% said No while 2.5% is undecided.

**Table Seven**: Relationship Between Commercial Bank and Rural Dwellers.

Banks and the rural dwellers?

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 37 | 92.5 |
| No | 3 | 7.5 |
| **Total** | **40** | **100** |

From the table above, 37% people (92.5%) said yes and 3 people (7.5%) said No.

**Table Eight**: Commercial Bank and Improvement in Banking Habit.

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 35 | 87.5 |
| No | 5 | 12.5 |
| **Total** | **40** | **100** |

From the table 87.5% said yes while 12.5% said No.

**Table Nine:** Customer’s Satisfaction of commercial banks services.

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 30 | 75 |
| No | 8 | 20 |
| Undecided | 2 | 5 |
| **Total** | **40** | **100** |

From the table above 75% of respondents said Yes to the question, 20% said No while 50% were undecided.

**Table Ten** Influence of Banking Habit by commercial banks.

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Positively | 32 | 80 |
| Negatively | 7 | 17.5 |
| Undecided | 1 | 2.5 |
| **Total** | **40** | **100** |

From the table above 80% said yes, while 17.5% said No while 2.5% were undecided.

**Table Eleven:** Target customers of commercial banks.

Commercial bank services is general towards the poor but no the laugh income earner?

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 5 | 12.5 |
| No | 23 | 82.5 |
| Undecided | 2 | 5 |
| **Total** | **40** | **100** |

From the table above 12.5% said yes, 82.5% said No while 5% of the questionnaire were undecided.

**Table Twelve:** FBN services to peasant and low income earners. Is commercial bank service geared towards the peasant and low income earners?

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 35 | 87.5 |
| No | 5 | 12.5 |
| Undecided | -- | -- |
| **Total** | **40** | **100** |

From the table above 87.5% said yes, while 12.5% said No. hence FBN services are general towards the present and low income earners of the economy.

**Table Thirteen:** FBN services and stimulation of banking habit are the services provided by commercial banks capable of stimulating the banking habit of rural dwellers?

|  |  |  |
| --- | --- | --- |
| **VARIABLES** | **NO OF RESPONDENT** | **PERCENTAGE (%)** |
| Yes | 25 | 62.5 |
| No | 15 | 37.5 |
| Undecided | -- | -- |
| **Total** | **40** | **100** |

From the table above 62.5% said yes, 37.5% said No

**4PRESENTATION AND ANALYSIS OF DATA ACCORDING TO HYPOTHESIS**

**Hypothesis Testing**

Having given a careful analysis of the responses the researcher made use of chi-square method to test the hypothesis formulated in chapter one of this research work.

The chi-square (X2) test is given by the formula

X2 **=** E (O1 – E1)2

E1

Where: X2 = chi square

E = summation

O1 = observed frequency

E1 = expected frequency

Research Question: Does commercial bank stimulate the banking habit of rural dwellers?

**Hypothesis I**

**Ho:** Commercial banking does not enhance the development of banking habit of rural dwellers.

**Hi:** Commercial banking enhance the development of banking habit of rural dwellers.

**TEST OF STATISTICAL**

X2 **=** E (O1 – E1)2

E1

**Decision Rule**: at 0.05 level of significance Ho will be rejected if calculated value is greater than tabulated value while Hi will be accepted. If otherwise the decision is reverse.

**Computation**

|  |  |  |  |
| --- | --- | --- | --- |
| **VARIABLES** | **YES** | **NO** | **TOTAL** |
| Male | 22 | 3 | 25 |
| Female | 14 | 1 | 15 |
| Total | 36 | 4 | 40 |

ei = 25 x 36 = 22.5

40

eii = 15 x 36 = 13.5

40

eiii = 25 x 4 = 2.5

40

eiv = 15 x 4 = 1.5

40

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **O** | **E** | **(o - e)** | | **(o - E)2** | **(o - e)2/E** |
| 22 | 22.5 | -0.5 | | 0.25 | 0.011 |
| 3 | 13.5 | -10.5 | | 110.25 | 8.167 |
| 14 | 2.5 | 11.5 | | 132.25 | 52.9 |
| 1 | 15 | -0.5 | | 0.25 | 0.167 |
|  | | | E | | **-61.245** |

Degree of freedom 1 at 0.05 level of significance, the table value of 42 = 3.84 from the decision rule that if calculated value is more than the tabulated value reject Null hypothesis and accept alternative hypothesis.

Therefore, commercial banking enhances the development of banking habit of rural areas.

**HYPOTHESIS II**

**Ho:** There is no relationship between commercial banks services and the rural development

**Hi:** There is relationship between commercial banks services and the rural development

|  |  |  |  |
| --- | --- | --- | --- |
| **VARIABLES** | **YES** | **NO** | **TOTAL** |
| Rural dwellers | 25 | 10 | 35 |
| Urban dwellers | 2 | 3 | 5 |
| Total | 27 | 13 | 40 |

ei = 35 x 27 = 23.63

40

eii = 5 x 27 = 3.38

40

eiii = 35 x 13 = 11.38

40

eiv = 5 x 13 = 1.63

40

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **O** | **E** | **(o - e)** | | **(o - E)2** | **(o - e)2/E** |
| 25 | 23.63 | 1.37 | | 1.877 | 0.075 |
| 2 | 3.38 | -1.38 | | 1.904 | 0.165 |
| 10 | 11.38 | -1.38 | | 1.904 | 0.563 |
| 3 | 1.63 | 1.37 | | 1.877 | 1.152 |
|  | | | E | | **-1.957** |

Df is 1 at o.5 level of significance, the table value is 3.84 since the tabulated value is greater than the calculated value: we accept null hypothesis and reject alternative hypothesis.

Therefore, commercial banks services are geared towards the peasant, rural dwellers and small scale business with a view of developing the banking habit of the people.

**4.4 SUMMARY OF FINDINGS**

From the test of hypothesis II, the alternative hypothesis is rejected while the null is accept since the tabulated value is greater than the calculated value i.e commercial bank services are geared towards the peasant, rural dwellers and small scale business with a view of developing the banking habit of the people.

Therefore, the researcher discovered that commercial bank service are mainly geared towards the rural dwellers, low income earners, small scale business and also develop their banking habit through these service that are made available to them.

**CHAPTER FIVE**

**5.0 SUMMARY, CONCLUSION AND RECOMMENDATION**

**5.1 SUMMARY**

This project specifically investigated on the impact of commercial banks in rural development in Nigeria considerate effort were made to examine the meaning of commercial banks, historical background of micro-finance banks.

The objectives of commercial banks were also examined, while problems and impact of commercial banks in rural development in Nigeria does not left behind.

**5.2 CONCLUSION**

From the research carried out, commercial bank activities or services surely achieve the major objectives for which they are intended. I was able to conclude that commercial banks helps in stimulating the banking habit of the rural dwellers.

Also, it is concluded that commercial banks enhance economic development. They have been able to ensure even development of other parts of the country i.e the rural areas.

His existences of commercial banks have bridged the gap between the rural dwellers and urban dwellers intern of availability of banks and credit facilities.

Generally, it will be of great importances if the government and the concerned regulatory body can control the activities of commercial banks so as to improve their services towards the settlement of the rural dwellers.

**5.3 RECOMMENDATION**

Based on the findings of this research work, possible recommendations are made.

1. A reduction in the interest charged on loans provided since majority of them customers are small scale traders, sole traders, market women or farmers.
2. Substantial loans and credit facilities of the commercial rather than urban areas.
3. Small and medium scale enterprise should be focused instead of focusing on big industrialist since the main objective of commercial banks is based on the small and medium enterprises.
4. Professional lenders should be employed in the banks, so that they can appraise project or proposals of customers and also to ensure the recovery of loans granted ti enhance the going concern of the FBN.

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**APPENDIX II**

**QUESTIONNAIRE**

**SECTION A**

1. Sex: Male [ ]

Female [ ]

2. Age: 18 – 25 [ ]

26 – 34 [ ]

35 – 43 [ ]

44 above [ ]

3. Marital Status: Single [ ]

Married [ ]

Divorced [ ]

Indored [ ]

4. Religion: Christian [ ]

Muslim [ ]

5. Tribe: Hausa [ ]

Ibo [ ]

Yoruba [ ]

Others [ ]

6. Academic Qualification: First school leaving certificate [ ]

WAEC/GCE or equivalents [ ]

HND/BSC or equivalents [ ]

MBA / MSC [ ]

Others (please specify) [ ]

None [ ]

**SECTION B**

7. Does commercial bank have an impact in stimulating banking habit of rural dwellers?

Yes [ ] No [ ]

8. Is there any significant relationship between the commercial banks service and the rural dwellers? Yes [ ] No [ ]

9. Has commercial bank improved the banking habit of the rural dwellers?

Yes [ ] No [ ]

10. Are you satisfied with the services rendered by First bank of Nigeria FBN? Yes [ ] No [ ]

11. How has First bank of Nigeria FBN influenced your banking habit?

Positively [ ]

Negatively [ ]

Undecided [ ]

12. Are the services provided by commercial banks capable of stimulating the banking habit of rural dwellers?

Yes [ ] No [ ] Undecided [ ]

13. Is there a need for an improvement on services provided by commercial banks?

Yes [ ] No [ ] Undecided [ ]

14. is there a relationship between commercial banks service and the rural development?

Yes [ ] No [ ] Undecided [ ]