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Dissertation By

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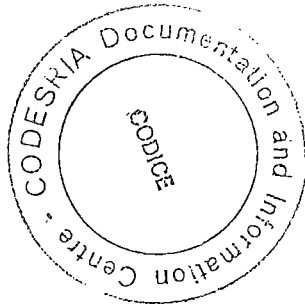# The impact of rural banking scheme on agriculture and rural development in Anambra State

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THE IMPACT OF RURAL BANKING SCHEME ON AGRICULTURE AND RURAL DEVELOPMENT IN ANAMBRA STATE

A PROJECT REPORT SUBMITTED TO THE
DEPARTMENT OF AGRICULTURAL ECONOMICS
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FOR THE AWARD OF MASTER OF SCIENCE
DEGREE IN AGRICULTURAL ECONOMICS (FINANCE)

BY

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CERTIFICATION

This is to certify that this work was carried out by
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Economics, University of Nigeria, Nsukka, and has been approved.

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DEDICATION

This work is dedicated to Chief M.E. Okoye, Mr. Vincent Okoye and all the members of Okoyes' family whose keen interest in my education has brought me to the present status.

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Finally, while I own full responsibility for errors of omission or commission in the study, any material published or produced from this thesis must contain the acknowledgement of CODESRIA's support of the research.

C.O. Okoye

ABSTRACT

In 1977, the Central Bank of Nigeria (CBN) established the
"Rural Banking Scheme"(RBS). Under the scheme, commercial banks
were directed to open up branches in rural areas within some
specified periods. The objectives of the scheme among others
include to bring banking services within the reach of the rural
dwellers, and mobilise their savings.

The primary concern of this research was to determine the
impact of the Rural Banking Scheme (RBS) policy of the Federal
Government on the rural sector, agricultural and non-agriculture;
and the extent the scheme has achieved its stated objectives,
in Anambra State. The study covered 10 rural bank branches selected
purposively from the five agricultural zones in the state. Two
hundred rural dwellers (farmers and non-farmers) were randomly
sampled. Secondary data from the official publications of the
CBN, banking journals, bank's statement of accounts and annual
reports; and other relevant materials and literature were reviewed.

The result of the study shows that the scheme created a lot
of impact on the rural dwellers in their agricultural and rural
development in the state. In regard to compliance with the CBN
directives on establishment of branches, the scheme performed well
in the state. The banks recorded a 95 per cent and a 100 per cent
performances in the first and second phases of the scheme respectively.
Also the scheme has tremendously encouraged banking habits among
the rural dwellers in the state. Out of the 200 respondents, 77

per cent agreed they cultivated banking habits through the scheme.
The major factors that affected banking habits include proximity
of the banks to the rural people, average annual income, and
average time spent in transacting any banking business. It
mobilized rural savings from 10,162 rural customers, collecting
a total annual deposits of ₦32,450,806 in 1986 and granted as loan
and advances 37.5 per cent of the total deposits. They fell short
of the CBN 40 per cent prescribed minimum grant of loans and
advances to the rural areas of operation by 2.5 percentage points.

Among the problems identified in the implementation of the
scheme were poor staffing, inadequate patronage, and high operating
costs on the part of the commercial banks. The problems facing
the rural dwellers include high interest rate charges, rigid
collateral requirements before loans are granted, wastage of
business times in transacting any banking operation, and inacces-
sibility of rural banks to most rural dwellers in the state. The
problems confronting the Central Bank include difficulties in
ensuring compliance with its directives, and provision of adequate
incentives.

These problems notwithstanding, the scheme has bright
prospects in the state. Thus, the following recommendations were
made: that CBN should provide more incentives; monitor and supervise
the activities of the commercial banks in the rural areas; while
the government should provide infrastructural facilities, and

introduce more phases of the scheme to cover other rural centres

that have no banking services within their reach.

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CHAPTER ONE

INTRODUCTION

1.1 Background To The Study

A review of the origin of the banking system in Nigeria,
which dates back to the colonial period, shows that for a long
time priority was given to the urban centres in the establish-
ment of banks. In 1892, the African Banking Corporation,
the first commercial bank in Nigeria, opened its first branch
in the urban centre, Lagos. Another bank, the British Bank
for West Africa (BBWA) established in 1893, also opened its
first branch in Lagos in 1894. That was followed by Barclays
Bank, DCO (Dominion Colonial and Overseas) now called Union
Bank of Nigeria Limited, which opened the first branch in 1917
also in Lagos (Olashore, 1983). The primary objective of the
colonial banks that were established by that time was to
facilitate trade and commerce with the metropolitan headquarters.
They were more concerned with the financing of import/export
trade and other locally based expatriate enterprises (Olashore,
1983).

However, the national awareness of colonial exploitation
necessitated the struggle for national independence. One of
the most important instruments used was the establishment of
indigenous banks by a handful of patriotic Nigerians and some
state governments (Adekanye, 1984). That served as an avenue
for making money and a few other facilities readily available

to Nigerian business men. Thus between 1929 and 1959, about 33

indigenous banks emerged (CBN, 1968). But following lack of capital

and mismanagement, there was mass failures, ten years later (1959-1969)

only 7 indigenous banks survived.

The first successful banks include: National Bank of Nigeria

(1933), African Continental Bank Limited (1947). However, these

indigenous banks and other commercial banks that sprang up within

the period under review could not generate enough profitable enter-

prise like their foreign counterparts. In their anxiety to survive,

they lost sight of the objectives of serving the rural population

and focused their strategy on the big cities and the commercial

centres (Olashore, 1983). Between 1893 and 1977, there were only 470

bank branches in the country (Okorie, 1985). The 470 bank branches

were serving a population of about 80 million people (one bank

branch per 170,000 persons), and a territory of some 920,000 square

kilometres, (one bank branch per 1,957 sq. km.). In comparison with

the distribution of banks in other countries like United Kingdom

(1:4,000 persons), United States (1:6,000 persons), or India

(1:52,000 persons), Nigeria is worst supplied with banks. The

statewise distribution of banks shows that Lagos state had the

largest number of bank branches and lowest bank branch to persons

ratio. On the other hand, states like Gongola, Niger, Bauchi and

Bendel had few bank branches and largest bank branch per persons

ratio (Olashore, 1983).

Of all the banking offices in the country, only about 10 per cent

were found in population centres of less than 25,000, thus suggesting
that most of the banking services were concentrated in the urban
centres (Awosika and Nwoko, 1983). Most writers are of the view
that the motivators of the indigenous commercial banks prior to the
establishment of the "Rural Banking Scheme" in 1977 had very little
consideration for the needs, interests and aspirations of the
Nigerian, most populated sector, the rural economy.

The problems identified by some researchers that constrained
the pace at which banking services can be brought to every nook
and corner of the country include: low income of the rural population,
absence of durable buildings for banking purposes and high costs of
erecting new ones, dearth of personnel in the banking industry and
inadequate infrastructural facilities (Olashore, 1983).

As a result, the structure and setting of bank branch expansion
witnessed a total neglect of the rural communities, where more than
80 per cent of the estimated 80 - 100 million people live. The rural
banking survey by the CBN in 1977 revealed that 1,126 rural communities
which deserved bank branches did not possess any (Bullion, 1979).
Thus, in recognition of the gross inadequacy of banking facilities
in the rural areas, the Federal Government enuciated the Rural
Banking Scheme (RBS) policy as a panacea (Okorie, 1985). The scheme
was based on Okigbo's Financial Review Committee's report, which
recommended that the government should take an initiative aimed at
compelling commercial banks to open branches in the rural areas
(Okigbo, 1976).

The objectives of the rural banking scheme, included inter alia:

(i) the encouragement of banking habits among the the rural population;

(ii) the mobilisation of savings from the rural areas for the purpose of channelling same to profitable ventures;

(iii) the development of agriculture and agro-allied industries based in the rural areas;

(iv) the creation of equity and loans for smallscale industries; and

(v) the reduction in the rural-urban drift of young men and women (CBN, 1977).

1.2 Problem Statement

As a result of the 1977 rural banking scheme policy, 766 rural bank branches have been allocated to 28 commercial banks operating in Nigeria as at December 1986, to be established in rural areas in three phases. Out of these, 466 branches have already been opened in two phases (1977 - 1984), in accordance with the RBS policy guidelines, the remaining 300 are expected to be established in the third phase (August 1985 - December 1989) (Okorie, 1987). Under the scheme, CBN prescribes annually the proportion of total bank credit that

must be allocated and loaned to the rural customers for
agricultural and rural development, among other credit
guidelines (CBN, annual reports, 1978 - 1983). But since the
inception of the scheme, little or no detailed study has
been done to ascertain the activities and operations of these rural
branches; the effects and impacts on agriculture and rural
development; the extent the scheme has achieved its original
goals; and its problems and constraints, if any. Such a study
is long overdue, and this research seeks to fill the existing
gap.

1.3 Research Objectives

The cardinal objectives of the study is to determine the
impact of the Rural Banking Scheme (RBS) policy of the Federal
Government on the rural sector, agricultural and non-agricultural.
Specifically, the study will fulfil the following sub-objectives:

(i)   review and analyse the activities and operations
      of the sampled rural banks with respect to
      mobilising rural savings;

(ii) examine the relevance of the policy establishing
      the scheme in light of the socio-economic
      characteristics of the Nigerian rural sector;

(iii) determine the effect of the scheme on the banking
      habits of the rural dwellers;

(iv) investigate the contribution of rural banks

to funding of agricultural and rural development;

(v) identify the problems encountered in the scheme

implementation; and

(vi) draw relevant inferences and make appropriate

recommendations based on the findings.

1.4 Statement Of Hypothesis

The hypothesis to be tested is that the Rural Banking Scheme has not encouraged banking habits among the rural dwellers in Anambra state.

1.5 Significance Of The Study

The data generated from this study will undoubtedly provide a bench-mark information about the effects, contributions and impacts of the rural banking scheme to agriculture and rural development in Anambra state. The study also provides information on the constraints and potentials of the rural banking scheme in agriculture and rural development. The findings of this study constitute a useful input into national rural banking policy revisions, general banking information, and integrated rural development planning.

1.6   Research Methodology

1.6.1 Instrument

This is essentially a field study. Thus, in addition to a review of library materials, two structured interview schedules were developed, validated and used to collect the required information. The first questionnaire/interview schedule was directed at the rural bank staff and sought information on:

-    loan applications, approvals and disbursements by enterprise/subsectors/sectors;

-    loan repayment and defaults;

-    savings mobilisations through different types of accounts - savings, fixed deposits, current accounts;

-    volumes of business transactions with respect to loans and advances, deposits and withdrawals; number of people opening and closing accounts, etc.,

-    banks overall performance in terms of losses incurred or profit accruing; and

-    problems encountered by the rural banks among others.

The second questionnaire/interview schedule was directed at the rural dwellers (farmers and non-farmers, as well as rural bank users and non-users), and solicited information on:

-    personal data (socio-economic characteristics) such as educational level, occupation, etc.,

- banking activities (such as types of accounts
  kept, frequency of bank transactions, etc.);

- application for bank loans made and the details
  thereof (whether loan applications were approved
  and disbursed; use of such loans, repayment status
  etc.);

- effect of the rural bank branch on respondents'
  banking habits, saving habits and availability of
  credit;

- assessment of the rural bank branch performance and
  impact on the community;

- the problems the bank users experience;

- the reasons for non-use of rural bank branch facilities
  by some rural dwellers, etc.

1.6.2 Sampling Plan

The study involved the collection of both primary and
secondary data. A two-stage sampling design was adopted in
selecting 200 rural persons for the study, that is, 20 persons
to a local government area. In the first stage, a purposive
sample of 10 communities with rural bank branches in 10
different local government areas (LGAs) of the state was
selected. In the second stage, 10 secondary units/households
studied in each community was selected through a systematic

random sample, using the village list, from the traditional ruler for each community as the sampling frame. As most of the rural banks were reluctant to disclose the identify of their customers, the 10 bank customers sampled were selected randomly by visiting the bank on a business day and soliciting their co-operation. Those subjects that did not show sufficient interest were replaced with other randomly selected persons.

The local government areas covered by the study and the rural banks sampled are indicated in figure 1.

1.6.3 Data Collection

The field work was conducted simultaneously in all the LGA's, with the assistance of six data collectors. These data collectors received a five-day training in interview techniques and on how to translate questions into local languages (Igbo and Igbo dialects), before they went to the field. The field work was closely supervised by the principal researcher. There are 13 commercial banks in Anambra state. Eight of these banks have 46 rural branches distributed over the 23 LGAs in the state. Table 1.1 shows the rural-urban distribution of the different bank branches in the state. African Continental Bank Ltd. has the largest number of bank branches while Progress bank Limited has the least.

Table 1.1:   Rural–Urban Distribution of Commercial Banks
in Anambra State, 1986.

Commercial Banks	Number of Urban Branches	Number of rural branches	Total	% of B to C
	A	B	C	D
1. African Continental Bank Limited	13	10	23	43.5
2. Allied Bank Limited	3	4	7	57.0
3. Bank of Credit & Commerce International Limited	2	–	2	0.0
4. Cooperative & Commerce Bank Limited	9	10	19	52.6
5. First Bank Nigeria Ltd.	9	9	18	50.0
6. International Bank for W/Africa Limited	2	–	2	0.0
7. Mercantile Bank Limited	2	–	2	0.0
8. National Bank Nigeria Limited	1	2	3	66.7
9. Pan African Bank Limited	1	1	2	50.0
10. Progress Bank Limited	1	–	1	0.0
11. Savannah Bank Limited	1	–	1	0.0
12. Union Bank Nigeria Limited	12	6	18	28.6
13. United Bank for Africa Limited	4	4	8	50.0
Total	60	46	106	43.4

Source: Information from Banks' Head/Area Offices, Enugu, 1987
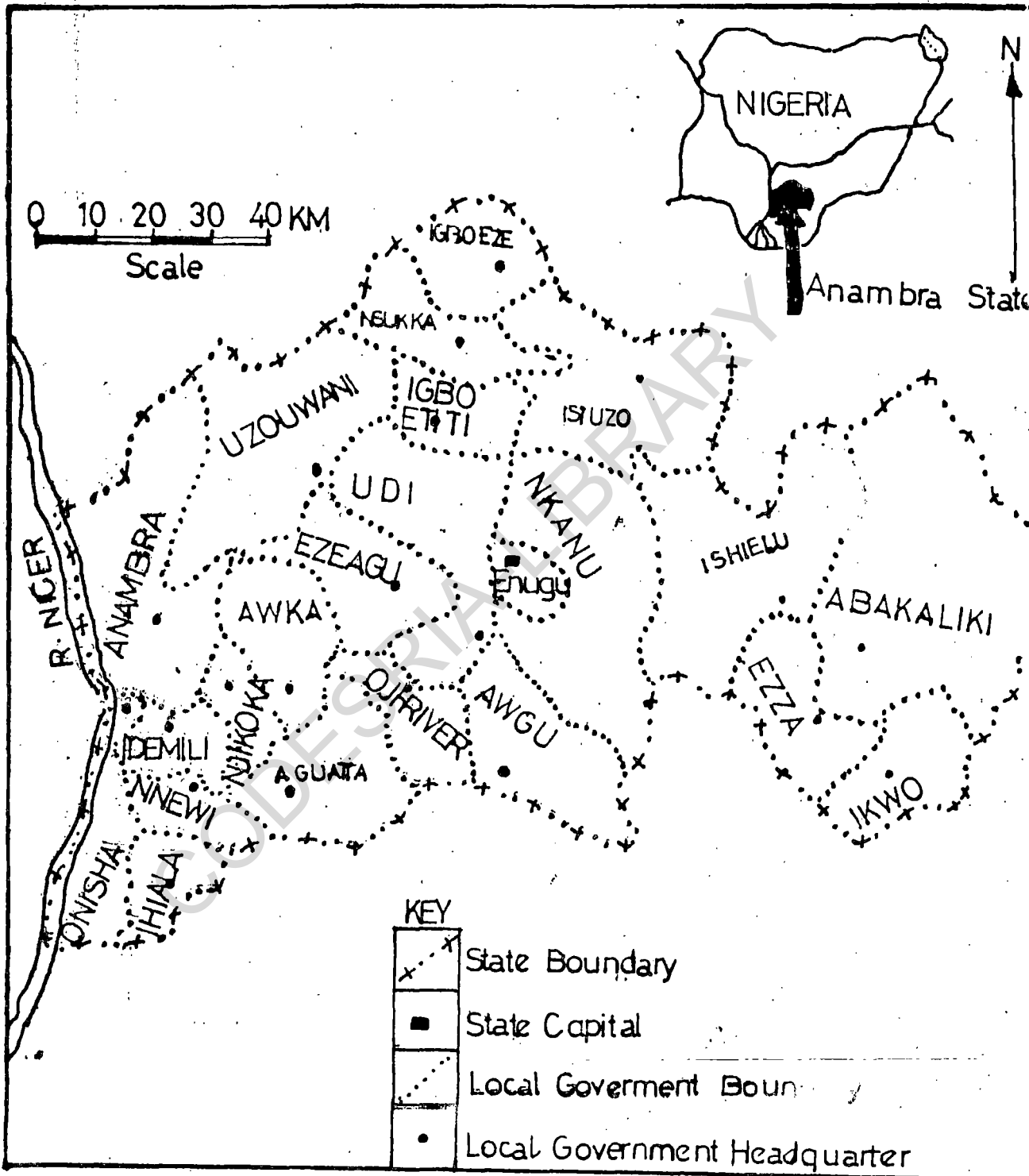
FIG1 ANAMBRA STATE LOCAL GOVERNMENT AREAS
SOURCE MAP OF ANAMBRA 1:250,000 (Survey Dept Enugu)

1.6.4 Analytical Technique and Model

The data generated were analysed using appropriate statistical techniques. The subjects were stratified into two groups, based on bank users and non-bank users characteristics - an important impact factor, which the researcher believes is centrally related to the theme of the study. Bank users were those who had any type of accounts with the rural bank branches or other banks (non-rural banks), while non-users were those who did not have any account with any bank. Similarly, the respondents were further sub-divided into farmers and non-farmers. This enabled the researcher determine and compare the impact of the rural banking scheme on the agricultural and non-agricultural sectors of the rural economy.

Bivaviate contingency tables with frequency distributions by numbers and percentages were used to summarize and present data on personal characteristics of the respondents. Multiple regression analysis was used to measure the relationship between volume of rural dwellers savings and some hypothesized explanatory variables. The effect of some socio-economic factors and banking habits was determined using the chi-square technique.

The model estimated is the volume of rural dwellers' savings model. The volume of rural dwellers savings function can be conceptualized in the implicit form as represented below:

$$Y = f(X_1, X_2, X_3, X_4, X_5, U) \quad . \quad . \quad . \quad . \quad (1)$$

where

Y = volume of mobilized rural savings (i.e. savings deposited with the rural branch);

X_1 = rural dweller's distance from bank;

X_2 = rural dweller's average annual income;

X_3 = major occupation;

X_4 = level of education;

X_5 = number of dependants; and

U = error term.

It was not certain a priori, the functional form the model will take. Consequently, four functional forms were tested. These include linear, double log, semi-log, and exponential forms. A priori, variable X_1, will have a negative coefficient, implying that the more the distance between a bank and the rural customer, the less the volume of savings. That is, there would be an inverse relation-ship between the volume of rural dwellers' savings and the rural dweller's distance to the bank. Variable X_2, is expected to have a positive coefficient, implying that the higher the average annual income, the higher the volume of mobilized rural savings.

Dummy variables were used as proxies for the qualitative factors, such as major occupation. The dummy takes the value of 1 and 0, the value 1 was assigned to rural dwellers who had farming as their major occupation, while 0 was assigned to non-farmers.

Level of education was measured by the number of years spent in formal school. This variable, a priori, was expected to have a positive coefficient as level of education increases one's awareness and appreciation of the importance and opportunities offered by the banks. Consequently, it is expected to be positively sloped, implying that with higher level of formal education, banking habit increases and volume of savings increases ceteris paribus. Variable X_5, number of dependants, is expected to have a negative coefficient, implying that, with greater number of dependants, the rural dweller's volume of savings decreases, and vice versa. In the model, Y represents the dependent variable while the X's the explanatory or independent variables. 1, 2 ---- 5 subscript identify the variable to which they are attached.

1.7 Limitations Of The Study

This study had some limitations arising from several factors. Some rural bank officials were reluctant to disclose information concerning their banks. Others demanded clearance from their headquarters before they could disclose 'vital' information. The delays in granting such clearances from the headquarters, and the time were serious limiting factors.

Some rural dwellers were reluctant to volunteer information especially regarding their annual incomes, percentage of the

annual income saved, the type of account they operate, etc. In spite of the assurances by the principal researcher that the information sought had nothing to do with tax assessment, some rural dwellers could not disclose any information. Some of the respondents who accepted to disclose information received question- naires but could not be reached by the time they promised to supply the information sought. Others who wanted to assist did not know what their annual incomes were.

A research of this nature requires a wider coverage, in terms of the number of rural bank branches and rural dwellers sampled. However, time and the uncooperating attitudes of the respondents constituted limiting factors. The poor condition of the rural roads made some localities inaccessible. Nevertheless, the limitations encountered were not in the least sufficient to make the study unproductive.

CHAPTER TWO

LITERATURE REVIEW

A lot has been written about rural banking in Nigeria

since the scheme was launched in 1977. Papers have been pre-

sented, while workshops, seminars, conferences and training

courses have been organised by several banking institutes,

colleges and universities on different aspects of rural banking.

However, not much research work has been done on the area

of the impact of the scheme on agriculture and rural develop-

ment in the state.

2.1 Concept Of Rural Development

Rural development has been variously defined. However,

two key concepts are obvious - "rural" and "development". The

former connotes a state of backwardness or underdevelopment

characteristic of the majority of African or Third World

countries engaged in agriculture. The later deals with the

phenomenon of mobilising human and material resources for the

achievement of higher levels of living on a continuous basis

(Ijere, 1987).

According to V.P. Diejemaoh (1973), rural development

is a "process of not only increasing the level of per capita

income in the rural area, but also the standard of living of

the rural population", the standard of living depending on

such factors as food and nutrition level, health, education,
housing, recreation and security. Phillips (1973) on the other hand,
sees the notion as connoting the condition and percentage of the
labour force in the agricultural sector. Adegboye (1973) defines
rural development as the "development of the rural people in such
a continuous manner as to enable them to most effectively and
efficiently utilize their intellect, technology and other resources
for further development of both themselves and their resources".
It is the view of the researcher that the main objects of rural
development are to:

(i)   effect substantial improvement in the social
      and economic life of the rural people;

(ii) increase the productivity of the rural labour
      force;

(iii) integrating and mobilising residents of the
      rural areas into definite social directions; and

(iv) developing the rural area dwellers so that they
      can participate fully and benefit from the
      overall economic growth.

There is difficulty in establishing the cut-off points for
the size of urban as against rural population; as well as that of
the exact percentage of the labour or even the population in the
rural areas due to lack of reliable census data. The United
Nations (1973) described a rural area as one with a population
density of less than 10,000 inhabitants and characterized by highly

integrated social systems, social values, attitudes, interpersonal relations and work habits. The Central Bank of Nigeria (CBN) did not attempt to define a rural area but designated some communities as rural based on certain criteria (Lot, 1983).

The word "urban" is defined as the focus of commercial, social, civic life of a people, the major employment of trained labour force, and the majority of the nation's educational and recreational facilities. The word "rural" on the other hand, connotes a place with agricultural orientation, buildings are farm houses, barns, sheds and other structures of similar purposes. The urban area is the seat of government or administration, with possible slums and insanitary conditions. The rural area is a collection of multiple farming dwellings and not totally unrelated nuclear families. In advanced countries, because of improvements in infrastructure, it is difficult to distinguish an urban from a rural area. In developing countries like Nigeria, the above distinctions are clear.

A rural area in Nigeria can be viewed as an area where agriculture forms the main economic activity of the population, while other activities like handicrafts (pottery, weaving, carving etc.) petty trading and other small-scale enterprises form a secondary business (Agu, 1983). The farmers operate uneconomic sizes of farms (less than 2 ha) for several reasons including lack of resources like capital. This lack of capital stems from the absence of banks and other institutionalized sources of credit in

the rural area, thus the justification for establishing the
rural banking scheme in Nigeria.

2.2 Agriculture And Credit Needs Of Farmers

The small-holders constitute more than 80 per cent of the
farming population in Nigeria (Olayide, 1980). They live in
the rural areas, and operate in a context of increasing local
population pressure, have a very small resource base resulting
in a low standard of living. The small-holders are poor and
rely to a greater extent on subsistence production (Ijere, 1986).

On the level of agricultural production by these small
farmers in Nigeria, Olayemi (1980) observed the use of family
labour, crude implements and dearth of capital as limiting
factors to increased productivity. Generally, the problems
of the Nigerian farmers have been extensively researched.
Several writers including Ijere (1979); Ezeanozie (1973);
Oluwasanwi and Alao (1965); Palmer and Ojo (1982) singled lack
of credit facilities in the rural areas as the most critical
problem limiting the productivity of the Nigerian farmers.
Vincent (1981), Adeyemo (1981), Chidebelu (1983) and Obiechina
(1985) revealed that lack of capital is the major constraint
to adoption of modern technology by the Nigerian farmers. Lack
of farm credit to strengthen the position of the farmer in
disposing his farm produce was identified by Adesoye (1982) as
a problem. The use of production credit, for instance, enables

the farmer take full advantage of seasonal price variation and

better bargaining power (Okorie, 1985) which lack of it does not

guarantee.

Two sources of credit are available to the Nigerian farmers.

These are: the informal sources (non-institutional) which include

credits from friends, relatives, private money lenders and the

merchant traders; the formal sources (institutional) include loans

from commercial and merchant banks. The two sources of credit have

been extensively researched. The merits and demerits of both have

also been highlighted by various researchers. Some writers including

Miller (1975), Aneke (1981), Obiechina (1985) are of the view that

inadequacies of the informal sources of credit resulted to most

Nigerian farmers not increasing their productivity, and did not

guarantee efficiency. The study by Ezeh (1974) on the credit needs

of the Nigerian farmers shows that there is a high demand for

agricultural credit which informal sources cannot satisfy. Ajayi-

Obe (1974) revealed that inadequate farmers not expanding their

production beyond mere subsistence level. Aneke (1981) found out

that more than 90 per cent of the farmers in Nkanu and Udi local

government areas of Anambra state resorted to informal sources

for financing their agricultural activities while only 10 per cent

used the formal sources.

Osuntogun and Akinbode (1980) revealed that one of the

pioneer efforts at establishing an institutional source of credit

through a national agricultural bank was made during the 1962-68

development plan period. However, the project was not implemented

due to the outbreak of the civil war. In 1969, the government

commissioned the World Bank to conduct a study for the establishment

of a Nigerian Agricultural Bank. The ensuing report - the Storeham

report - contained recommendations for the establishment of the bank

to assist the Nigerian farmers in their credit needs.

Unfortunately, in spite of the existence of many other financial

institutions, and the government agricultural credit guidelines,

a greater percentage of the rural farmers obtain their credit

assistance from non-institutional sources. The lack of acceptable

collaterals by the farmers constitute a major obstacle in securing

agricultural loan from institutional sources (Abe, 1981; Okorie,

1986). Besides the long administrative procedures, filling of

numerous forms, delays in disbursing such loans when approved by the

institutional sources discourage many peasant farmers. Nweze (1982)

revealed from the study on credit demand of farmers in Anambra state,

that high costs of borrowing loans, such as collateral requirement,

interest rate, transportation costs, and bureaucratic bottle-necks

of the formal sources resulted in most peasant farmers from going

to the village money lenders and other informal sources.

Formal sources, on the other hand, constitute an important

sources of credit to medium and large-scale farmers, who can readily

meet up with the requirements. The commercial banks prefer to lend

to this category of farmers. All the studies reviewed point to the

fact that commercial banks cater for only a small proportion of the

Nigerian farmers' credit needs. In order to ameliorate the situation, and provide the credit requirements of the farmers, the Federal Government of Nigeria through the CBN established the Rural Banking Scheme.

Several approaches have been advocated worldwide for the development of the rural areas. Some of these include: integrated rural development, land reforms; provision of basic needs and the formulation of appropriate agricultural policies that will both enhance productivity and income in the rural areas. Olatunbosun (1975) stressed that extending banking facilities to the rural areas would stimulate agricultural and rural development through the multiplier effect. Extension of credit facilities to the rural farmers does not suffice the needs in farm business but in addition, such facilities should be combined with a programme to promote savings as a counterpart of a viable credit scheme. This is what RBS aims at achieving.

2.3 The Creation Of Rural Banking Scheme

Conceptualization of rural banking per se varies among countries. Awosika and Nwoko (1983) are of the view that there is no unique way in which to develop a rural banking. This implies that there are varied strategies for developing rural banking especially in the Third World countries, including Nigeria. While some countries extend banking services to the

rural areas through commercial banks, co-operative societies, development banks, others do the same through established institutions (Okorie, 1986). Tanzania and Zambia extend rural banking services to their rural communities through development banks. Zimbabwe, China and Kenya provide rural banking services through regional co-operative unions. In Philippines, Indonesia and India, rural banks are established institutions through which banking services are extended to the rural areas. In Ghana, a rural bank is strictly a unit bank, owned, managed and patronized by the rural customers (Akuamoh and Agyemang, 1986). In Nigeria, commercials banks branches are located in the rural communities to promote rural banking activities to the rural population.

Most of the developing countries have multi-agency approach to rural banking (Okorie, 1986). However, the basic philosophy of the rural banking system is the same in all the countries. Ikoku (1986) defined a rural bank as "the placing of banking services at the disposal of the rural communities by the banks designed for the purpose". This definition of rural banking will serve as the working definition of this study.

The Nigerian economy, particularly the rural sector is "underbanked". Thus, it was in recognition of the gross inade-quacy of banking facilities in the rural areas, that the Federal Government enuciated the "Rural Banking Scheme"(RBS) policy as a panacea (Okorie, 1985) in 1977.

2.4 Growth of Rural Bank Branches In Nigeria Under The Three Phases Of The Scheme

The first phase of the RBS (1977-1980) in Nigeria required the eighteen commercial banks to open 200 branches throughout the country. In identifying the centres designated as rural areas for the first phase, priority consideration was given to local government headquarters throughout the federation. At least one bank branch was allocated to the LGA that hitherto had no bank branch. Also the banks which already had some rural branches were allocated fewer new rural branches.

In order to encourage the commercial banks comply with the CBN directives on RBS, some incentives were offered, which include:

(i) waiving the requirement for the feasibility reports as a pre-requisite for the establishment of rural bank branch;

(ii) allowing the banks the monopoly of providing banking services in the allocated centres for a period of three years, starting from the date of opening the branch;

(iii) allowing the banks to write off the capital costs of erecting office blocks and staff quarters within a period of three years; and

(iv) exclusion of loans and advances granted by the rural branch during the first two years of

existence in the computation of growth rates in

loans and advances and the ratio of adjusted

capital to loans and advances (Nigerian Banking

Annual Report 1984 - 1985, pp.110-111). .

During the second phase of the RBS (1980-1984), consideration
for allocation was based on the size and branch network of the
commercial banks throughout the country. Two hundred and sixty-six
rural bank branches were allocated to the twenty commercial banks
that participated in the scheme. The first phase of the scheme
recorded a performance of 94 per cent in regard to compliance with
the target. A total of 188 rural branches pout of the expected 200
branches were opened at the end of June 1980 (Olashore, 1983).
Under the second phase, sixty-eight per cent level of performance
was recorded as at the 31st December 1983. The CBN had to extend
the period of the second phase by a year, at the end of which 85
per cent of the 266 branches were opened. The problems associated
with the two phases of the scheme included problems of infrastructures,
accommodation facilities, low level of economic activities in the
rural areas, inadequacy of trained staff and inadequacy of publicity
on the role and functions of the rural banks.

The third phase of the scheme was launched on the 1st of August
1985, and is expected to end on 31st of July 1989. Under this phase,
300 centres have been identified and allocated to the 28 commercial
banks operating in the country as of 1st August 1985. The criterion

used in identifying centres and allocating to the commercial banks

was based on the size and network of the individual commercial bank.

While the oldest and biggest banks (First Bank of Nigeria, United

Bank for Africa, and Union Bank) were allocated the highest number

of rural branches (28 each), the smallest and newest banks like

Universal Trust Bank and Sokoto Co-operative Bank were allocated

the least number of branches (5 each, see table 2.1). Twenty-four

rural branches have been opened by the end of 31st December 198

under the third phase (Table 2.1), and a recent review of bank

establishment by the CBN shows that 51 rural bank branches have

already been opened leaving 249 outstanding as at June 1987, under

the third phase (CBN, 1987).

The distribution of the rural bank branches according to

states under the 3 phases is indicated in Table 2.1 and the per-

formances of the individual participating banks under the three

phases are indicated in table 2.2.

A total of 766 rural bank branches were allocated to be

opened within the 3-phases of the RBS. According to our research

findings, Anambra state tops the other states in the number of

rural branch allocations. While the state alone had a total of 57

allocations, representing 7.4 per cent of the total allocations for

all the states, Abuja (FCT) has only 4 allocations, which represents

0.5 per cent and Lagos state has 14 allocations or 1.8 per cent of

the total allocations. All other states were found to fall within

a range of 3.4 per cent to 6.9 per cent of the total allocations

Table 2.1: Statewise Allocation of Rural Banks'
Branches Under the 3-Phases of RBS
(1977-1989)

States	Phase I (1977-1980)	Phase II (1980-1984)	Phase III (1985-1989)	Total	% of Total
Anambra	19	19	19	57	7.4
Bauchi	10	15	17	42	5.5
Bendel	9	15	16	40	5.2
Benue	8	12	15	35	4.6
Borno	12	15	16	43	5.6
Cross River	7	17	17	41	5.4
Gongola	15	13	15	43	5.6
Imo	14	21	19	54	7.1
Kaduna	3	12	15	30	4.0
Kano	18	14	18	50	6.5
Kwara	6	12	16	34	4.4
Lagos	2	8	4	14	1.8
Niger	5	8	13	26	3.4
Ogun	10	9	15	34	4.4
Ondo	16	19	17	52	6.8
Oyo	16	18	19	53	6.9
Plateau	10	13	15	38	5.0
Rivers	9	12	13	34	4.4
Sokoto	11	14	17	42	5.5
Abuja (FCT)	-	-	4	4	0.5
Total	200	266	300	766	100.0

Source: Information From CBN Annual Report and Statement
of Accounts (various issues).

under the 3-phases of the scheme (Table 2.1).

According to Table 2.2, a total of 481 rural bank branches were opened under the scheme at the end of December 1986. First Bank Nigeria Limited, one of the three leading banks in the country, opened a total of 77 rural branches from a total number of 105 rural branches assigned to it, while Union Bank of Nigeria Limited established 64 branches and United Bank for Africa 63, out of the 91 and 87 branches allocated to them, respectively. Universal Trust Bank, Sokoto Co-operative Bank, Progress Bank, Oweni Bank, Nigerian International Bank, Lobi Bank, Habib Bank, and Commerciale Bank (Credit Lyon) Limited are yet to open rural bank branches.

2.5 Commercial Banks' Lending To Agriculture

In spite of the government efforts to boost agriculture by creating the RBS to solve the credit needs of the farmers in particular, the commercial banks have continued to deny the farmers from benefitting sufficiently from such good intended policy. It is evident from table 2.3 that the loans and advances to the agricultural sector which is the life wire of the country up-to-date have continued to fall below the prescribed minimum target.

One of the objectives of the RBS aims at achieving is not only to compel the commercial banks to establish rural

Table 2.2: Branch Allocations And Banks Performances Under The 3-Phases of RBS (1977-1989)

	Allocation under phase I	No. completed at the end of phase I	Allocation under phase II	No. opened at at 31/12/8	No. of allocations under phase III	No. opened as at 31/12/8	Total 1st, 2nd and 3rd phases 198 (allocated)	(Opened)
1. African Continental Bank	16	16	19	19	14	1	49	36
2. Allied Bank of Nig. Ltd	6	6	7	7	11	1	24	14
3. Bank of Credit & Comm.	–	–	6	6	16	–	22	6
4. Bank of the North Ltd.	6	6	19	19	14	2	39	27
5. Comm. Bank (Credit Lyon)	–	–	–	–	5	–	5	–
6. Co-operative Bank Ltd.	5	3	8	6	9	–	22	11
7. Co-op. & Comm. Bank Ltd.	7	4	8	8	9	3	24	18
8. First Bank of Nig. Ltd.	40	39	37	37	28	–	105	77
9. Habib Nig. Bank Ltd.	–	–	–	–	6	–	6	–
10. Int. Bank for W/Africa	11	10	13	13	15	1	39	25
11. Kaduna Co-op Bank Ltd.	3	3	6	6	5	2	14	11
12. Kano Co-op Bank Ltd.	6	4	6	3	5	–	17	9
13. Lobi Bank Nig. Ltd.	–	–	–	–	6	–	6	–
14. Mercantile Bank of Nig.	3	3	6	6	8	2	17	11
15. National Bank Ltd.	15	15	19	19	10	2	44	36
16. New Nigerian Bank Ltd.	4	4	9	9	8	2	21	15
17. Nig. Arab Bank Ltd.	7	5	6	5	9	–	22	12
18. Nig. Int. Bank Ltd.	–	–	–	–	5	–	5	–
19. Owena Bank Nig. Ltd.	–	–	–	–	6	–	6	–
20. Pan African Bank Ltd.	5	5	6	3	5	–	16	8
21. Progress Bank of Nig.	–	–	–	–	5	–	5	–
22. Savannah Bank Nig. Ltd.	7	7	11	11	14	–	32	18
23. Societe Generale Bank	–	–	6	6	15	–	21	6
24. Sokoto Co-op. Bank	–	–	–	–	5	–	5	–
25. Union Bank	27	27	36	36	28	1	91	64
26. United Bank for Africa	27	27	32	32	28	4	87	63
27. Universal Trust Bank	–	–	–	–	5	–	5	–
28. Wema	5	4	6	6	6	3	17	14
	200	188	266	257	300	24	766	481

Source: CBN Annual Report & Statement of Accounts, 1986.

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branches, but also to direct them grant a certain proportion of
their total loanable funds to agricultural sector which is the
mainstay of the Nigerian economy. Such will not only enhance the
agricultural productivity of the rural farmers but will also
inculcate in them good banking habits, and the eventual rural develop-
ment of the economy.

Table 2.3: Commercial Banks Loans And Advances to
Agriculture (1976-1986) N million

Year	Total Commercial Banks Loans N	Total loan to agric. sector	% of agric loan to total loan	Prescribed minimum %	Performance index %
1976	2122.9	76.6	3.7	6	1.7
1977	3074.6	139.1	4.5	6	75.0
1978	4109.7	224.5	5.5	6	91.7
1979	4624.4	329.6	7.1	8	88.8
1980	6349.1	462.2	7.3	8	91.3
1981	8582.9	590.6	6.9	8	86.3
1982	10275.3	786.6	7.7	8	96.3
1983	11093.9	940.4	8.5	10	85.0
1984	11503.7	1052.1	9.1	10	91.0
1985	12170.3	1310.2	10.8	12	90.0
1986	15701.6	1830.3	11.7	15	78.0

Source: Computed From Various Issues of CBN Economic And
Financial Review (1976-1986).

The CBN in its agricultural policy drive increased the minimum percentage of loans and advances to agricultural sector from 6 per cent in 1976 to 15 per cent in 1986 (Table 2.3). But according to the table the performance of the commercial banks in that regard have been fluctuating from 91.7 per cent in 1978 and 96.3 per cent in 1982 which dropped to 78.0 per cent in 1986. The commercial banks have attributed their poor performance to the paucity of bankable ventures in the rural areas, and lack of acceptable collaterals by the rural farmers, and the characteristic high risk syndrome attached to funding of agricultural projects.

CHAPTER THREE

SOCIOECONOMIC CHARACTERISTICS OF RURAL DWELLERS
IN ANAMBRA STATE

3.1 The Study Area

Anambra state occupies an area of approximately 17,675 square kilometers, which represents about 1.9 per cent of the 926,983 square kilometers total land area available in Nigeria. There are 23 local government areas (LGAs) with a total of 441 officially recognised autonomous communities in the state, and the population is estimated at 6.2 million (Anambra state Official Document No. 4 of 1987).

The state is bounded in the south by Imo state, in the north by Benue state, Cross River state in the east, and Bendel state in the west. It is located between latitudes $5^o45'$ and 7^oN and longitudes $6^o40'$ and $8^o28'$ E. The major urban centres in the state are Enugu, Onitsha, Abakaliji, Awka and Nsukka. These five urban centres constitute the 5 major agricultural zones in the state. Abakaliki agricultural zone consists of the following LGAs: Abakaliki, Ishielu, Ikwo and Ezza; Awka zone includes Awka, Njikoka and Aguata; Enugu zone includes Udi, Nkanu, Awgu, Ezeagu and Oji River; Nsukka agricultural zone is made up of Nsukka, Isi-Uzo, Uzo-Uwani, Igbo-Eze and Igbo-Etiti; while Onitsha agricultural zone consists of Onitsha, Anambra, Idemili, Nnewi and Ihiala Local Government Areas.

In terms of climate, the state belongs to the southern

rainforest zone of Nigeria, which falls within the third climatic region. This zone has three months in which rainfall is less than 60 mm and a mean annual rainfall which ranges between 1,875 mm and 2500 mm. However, a greater percentage of the rainfall occurs between April and September of every year, with a short break in August, often referred to as 'August break'.

Anambra state has a rich and vast agricultural and mineral resources. Farming is the predominant occupation of about 80 per cent of the population, who live in the rural areas. Crops such as yams, cassava, rice, maize, cocoyams, and oil palm are cultivated in abundance, though the average farm size distribution ranges from 0.1 ha to 2 hectares, which naturally could not guarantee any increased level of agricultural productivity. Other secondary activities like petty trading, carving, weaving, pottery, palmwine tapping, carpentry, etc., are practised by most of these rural dwellers in the state.

Anambra state has a rich cultural interitance and reflected in the dialects; the rich cultural festivals and the flourishing of such cultural festivals like masquerade festival characteristic of a tribe with a highly integrated social organisation. A greater proportion of the productive age group reside in the commercial centres within and outside the state but always come to the aid of their rural areas in execution of many self-help projects.

The rural banking scheme (RBS) was introduced among other reasons to provide an additional source of funds to the rural dwellers.

In Anambra state, there are 106 bank branches made up of 60 urban bank branches and 46 rural branches (Appendix II). Of the 106 brank branches, Onitsha LGA alone has 27 branches, following by Enugu with 20 branches, Abakaliki and Nsukka have 6 branches each, while in other LGA's, which are typically rural areas have between 1 and 2 (Appendix I).

The socioeconomic characteristics of any group of people is an important determinant of their banking habits. Banking habit was perceived as the number of times a rural dweller visited the rural bank to transact any banking business in a year. The explanatory variables surveyed and which were believed to have significant influence on the rural dwellers banking habit include: age distribution, level of education, type of occupation, distance of bank to the rural dwellers residence, transportation cost per trip to the bank, average time spent in the bank, percentage of income saved and quality of rural bank's services. The effects of some of these factors on the rural dwellers banking habit were analysed using the chi-square analysis and the results presented in Table 3.1. The degree of correlation between the regressand and the regressors (independent variables) as indicated in the volume of rural dweller's savings model is analysed using the multiple regression technique in chapter four.

Table 3.1:   Chi-square Analysis of Banking Habit (Y)
             and Explanatory Variables (Xs)

Banking habit (Y)	X_1	X_2	X_3	X_4	X_5	X_6	X_7	X_8
$X^2_{cal.}$ 0.05	3.72	10.12	2.30	69.88	27.49	56.16	11.50	3.12
$X^2_{tab.}$	16.92	25.0	7.81	79.1	36.4	40.1	16.92	7.81
degree of freedom	9	15	3	66	24	27	9	3
decision	accept	accept	accept	accept	accept	reject	accept	accept

The variables in table 3.1 are defined as follows:

$X^2_{cal.}$ 0.05 = computed value of X^2 at 5% level of significance

X^2_{tab} = critical value of X^2 (chi-square)

X_1 = age of the respondent (yrs)

X_2 = level of education (yrs)

X_3 = major occupation, measured with a dummy variable

X_4 = distance to the bank (km)

X_5 = transportation cost per trip to the bank (₦)

X_6 = average time spent in the bank (hr)

X_7 = percentage of income saved (%)

X_8 = quality of rural bank's services measured with dummy with values 0 or 1.

The computed chi-square values were compared with their critical values at 0.05 level of significance. The decision rule used can be stated as follows:

Reject Ho: if $X^2_{cal} > X^2_{tab}$ 0.05, otherwise accept.

3.2 Age Distribution

Age of the rural dwellers was considered as an important factor affecting their banking habits. However, the result of the chi-square analysis shows that age of the respondents did not affect their banking habits. This is confirmed by the non-significance of age in the chi-square analysis depicted in Table 3.1 in which $X^2_{cal} < X^2_{tab}$ at 0.05 level of significance. The null hypothesis in this case is therefore accepted, implying that the effect of age on banking habit is not significant.

The age distribution of the rural dwellers indicated that most of the respondents fell within the ages of 41 and 50 years while only 8 per cent fell within the ages of 21 to 30 years (Table 3.2).

Table 3.2: Age Distribution of Rural Dwellers in Anambra State, 1987.

Age of respondents	Absolute frequency	Relative frequency	Cumulative frequency
21 - 30 yrs.	16	8.0	8.0
31 - 40 yrs.	65	32.5	40.0
41 - 50 yrs	85	43.0	83.5
51 - 60 yrs.	33	16.5	100.0
Total	200	100.0	

3.3 Level Of Education Of The Rural Dwellers

The level of education of the rural dwellers interviewed is presented in Table 3.3. The table shows that the model class is 59, implying that the greatest number of the rural dwellers in the state had formal education up to a standard six certificate level or first school leaving certificate level. Only about 20 per cent of the interviewed rural dwellers did not have any formal type of education.

Table 3.3: Level of Education of Rural Dwellers
in Anambra state, 1987.

Educational Level	Absolute frequency	Relative frequency	Cumulative frequency
No formal education	40	20.0	20.0
Std. six certificate/first school leaving certificate	59	29.5	49.5
Govt class 4/WASC/GCE	36	18.0	67.5
Teachers Grade Two Certificate	31	15.0	83.0
OND/NCE	12	6.0	89.0
HND/B.Sc	22	11.0	100.0
Total	200	100.0	

Source: Field Survey, 1987.

Education was identified as a factor which affected the rural dweller's banking habits. This is because education does not only create a favourable mental atmosphere for the acceptance of new ideas but positively changes the overall attitude of the

of the individual towards life and progress. The adoption of new ideas, techniques and innovations to improve rural life has been found to depend largely on educational, economic and socio-cultural standards of the people (Lionberger, 1960).

The result of the chi-square analysis shows that level of education of the rural dwellers did not affect their banking habits. The a priori expectation is that as the level of education increases, banking habit of the rural dwellers also increase. The non-significant influence of the level of education on banking habit could possibly be explained literally from the working definition of banking habit as stated in this study. The implication is that a rural dweller does not necessarily increase the number of times he visits the bank in a year to transact any banking business as his level of education increases. The rural dwellers cultivated banking habits possibly as a result of informal education, such as the intensive enlightenment programmes mounted by the various government agencies and the commercial banks, which created awareness of the existence and services offered by the rural banks. It is the view of the researcher that such a strategy does not require higher levels of formal education by the recipients before they are appreciated.

3.4 Major Occupation Of The Rural Dwellers

Farming is the major and dominant occupation of the rural

dwellers in Anambra state. The study revealed that some of the rural

dwellers sampled had secondary occupations in order to augment the

meagre income from farming, where it is the major occupation.

Table 3.4:   Major Occupation Of Rural Dwellers

Occupation	Absolute frequency	Relative frequency	Cumulative frequency
Farming only	53	26.5	26.5
Farming and trading	69	34.5	61.0
Farming & any other (except trading)	20	10.0	71.0
Trading	35	17.5	88.5
Artisan (self employed)	5	2.5	91.0
Civil servants (govt. employees)	18	9.0	100.0
Total	200	100.0	

As indicated in Table 3.4 above, 26.5 per cent of the rural dwellers

sampled in the state had farming as their only occupation, while 44.5

per cent combined farming with some other form of business activities.

The chi-square test carried out to determine the influence of major

occupation on the banking habits of the rural dwellers showed a

non-significant influence at 5 per cent level. This follows from

the acceptance of the null hypothesis since $X^2_{cal} < X^2_{tab}$ at 0.05 level

of significance in table 3.1. The value of computed chi-squar ...30)

is less than the critical value (7.81) at 3 degrees of freedom. The

implication is that major occupation of the respondents has a

non-significant influence on their banking habits.

3.5   Other Factors That Affect Rural Dwellers Banking Habits

Some of the factors (a priori) expected to influence the rural dwellers banking habits include: the distance of the rural bank from the rural dwellers residence; transportation costs per trip to the bank to transact any banking business; the percentage of annual income saved; the quality of the rural bank's services as perceived by the rural customers; and the average time spent in the bank in transacting any banking business.

The result of the survey shows a non-significant influence of all the aforementioned factors (except the average time spent in the bank in transacting banking business) on the rural dwellers banking habits (see Table 3.1). It was found from the survey that the distance of the rural banks from the rural dwellers residence ranges from less than 1 km to 10 km; the cost of transportation to th bank ranges from 50k to ₦4.50; while the percentage of annual income saved ranges from less than 20 per cent to 40 per cent. The rural dwellers were asked about their perceptions of the quality of the rural bank's services and their responses measured with a dummy variable. The average time spent in the bank by the rural dweller in transacting any banking business was found to have a significant influence on his banking habits. The implication is that the rural dwellers increased their banking habits with lesser time spent in transact-ing any banking business, ceteris paribus, the reverse was also tr

CHAPTER FOUR

PERFORMANCE OF RURAL BANKS IN ANAMBRA STATE

In analysing and assessing the performance of a project,
several measures are used. However, the choice of any measure
depends on a mix of variables such as the type of the project,
objectives of the study; availability of appropriate data; and
the general applicability of the measure (Okorie, 1986). Thus,
the degree of compliance in rural branch establishment and the
granting of loans and advances by the rural banks are used as
measures of performance in this study.

4.1 Rural Bank Expansion In Anambra State Under The Three Phases
Of RBS

In Anambra state, six commercial banks participated in the
first phase (1977 - 1980) of the rural banking scheme. The state
was allocated 19 rural branches to be opened within the phase.
At the end of June 1980, 18 out of the 19 assigned branches were
opened (Table 4.1). A breakdown of the allocations to the parti-
cipated banks shows that African Continental Bank and Co-operative
and Commerce Bank had the lion's share of 5 branches each, while
Pan African Bank had the least number of branches allocated to
it. All the banks established the branches allocated to them,
except the Co-operative and Commerce Bank Limited that opened 4
out of the 5 assigned to it. In general, the scheme achieved
a 95 per cent performance under the first phase in the state, with

respect to compliance with the CBN directive on rural branch establish-

ment. During the second phase (1980 - 1984), 19 centres were again

identified and allocated to commercial banks in the state (see Table 4.1).

Table 4.1: Commercial Banks' Allocation And Compliance
In Anambra State Under The 1st and 2nd
Phases (1977 - 1984) Of RBS.

Commercial Banks	Phase I (1977-1980)			Phase II (1980-1984)		
	No. of alloca-tions	No. opened	Perfor-mance ratio %	No. of alloca-tions	No. opened	Perfor-mance ratio %
African Continental Bank	5	5	100.0	4	4	100.0
Allied Bank	-	-	-	3	3	100.0
Co-op. & Commerce Bank	5	4	80.0	3	3	100.0
First Bank	3	3	100.00	4	4	100.00
National Bank	-	-	-	2	2	100.0
Pan African Bank	1	1	100.0	-	-	-
Union Bank	2	2	100.0	2	2	100.0
United Bank for Africa	3	3	100.0	1	1	100.0
Total	19	18	95.0	19	19	100.0

Source: Information From Nigerian Banking Almanac, 1985/86.

As indicated in the table above, African Continental Bank and First

Bank were allocated the highest number of branches, while United Bank

for Africa had the least number of allocation (i.e. 1). All the

branches were established within that phase, thereby the scheme

recorded a 100 per cent performance in the state. The locations of the commercial banks in the local government areas of the state are indicated in Appendix I. The distribution of these commercial banks in the state shows that out of the 106 branches in the state, ACB has a total of 23 branches, followed by Co-operative and Commerce Bank with 19 branches, Union Bank and First Bank with 18 branches each, while Progress Bank and Savannah Bank have only 1 branch each in the state. Also, Appendix I revealed that Enugu and Onitsha local government areas have the highest number of bank branches in the state. They have 20 and 27 bank branches respectively, while Ezza, Ezeagu, Ihiala, Ikwo, Igbo-Etiti and Udi local government areas have 1 bank branch each. Appendix II shows the rural-urban distribution of the 106 bank branches in the state by local government areas, as at January 1987. A total number of 60 bank branches were located in urban centres while 46 were in the rural areas.

The allocation of rural bank branches for the third phase (1985 - 1989) shows that Anambra state again was assigned a total of 19 rural branches (see Table 2.2). The phase took off on the 1st of August 1985 and will end by the 31st of July 1989. Seven out of the 19 allocated branches to the state have already been opened as at January, 1987.

4.2 Savings Mobilisation

Three types of accounts are kept by the rural customers with

the commercial banks. These types include: Current account, Savings account and Fixed deposit account. The current account is operated through the use of cheque books issued by the banks to the customers. This type of account attracts an interest charge against the customer operating it. On the other hand, the banks pay the holders of savings and fixed deposit accounts interests.

Table 4.2: Type of Account Kept and Amount Deposited
by Rural Customers

Banks	No. of customers who operate the a/cs.				Total amount deposited by type			Total per bank	Average annual deposit per bank
	Current	Savings	Fixed deposit	Total	Current	Savings	Fixed deposit		
A	8748	6650	185	15583	2486572	4944448	3793500	11224520	1403065
B	4639	11638	13	16290	3084338	1175498	48500	4308336	1077084
C	1391	5098	30	6519	595803	1549340	2357143	4502286	570035
D	3612	4080	143	7835	790975	6364218	2455101	9610294	1781756
E	1327	3860	14	5201	4084397	3560401	150000	7794798	1299133
F	10218	1961	47	12226	1351907	10578858	257200	12187965	2437593
G	5121	5681	54	10857	2342780	1249898	7290999	10883677	1554811
H	793	2417	18	3228	2960150	5541629	8608827	17110656	4278413
I	896	7457	133	8486	5469647	9181577	689000	15340224	2556704
J	3630	18443	387	22460	2384240	8019718	3133445	13537403	1692212
Total	40375	67285	1025	108685	25550809	52165635	28783715	106500159	18650806
% Total	37.2	61.9	0.9	100.0	24.0	49.0	27.0	100.0	

Source: Field data, 1987.

It is evident from the study as shown in table 4.1 that some of the rural bank customers maintained more than one type of account. A total holding of 108,685 accounts were maintained by the rural bank

customers with the sampled rural banks in Anambra state. This

consists of 40,375 (or 37.2 per cent) current accounts, 67,285 (61.9%)

savings and 1,025 (0.9%) fixed deposit account. A further analysis

of the holders of the accounts shows that those who operated the

current type of account were mostly non-farmers. This includes

traders, civil servants, private business men, self-employed, etc.,

while the farmers constitute the majority holders of the savings

account. The survey further reveals that majority of the rural bank

customers maintained savings account while only a very small number

held fixed deposit account.

The significant number of these rural bank customers who

maintained accounts with the rural banks is an evidence that the

scheme (RBS) is performing satisfactorily in the state. This is

further backed by the large sums of deposits collected by these rural

banks in the state. The average annual amount deposited with the rural

banks in the state ranges from ₦570,035 to ₦4,278,413 per year (see

Table 4.2). This gives a value of ₦26,221,610 to ₦196,806,990 for

all the 46 rural bank branches in the state. Considering this huge

sum of rural deposits with the rural banks in the state, the RBS is

considered as making significant impact on the rural dwellers, parti-

cularly in the area of mobilisation of the rural savings which are

channelled to productive ventures.

In order to determine the degree of mobilisation of the rural

dwellers savings, four functional forms were used for the multiple

regression analysis. These were linear, semi-log, double log and

exponential functions.

type of occupation represented by variable X_3 has negative

coefficients in equation (1) and (2) but positively signed for

equations (3) and (4). The coefficients of X_4 are wrongly signed

in equation (1), (2) and (4). The variable X_4 is correctly signed

in equation (3), while the coefficient of X_5 has the correct signs

in all the four equations (see Table 4.4).

Table 4.4:   Summary of Regression Results

Eqn. No.	Constant term	X_1	X_2	X_3	X_4	X_5	R^2	F^*	DW
1	-299.60	-56.95 (0.80)	1.77 (9.88)	-264.02 (0.27)	-234.50 (2.08)	-46.76 (0.297)	0.61	54.84	2.04
2	0.0068	-258.7 (0.44)	9069 (8.49)	-947.7 (1.54)	-101.4 (1.19)	-23.9 (0.62)	0.53	57.12	2.24
3	7.687	-0.013 (2.86)	0.0002 (8.0)	0.0496 (10.53)	0.0122 (4.11)	0.0262 (1.73)	0.75	57.73	2.12
4	0.0255	0.0708 (1.31)	1.028 (10.6)	0.0027 (6.05)	0.0644 (3.68)	0.0965 (0.95)	0.70	7.14	2.18

Note: Below each variable is the coefficient and
corresponding t-ratio in brackets.

On the basis of signs of the parameter estimates, the exponential

functional form represented in equation (3) possesses correctly signed

coefficients or estimates for all the variables. Thus in equation

(3), X_1, the rural dweller's distance to the bank (km) has a

negatively signed coefficient as stated in chapter one, while X_2,

Regression Analysis Results

The estimated equations which are the final results of the analysis are presented below based on the OLS regressions of the specified model.

(1) The Linear Equation:

$$Y = -299.6 - 56.95X_1 + 1.77X_2 - 264.02X_3$$
$$\quad\quad (0.80) \quad\quad (9.88) \quad\quad (0.27)$$

$$- 234.50X_4 - 46.76X_5$$
$$\quad (2.08) \quad\quad (0.297)$$

$$R^2 = 0.61 \quad\quad \bar{R}^2 = 0.59$$

$$F^* = 54.84 \quad\quad DW = 2.04$$

(2) The Semi-logarithmic Equation:

$$Y = -0.0068 - 258.7X_1 + 9069X_2 - 947.7X_3$$
$$\quad\quad\quad (0.44) \quad\quad (8.49) \quad\quad (1.54)$$

$$- 101.4X_4 - 23.9X_5$$
$$\quad (1.19) \quad\quad (0.62)$$

$$R^2 = 0.53 \quad\quad \bar{R}^2 = 0.51$$

$$F^* = 57.12 \quad\quad DW = 2.24$$

(3) The Exponential Equation

$$Y = 7.687 - 0.013X_1 + 0.0002X_2 + 0.0496X_3$$
$$\quad\quad\quad (2.86) \quad\quad (8.0) \quad\quad (10.53)$$

$$+ 0.0122X_4 + 0.0262X_5$$
$$\quad (4.11) \quad\quad (1.73)$$

$$R^2 = 0.75 \quad\quad \bar{R}^2 = 0.70$$

$$F^* = 57.73 \quad\quad DW = 2.12$$

The Double logarithmic Equation:

$$Y = -0.0255 + 0.0708X_1 + 1.028X_2 + 0.0027X_3$$
$$(1.31) \quad\quad (10.6) \quad\quad (6.05)$$

$$+ 0.0644X_4 + 0.0965X_5$$
$$(3.68) \quad\quad (0.95)$$

$$R^2 = 0.70 \quad \bar{R}^2 = 0.68$$

$$F^* = 67.14 \quad DW = 2.18$$

The figures immediately under the parameter estimates are the corresponding t-ratios of the estimates. The R^2, coefficient of multiple determination measures the degree of variation in the regressand explained jointly by the regressors. $\bar{R}^2$ is the summary statistics, R^2, adjusted for degrees of freedom. It is also a measure of the goodness of fit of the estimated equation. F^* is the variance ratio, used to test the statistical significance of the joint impact of the regressors on the regressand. DW is the Durbin-Watson statistic, used to test for the presence or otherwise of auto-correlation.

Evaluation Of The Estimates

(i) Economic criteria: The algebraic signs and magnitudes of the parameter estimates were examined to determine the extent the directions of the influences of the various explanatory variables on the dependant variable conform with the a priori theoretical expectations as stated in chapter one. The examinations show that

rural dweller's average annual income (N) has a positively signed coefficient also as stated. The implication is that with increase in the rural dweller's average annual income, all things being equal, the volume of his rural savings increases, and vice versa. The variables X_3 and X_4 are positively signed, while X_5, number of dependants of the rural dweller is negatively signed, all in conformity with the a priori expectations stated in chapter one.

(ii) Statistical criteria: This seeks to evaluate the statistical reliability of the estimates of the parameters of the regression model. F-test and t-test are used to make such analysis. While F-test is used to determine the overall significance of the regression equation model, the t-test is used to investigate the significance of the individual parameters (coefficients). The results of the various tests are presented in table 4.4.

Decision rule,

Ho: b = 0

Ho: b ≠ 0

Reject HO: if $F_{cal} > T_{tab}$ at 0.05 level of significance, otherwise accept. Also for the t-test, reject Ho: if $t_{cal} > t_{tab}$ otherwise accept.

The null hypothesis implies that the estimated coefficients are all equal to zero and statistically not significant. Whereas, the

alternative hypothesis implies that not all the estimates are zero, and their joint effect on Y is significantly different from zero. Based on the decision rule, the null hypotheses are rejected and the alternative ones accepted for the F-tests, for all the equations. The observed F-ratios, F*, were greater than the theoretical F-ratio, F, at the 0.05 level of significance. The implication is that all the regression equations are statistically significant. The explanatory variables $(X_1 \ldots \ldots X_5)$ as contained in the equations 1 - 4 do actually have significant influence on the dependent variable (Y).

In the case of the t-test, two tailed tests are usually conducted by comparing the observed t-ratio, with the theoretical t-ratio at n-k degrees of freedom. The observed t-ratio is equal to each parameter estimate divided by its standard error. In this study however, only one tailed test is conducted, since the economic criteria already considered provides us with a priori expectations regarding the signs of the coefficients of the economic relationship.

CONCLUSION

The result of the F-test which explained the joint influence of all the explanatory variables on the volume of rural dwellers savings is statistically significant in all the four equations. The result of the analysis also confirms that only equations (3) and (4) have a high R^2, coefficient of multiple correlation of 75 per cent and 70 per cent, respectively.

Based on the criteria used to test the significance of the
estimates, equations (1), (2) and (4) are dropped while
equation (3), the exponential functional form is considered
appropriate in explaining the volume of rural dweller's saving
model. The variation in the explanatory variables in the
regression model accounted for a 75 per cent of the variations
in the dependent variable. The unexplained effects on the
volume of rural dwellers savings could possibly be accounted for
by the average time spent in the bank for transactions which
was found to have a significant influence on the rural dweller's
banking habits in this study, and other avenues for savings
utilized by these rural dwellers in the area of study.

4.3   Other Avenues For Saving And Obtaining Credits

The sources of capital/credit for financing business
activities by the rural dwellers, as well as avenues for savings
include the institutional and non-institutional sources. The
institutional source include loans from the commercial banks,
while the non-institutional sources include money from previous
savings, loans and gifts from oney lenders, friends and relatives,
loans from co-operative societies, Esusu, social clubs, age
grades, etc. The result of the survey shows that most of the
respondents resorted to their previous savings as their major
source of finance, while very few obtained loans from the

commercial banks (see table 4.5). The significance of this is that in spite of the government efforts to compel commercial banks to establish in the rural areas and extend their credit facilities to the rural dwellers, some of the rural dwellers prefer non-institutional sources.

Table 4.5: Sources Of Finance Of Rural Dwellers In Anambra State, 1987

Source	Frequency	% of 200
Money from previous savings	179	89.5
Loans and gifts from friends/relatives	59	29.5
Loans from co-operative societies	37	18.5
Loans from Esusu, social clubs, age grades	24	12.0
Loans from village money lenders	18	9.0
Loans from commercial banks	14	7.0
Others	5	2.5
Total	336	168*

Source: Field data, 1987
*Does not add to 100 because of multiple answers.

Table 4.5 revealed that 89.5 per cent of the respondents resorted to their previous savings while less than 30 per cent utilized other avenues. Only about 7 per cent benefitted from the commercial banks as most others could not tender acceptable collaterals and other conditions required, which the non-institutional sources did not consider as pre-requisites for granting credit assistance.

Table 4.6:   Credit and Advances to the Rural People

Banks	average annual deposits N	average annual loans & advances N	average annual loans & advances to agric sector N	average annual loans & advances to other sectors N	ratio of annual loans & advances to annual deposits	Deviation from pres- cribed 40%	ratio of agric loan to other sectors
A*	1403065	575256.7	27037.0	548219.7	41.0	+1.0	4.7
B	1077084	409291.9	12688.0	396603.9	38.0	-2.0	3.1
C	570035	182411.2	138814.9	43596.3	32.0	-8.0	76.1
D	1781756	659249.9	34281.0	624968.7	37.0	-3.0	5.2
E	1299133	558627.2	64860.0	493826.4	43.0	+3.0	11.6
F	2437593	682526.0	54602.1	627923.9	28.0	-12.0	8.0
G	15354811	575280.1	87442.6	487837.5	37.0	-3.0	15.2
H	4278413	1625796.9	48773.9	1577023	38.0	-2.0	3.0
I	2556704	1055918.8	39069.0	1016849.6	41.3	+1.3	3.7
J	1692212	666732.0	22669.0	644063.0	39.4	-0.6	3.4
Ave-rage	1865080.6	699109.07	53023.75	646091.20	37.5	2.5	

Source: Field data, 1987.

*A to J cannot be traced to any rural bank.

Our findings show that the rural banks granted 37.5 per cent against the CBN 40 per cent, of the total deposits collected in the rural areas in Anambra state (Table 4.6).   This performance is less than the prescribed minimum target by 2.5 per cent points, on the basis of which the null hypothesis is accepted while the alternative one rejected.

However, three rural banks exceeded the CBN 40 per cent prescribed

minimum by 1%, 3% and 1.3% respectively. One of the rural banks
only granted 28 per cent of her total deposits as loans and
advances to the rural area of operation. On an average performance,
the rural banks in the state recorded a 94 per cent achievement
with respect to granting of loans and advances to the rural
centres (37.5% of CBN 40%). This is regarded in this study as
a satisfactory performance. The lending pattern of the rural
banks to agricultural sector shows that apart from bank 'C' that
concentrated 76.1 per cent of her total loans and advances to the
agricultural sector, other rural banks granted only 3.0 per cent
to 15.2 per cent of their total loanable funds to agricultural
sector (see table 4.6). This poor performance of the rural banks
towards funding of agriculture has been attributed to the riskiness
of the enterprise among other factors.

4.4   Other Services Rendered By The Rural Banks

       A commercial bank is in the business of buying money (savings
and deposits) and selling money (loans and overdrafts) for
profit. In so doing it performs the economic function of
mobilising and channelling funds to productive ventures and
projects (Jawando, 1985). The common services provided by the
rural banks to their customers include: keeping of accounts;
handling of cash and provision of draft; safe-keeping of valuables,
lending of money including offering advice on its investment;
and collection of rents and acquisition of shares on behalf of

their clients. None of the rural banks sampled offered foreign

exchange transactions to their customers. The study found out

that these rural banks instead refer their potential customers

to their urban branch or their headquarters.

4.5 Encouragement Of Banking Habits

The null hypothesis (Ho): that rural banking scheme has

not encouraged banking habits among the rural dwellers in Anambra

state was tested using the chi-square test (X^2). Banking habit

is defined in this study as the number of times the rural dweller

visits the bank in a year to transact any banking business. The

banking transactions include making deposits, withdrawals,

payments, etc. The X^2 test used measured the discrepancy existing

between the observed and the expected frequencies. The details

of the calculation is shown in Appendix III, IV and V.

The rural dwellers were asked whether they acquired banking

habits through the RBS or not. The number of the respondents that

agreed are presented in column A of table 4.7 while those that were

of different views in column B.

Table 4.7: Number of Rural Dwellers and Banking Habits

Rural banks represented by A - J	A	B	C	D	E	F	G	H	I	J	Total	% of total
A*	18	13	20	14	12	18	18	15	10	16	154	77.0
B**	2	7	0	6	8	2	2	5	10	4	46	23.0
Total	20	20	20	20	20	20	20	20	20	20	200	100.0

Source: Field data, 1987

*those who agreed that they acquired banking habits through RBS
**those who did not agree.

A X^2 analysis gives a calculated X^2 value of 25.51 while the tabulated value of 0.05 level of significance is 3.33. On the basis of the decision rule, to reject the null hypothesis if the calculated X^2 was greater than the tabulated value, otherwise accept, the null hypothesis was rejected, while the alternative was accepted. The implication of the acceptance of the alternative hypothesis is that the scheme has encouraged significantly, banking habits among the rural dwellers in the state.

CHAPTER FIVE

PROBLEMS AND PROSPECTS OF RURAL BANKING SCHEME IN
ANAMBRA STATE

5.1   Commercial Bank's Perspective Of The Problems

The problems of rural banking as identified by this study
which existed in the first and second phases of the scheme and
still exist in the third phase include: poor staffing and man-
power development in the commercial banks; lack of patronage and
high operating costs; and lack of the necessary infrastructural
facilities.

5.1.1 Poor Staffing And Manpower Development

The survey of the rural banks' expansion programme and their
personnel requirements in the state revealed that these rural banks
are poorly staffed. The staff strength of the various sampled
rural banks in the state as shown in table 5.1 when compared with
their numerous rural customers, show a poor bank staff to customer
ratio. For instance in bank A, the bank staff to customer ratio
is 1:1542 persons while in bank J, it is 1:2100 persons. The
least ratio is observed in bank H, where the bank staff customer
ratio is 1:221 persons. This is considered as a poor ratio and
support the claims by most of the bank staff that they are over-
worked. Most of these staff have to put in extra working hours
in order to meet up with the demands of the profession.

Secondly, the quality of the staff which is considered as

a single most important element in the successful operation of any

bank, is not satisfactory. In a complex and rapidly changing economic

condition like ours, it is demanding for all the banks' staff to be

aware of the responsibilities entrusted on them and provide efficiently

the financial services to the rural dwellers for which they were

established.

Table 5.1:   Staff-Customer Ratio of Rural Banks
             in Anambra state, 1987 (per yr.)

Commercial banks	average number of rural customers	Staff strength	Staff-customer ratio
A	13876	9	1:1542
B	4849	15	1:323
C	4699	9	1:522
D	12001	11	1:1091
E	8559	25	1:342
F	13547	14	1:968
G	11606	12	1:967
H	1764	8	1:221
I	7616	10	1:762
J	23100	11	1:2100
Total	101617	124	1:820

Source: Field data, 1987.

The study also found out that most of these bank staff did not

possess the relevant qualifications suited for the profession. Most of

the staff were either West African School Certificate holders or possessed degrees in other fields not related to banking. It is not enough for these banks to invest in inanimate objects such as computers and new offices, investment in human capital requires a greater attention. With such an investment in training and development, the banks can provide the right type of people and service to improve on the performance of banking institutions in the country.

In most of the rural banks sampled in the state, the staff employed lacked the basic, and sufficient in-service training. This is quickly discernible when one engages into any discussions or seeks assistance from such staff, and particularly, at the management level, the staff did not appear to enjoy as much benefits in pay and training as their urban counterparts. The consequence is very obvious, the rural banks are ill-equipped in manpower and cannot cope with the increasing demands of their numerous rural customers.

5.1.2 Lack Of Patronage And High Operating Costs

The smallness of rural deposits makes it difficult for the rural bank branches to operate effectively and profitably. This poor situation as revealed in table 5.2 shows that only banks A, F, and G made an average annual profit of ₦367160.25, ₦12317.4 and ₦1048200 respectively. All the other rural banks did not make any profit since their operating costs were higher than

the returns (see Table 5.2).

Table 5.2:   Operating Costs and Returns of Rural
             Banks in Anambra State, 1987.

Commercial banks	average annual opera-ting costs ₦	average annual income (returns) ₦	average annual profit ₦
A	1,643,238.75	2,010,399	367,160.25
B	77,750	27,750	-50,000
C	229,750	161,750	-68000
D	143,443.1	93,510	-49,933.1
E	2,213,500	1,260,333	-943,167
F	135,996.3	148,313.7	12,317.4
G	153,000	1,201,200	1,048,200
H	831,000	571,500	-259,500
I	366,650	138,833	-227,817
J	2,170,249	178,803.6	-38,221.3

Source: Field data, 1987

The reason for the poor performance of these rural banks could possibly be attributed to the nature of the rural economy. A rural economy in Nigeria is predominantly agrarian, while other activities like handicrafts (pottery, weaving, carving, etc), petty trading and other small scale enterprises form a secondary occupation to augument the meagre income from agriculture (Agu, 1983). The farmers operate uneconomic sizes of farms (less than 2 ha) due to lack of resources and fragmentation of the land. Most of these farmers regard farming as a way of life and not as a business. The result of the small-scale

nature of the rural economy is the high average costs of
production (services) for the banks participating in the scheme.

5.1.3 Insufficient Infrastructure

There is the lingering problem of lack and inadequacy of
infrastructure in the rural areas. A survey of the facilities
enjoyed by the rural banks in Anambra state shows that 7 out of
the 10 rural towns where the banks are located used plant gene-
rators as alternative source of electricity supply. There are

Table 5.3: Survey Of Facilities In Rural Banks
Location in Anambra State, 1987.

Town of rural bank location	Electricity supply	Telephone services	Police station	Accommodation for banks staff	Condition of rural roads	office space (parking space)	Medical services (centres)	pipeborne water
A	plant	none	none	inadequate	poor	inadequate	Expensive	none
B	plant	"	"	"	"	"	"	"
C	"	"	"	"	"	"	"	"
D	"	"	present	"	"	"	"	"
E	"	present	none	"	"	"	"	"
F	NEPA	"	"	"	"	"	"	"
G	NEPA	"	present	"	"	"	"	"
H	NEPA	"	none	"	"	"	"	"
I	plant	none	"	"	"	"	"	"
J	plant	none	"	"	"	"	"	"

Source: Field survey, 1987.

no telephone services in 6 of the rural areas, while police

station is located in only 2 rural centres (see Table 5.3). Most

of the banks staff have to reside in nearby urban centres due

to inadequate accommodation in the rural areas. The condition of

the rural roads are poor while none of the rural areas where the

banks are located has pipeborne water.

These make it problematic for the commercial banks to

operate in these rural areas. Moreover, the deplorable situation

prevents the establishment in such areas, of other industrial and

service firms whose presence would make the location of rural

banks attractive. The absence of these infrastructures increase

the rural banks' operating costs. For instance, the situation

whereby those rural banks have to purchase generators as alter-

native to NEPA supply of electricity increases their operating

costs. These lack of infrastructures militate against the

effective performance of the commercial banks in the rural areas.

5.2 Rural Customers' Perspective Of The Problems.

Most of the rural dwellers encounter some problems and

difficulties which hinder their effective utilization of the

services provided by the rural banks. Some of the problems

revealed by the study include: collateral requirements, high

interest rate charges, inadequate loans and advances when granted

and the delays in their disbursement.

5.2.1 'Rigid' Collateral Requirements

The conditions under which the commercial banks grant loans

and advances (credit) to the rural customers sometimes militate against the effective demand by the rural dwellers. Some of these requirements which the rural dwellers described as 'rigid' include: legal mortgage on landed properties (TPG), guarantee by at least two reputable members of the society known to the banks, the CBN guarantee scheme fund (ACGSF), feasibility report of the intended venture, certificate of insurance policies and tax clearance receipts. Some of these conditions can only be met by a few of the rural dwellers, hence the insignificant number of customers granted loans and advances by the rural banks.

The inability of the rural dwellers to satisfy these rural banks requirements for grant of credits possibly explain the rural banks reluctance to comply fully with the CBN directives on credit guidelines.

5.2.2 High Interest Rate Charges

Interest is the price paid for the use of money or capital, and the rate is that ratio of interest to the borrowed capital. This suggests that interest is the reward for parting with liquidity for a specified period. The commercial banks charge interest on the loans and advances granted to their customers. The Central Bank allows the commercial banks to determine the interest rates which are displayed in their business premises to create awareness to their customers. Table 5.4 shows the interest rates (%) charged by the banks for the periods 1985

Table 5.4:   Interest Rate (Per cent) Charges By Commercial Banks

		1985	1986	Oct 1986
(i)	Minimum Rediscount Rate	10	10	
(ii)	Treasury Bill Issue Rate	8½	8½	
(iii)	Treasury Certificate (1 year)	9	9	
(iv)	Treasury Certificate (2 years)	9½	9½	
(v)	Federal Government Stock	10½-12½	10½-12½	
	4-8 years maturity	10½	10½	
	9-14 years maturity	10½	10½	
	15-20 years maturity	11½	11½	
	21-25 years maturity	12½	12½	
(vi)	Deposit Rates (commercial banks) Savings Deposits	9½	9½	9½
	Time Deposits with 7 days notice	8½	8½	8½*
	Time Deposits for one month	9	9	)
	Time Deposits for 1-3 months	9¼	9¼	)
	Time Deposits for 3-6 months	9½	9½	) Negotiable
	Time Deposits for 6-12 months	9¼	9¼	)
	Time Deposits for over 12 months	10	10	)
(vii)	Lending Rates: Maximum	13	13	15
	Agricultural Credit Guarantee Scheme	8-9	8-9	10-11
	Residential Housing costing not more than ₦100,000	9½	9½	11½
	Agricultural Production	9	9	11
(viii)	Specialized Institutions:			
	Federal Savings Bank - Savings Deposit Rate	9½	9½	9½
	Nigerian Industrial Development Bank (Lending Rates)	10½-13	10½-13	12½-15
	Nigerian Bank for Commerce and Industry (Lending Rates)	10-13	10-134	12-15
	Nigerian Agricultural & Co-op Bank (Lending Rates for Agricultural Production)	8-9	8-9	10-11
	For Agricultural Commodities Marketing	9½	9½	11½
	Federal Mortgage Bank - Savings Rate	9½	9½	9½
	Lending Rates	9½-13	9½-13	11½-15
	(i) Residential Housing	9½	9½	11½
	(ii) Commercial Property	13	13	15

*Mininum Time Deposit Rates

Source: CBN annual report and statement of accounts 1986.

and 1986. But following the restrictive monetary policy of the CBN, there was a general upward revision and deregulation of the interest rates.

The minimum rates of interest payable on savings and time deposits were revised upwards from 9½ and 8½ per cent in 1986 to 11 and 12 per cent in January 1987 respectively (CBN, 1987). Although banks were allowed to negotiate with their customers higher interest rates on time deposits, the maximum lending rate fixed at 15 per cent in October 1986 was retained at that level. Considering the nature of the rural dwellers enterprises and the meagre income, the thoughts of many that the lending rate is high appears to be reasonable. Many of the rural dwellers interviewed revealed that they have been constrained from borrowing from the commercial banks because of the 'high' interest, which they have to pay on the sum borrowed.

5.2.3 Inadequacy Of Loans And Advances

Most of the rural banks did not disclose the total amount of loans and advances requested by the beneficiaries. Table 5.5 gives information on the average annual number of loan applicants and the number that benefitted. The survey shows that only about 47.4 per cent of the loan applicants were granted some amounts which fell short of the sum requested. The inability of the banks to grant all the requests for loans and advances has been attributed to the lack of acceptable collaterals by the applicants

Table 5.5: Rural Banks' Loans And Advances, in
Anambra State, 1987.

Banks	average annual No. of loan applicants (A)	average annual No. of loan bene-factors (B)	Ratio of B to A % (C)	Total annual amount requested (₦) (D)	Total annual amount approved (₦) (E)	Ratio of D to C %
A	63	33	52.4	NS	575250.7	-
B	57	20	35.1	NS	409291.9	-
C	84	72	85.7	1,025,000	182411.2	17.8
D	66	22	33.3	NS	659249.9	-
E	146	68	46.6	1,650,000	558627.2	33.9
F	133	35	26.3	NS	682526.0	-
G	133	100	75.2	NS	575280.1	-
H	62	32	51.6	NS	1625796.9	-
I	63	33	52.4	NS	1055918.8	-
J	312	115	36.9	NS	666732.0	-
Total	1119	530	47.4	-	6991090.7	-

Source: Field data, 1987.

NS: Not supplied

and the risk of default.

The effect is that most of these rural dwellers resort to other

sources like village money lenders, friends and relatives where those

requirements are not demanded. The inability to benefit from the

institutionalized credit facilities invariably would discourage many

from developing banking habits.

5.3 Government/CBN Implementation Problems

Some problems which are encountered by the Central Bank in the implementation of the rural banking scheme include: difficulties in enforcing compliance with the directives on RBS, provision of adequate incentives and personnel problems.

5.3.1 Enforcing Compliance With The Directives

The Central Bank because of the unattractiveness of the rural economy and the serious implications of the neglect of agriculture, and the rural economy devise strategies aimed at ensuring compliance with its directives by the commercial banks. Hitherto, because of the risky nature of the agricultural ventures, commercial banks are reluctant to comply with the CBN directives. The CBN on the other hand, finds it difficult to impose strict sanctions on the defaulting banks (Umoh, 1986). Most of the indigenous commercial banks are controlled by the state government and individual shareholders, which poses a problem in enforcing compliance with the CBN directives. Most of these banks only establish in the commercial centres where there are viable projects to finance, while those that are not of a particular state origin refuse to establish in such rural areas of the state. Most of the shareholders insist on profit motives for establishing their banks which cannot be derived in the rural areas (especially the new banks). They resist efforts by the CBN to compel them to establish in those rural areas.

5.3.2 Provision Of Adequate Incentives

The Central Bank cannot provide all the necessary incentives required before the commercial banks could establish in any rural area. Absence of adequate incentives tend to deter some commercial banks particularly the ones that are not state-owned from establishing in the rural areas, where there are no bankable ventures. However, some of the incentives promised by the CBN were not provided (Umoh, 1986). This again discourages some banks who would have established in the rural areas. The Central bank should provide realistic incentives which would spur the commercial banks to comply with the directives on RBS. The CBN through the government could assist a bank to acquire land in the rural areas, assist in the mass enlightenment programmes in the rural areas about banking services, etc.

5.3.3 Lack Of Adequate Personnel in CBN

The CBN lacks adequately trained staff to execute most of its policies, and implement particularly the RBS directives (Umoh, 1986). The CBN is required to examine and oversee the operations of the commercial banks and other financial institutions to ensure that its credit guidelines are complied with. Secondly, the quality of existing personnel in the CBN contribute to the difficulties encountered. Okoye (1987) observed that the politics of recruitment of the staff particularly at the top and inter-mediate levels contribute to the problems encountered by the CBN.

Any recruitment of staff which does not satisfy some minimum criterion of competence, suitability and honesty puts the performance of the bank at great risk in achieving its objectives on the rural banking scheme.

5.4 Prospects Of Rural Banking Scheme

The Nigerian banking system has come of age and has fully matured and blossomed. The logistic problems of the RBS notwithstanding, the challenges appear to be a peg on which to hang hope for effective and result-oriented development of the rural areas. The scheme has a bright future particularly as there abound a lot of fortunes in these rural areas.

5.4.1 CBN/Government Support

The incentives given by the Central Bank and the government to the commercial banks provide enough attraction for these .s to establish in the rural areas and become fully operat. .. These incentives enhance the achievement of the obje s of the RBS. The efforts of the government in the a rural development provide enough encouragement for tl. nks to op. Since majority of the population live in these rural areas, one cannot but agree with Ajani (1983) that money res abound in the rural areas, which when mobilized by the banks increases the prospects of the scheme. Most of the rural banks have made significant contributions to rural development.

Recently, the First Bank launched a ₦100 million community farming scheme, aimed at aiding small-scale farmers "either as individuals, groups or co-operative societies, with a maximum facility of ₦5,000 per individual within the group or society, without any form of collaterals" (First Bank, 1986). The Co-operative and Commerce Bank apart from financing individuals, focuses on co-operatives. The bank is currently financing over 60 rural agricultural co-operative projects located in Anambra and Imo states alone. The projects are small-scale and worth over ₦50 million (Okoye, 1987). Examples of other projects in rural areas being financed by other banks could be cited. But the list is not exhaustive, it only gives an insight into banks contribution towards the development of the rural areas, hence the bright prospects of the RBS.

5.4.2 Increased Banking Consciousness

The location of rural banks in the rural centres acts as catalyst in creating banking consciousness among the rural inhabitants, who are encouraged to patronize such banks. Our study indicates that the RBS has encouraged banking habits among the rural dwellers. The scheme has necessitated the commercial banks to establish their branch network in the rural areas and allocate some proportions of their deposits to the rural centre. The services offered by these rural banks have also improved, thereby encouraging more rural dwellers to patronize the banks.

CHAPTER SIX

SUMMARY AND CONCLUSION

6.1 <u>Summary</u>

The primary concern of the study was to assess the impact
of the rural banking scheme on agriculture and rural development
in Anambra state. The significance of the study stemmed from the
need to assess and determine the performance of the scheme after
a decade of its existence. As a necessary background some lite-
rature related to the study were reviewed. It was found that most
of the previous works did not cover the areas highlighted in this
work.

The socioeconomic characteristics of the rural dwellers in
the state were analysed. The study found out that such factors
like age, level of education and type of occupation of the rural
dwellers did not have significant influence on their banking
habits. The average annual income of the rural dweller was found
to influence significantly, the volume of rural savings.

Most of the rural dwellers in the state acquired banking
habits through the rural banking scheme. The scheme performed
well in the state during the first and second phases in the area
of rural branch establishment, the third phase also has a promising
prospect. The study identifies some qualitative effects of the
scheme on the rural inhabitants in the state. It has generated
a high degree of awareness and consciousness towards improved
banking industry particularly in the rural areas. It has weakened
the rural-urban financial dualism. Moreover, by encouraging the

monetization of the rural economic activity, it has sensitized that sector to monetary and fiscal control measures.

The presence of banks in the rural areas has made them more accessible to the rural farmers and others, thereby reducing wastage of valuable time in travelling to urban centres for banking transactions. The scheme has brought into focus the need to provide basic amenities like good roads, telephone services, and security services in the rural areas. The rural banks form the nuclei for the modernization and industrialization of the rural sector because they attract ancillary services and encourage the establishment of industries in such areas.

The scheme however, did not achieve the prescribed minimum stipulation by the CBN in the granting of loans and advances, particularly to the agricultural sector in the state. Some problems were identified which hindered the performance of the scheme. In spite of these problems encountered in the implementation of the scheme, the study makes some suggestions based on its findings which may usher a brighter prospect for the scheme in the state.

6.2 Recommendations

The following suggestions are made in order to fully realize the objectives of the rural banking scheme; introducing more phases of the scheme, enforcing strict compliance by the commercial banks, introducing more incentives, providing infrastructural

facilities, education of the rural dwellers, supervision and monitoring of the activities of the banks.

(i) <u>Introducing more phases of the scheme</u>: The study found out that the 46 rural banks in the state are serving 80 per cent or more of the estimated 6.2 million people that live in the rural areas. This gives a bank branch to persons ratio of 1:107826 persons. This is considered as a very poor ratio.

Considering therefore the numerous demand from communities, associations, town development unions and individuals for bank branches in their localities, and the "under-banked" nature of the economy, more phases of the scheme should be implemented. The timing of the phase should be such that will not impair the viability of the banks in the process.

(ii) <u>Enforcing compliance by the commercial banks</u>. Some of the commercial banks did not comply with the CBN directives on the RBS. It is suggested that the CBN should impose strict sanctions on the defaulting banks. For instance, those banks that did not grant the prescribed amount of loans and advances should be forced to deposit/forefeit such amount to the Central Bank.

(iii) <u>Introducing more incentives</u>. Every incentive and encouragement should be given to the commercial banks to extend their

banking services to the rural areas. While the existing
incentives for the participating commercial banks should
continue, the CBN should work out additional and realistic
incentives with the commercial banks. For instance, the
CBN could facilitate the acquisition of land or building in
the rural areas where the banks should be sited.

(iv) <u>Provision of infrastructural facilities.</u> The absence of
pipe-borne water, good roads and electricity discourage
rural bank establishment and increases banks operating costs
at the rural centres. The consequences of rural under-
development include the massive drift by the youths in
particular to urban areas with the attendant unemployment
and criminal activities. Most of these basic amenities
cost huge sums of money that only the government could
provide them.

(v) <u>Education, supervision and monitoring.</u> The financial
education of the rural dwellers (as some are unaware of
the opportunities and the services offered by the rural
banks) should be enhanced. The CBN should also organise
training courses in order to improve the skills of the rural
banks' staff especially those at the management level.
Secondly, given the special structural characteristics of
the rural areas in Anambra state, the activities of the
commercial banks need to be adequately supervised, coordinate

and monitored. The RBS should not be seen by the commercial banks as an imposition but as their contribution towards the financial development of the country. The commercial banks should ensure that bank frauds are checked and prevented which have contributed to the banks not breaking-even especially in the rural areas. The need for the banks to increase their presence in the rural areas should not be only in terms of constructing very attractive physical structures, but also in the functional operations of granting loans to the rural sector, monitoring and evaluation of projects as well as creating an outlet for marketing of the rural customers products.

6.3 Conclusions

The rural banking scheme, particularly in Anambra state in the light of its performance is a worthwhile programme. By locating branches in the rural areas, away from clearly profit-motivated urban centres, rural banks shift emphasis from being seekers of opportunities to creators of such opportunities. This suggests that the rural banks constitute a dynamic vehicle for economic development of the rural areas. The rural banks help in capital formation thereby enhancing economic growth. Through the active mobilisation of the rural savings which are then channelled to the productive sectors, the rural banks contribute towards economic development.

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Appendix I: Distribution Of Commercial Banks In Anambra State By Local Government Area, 1987

Location of Banks at LGAs	ACB	Allied Bank	BCCI	CCB	First Bank	IBWA	Mercantile Bank	National Bank	Pan African Bank	Progress Bank	Savannah Bank	Union Bank	UBA	Totals	% of Total
1. Abakaliki	1	–	–	1	1	–	–	–	–	–	–	3	–	6	5.7
2. Aguata	2	–	–	1	–	–	–	–	–	–	–	1	1	5	4.7
3. Anambra	1	–	–	–	3	–	–	–	–	–	–	–	–	4	3.8
4. Awgu	1	–	–	–	–	–	–	1	–	–	–	–	–	2	1.9
5. Awka	1	1	–	–	–	–	–	–	–	–	–	1	–	3	2.8
6. Enugu	4	1	1	3	4	1	–	1	–	–	–	4	1	20	18.9
7. Ezeagu	–	–	–	–	–	–	–	–	–	–	–	–	1	1	0.9
8. Ezza	–	–	–	–	–	–	–	–	–	–	–	–	1	1	0.9
9. Idemili	1	1	–	–	–	–	–	1	1	–	–	–	–	4	3.8
10. Ihiala	1	–	–	–	–	–	–	–	–	–	–	–	–	1	0.9
11. Igbo Etiti	1	–	–	–	–	–	–	–	–	–	–	–	–	1	0.9
12. Igbo Eze	–	–	–	1	–	–	–	–	–	–	–	1	–	2	1.9
13. Ikwo	1	–	–	1	–	–	–	–	–	–	–	–	–	2	1.9
14. Ishielu	1	–	–	–	1	–	–	–	–	–	–	–	–	2	1.9
15. Isi-Uzo	–	–	–	2	2	–	–	–	–	–	–	–	–	4	3.8
16. Njikoka	–	–	–	1	1	–	–	–	–	–	–	2	–	4	3.8
17. Nkanu	1	–	–	–	–	–	–	–	–	–	–	1	–	2	1.9
18. Nnewi	1	1	–	1	–	–	–	–	–	–	–	1	1	5	4.7
19. Nsukka	2	–	–	2	1	–	–	–	–	–	–	–	1	6	5.7
20. Oji River	1	–	–	–	–	–	–	–	–	–	–	–	–	1	0.9
21. Onitsha	3	2	1	6	5	1	2	–	1	1	1	3	1	27	25.5
22. Udi	–	–	–	–	–	–	–	–	–	–	–	1	–	1	0.9
23. Uzo-Uwani	–	1	–	–	–	–	–	–	–	–	–	–	1	2	1.9
Totals	23	7	2	19	18	2	2	3	2	1	1	18	8	106	100.0
% of total	21.7	6.6	1.9	17.9	17.0	1.9	1.9	2.8	1.9	0.9	0.9	17.0	7.6	100	

Source: Information From Banks Head/Area Offices, Enugu, 1987.

Appendix II: Rural-Urban Distribution Of Commercial Banks
              in Anambra State By L.G.A.s, 1987

(1) ACB

	Local Govt. Area	Location of Bank	Year established	Urban	Rural
1.	Abakaliki	Ogoja Road	17/4/63	Urban	-
2.	Aguata	Ekwulobia	11/8/78	-	rural
3.	Aguata	Umunze	23/8/72	-	"
4.	Anambra	Umunya	23/2/82	-	"
5.	Awgu	Enugu-Okigwe Rd.	16/8/78	-	"
6.	Awka	Awka	12/1/77	"	-
7.	Enugu	Ogui Road	12/12/53	"	-
8.	Enugu	Nkalagu	31/7/73	"	-
9.	Enugu	Uwani	25/ 6/71	"	-
10.	Enugu	Kenyatta	19/4/82	"	-
11.	Idemili	Oba	5/1/82	-	"
12.	Ihiala	Onitsha-Owerri Rd	9/8/78	-	"
13.	Igboetiti	Ukehe	7/1/83	-	"
14.	Ikwo	Onuabonyi Echara	5/6/80	-	"
15.	Ishielu	Ezzamgbo	5/1/83	-	"
16.	Nkanu	Agbani Road	13/5/67	"	-
17.	Nnewi	Nnobi Road	11/2/67	"	-
18.	Nsukka	U.N.N.	10/4/63	"	-
19.	Nsukka	Nsukka	4/6/76	"	-
20.	Oji River	Enugu-Onitsha Rd.	14/8/78	-	"
21.	Onitsha	Old Mkt. Road	7/1/80	"	-
22.	Onitsha	Bida Rd.	7/6/76	"	-
23.	Onitsha	Uga-Atani Road	4/1/82	"	-
			Total	13	10

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(2) CCB

	Local Govt. Area	Location of Bank	Year established	Urban	Rural
1.	Abakaliki	Ogoja Road	1971	Urban	–
2.	Aguata	Igbo-Ukwu	28/7/8	–	rural
3.	Enugu	Okpara Avenue	July 1971	Urban	–
4.	Enugu	Ogui Road	1971/72	urban	–
5.	Enugu	Abakpa Nike	August 1980	urban	–
.	Igbo-Eze	Enugu Ezike	June 1981	–	rural
7.	Ikwo	Ndiagu-Amagu	10/1/8	–	"
8.	Isi-Uzo	Obollo-Afor	June 1982	–	"
9.	Isi-Uzo	Orba	11/8/8	–	"
10.	Njikoka	Abagana	1978	–	"
11.	Nnewi	Nnewi Road	1978	–	"
12.	Nsukka	Enugu Road	1978	–	"
13.	Nsukka	Eha-Amufu	19/10/84	–	"
14.	Onitsha	Sokoto Road	1971	urban	–
15.	Onitsha	Awka Road	1971	"	–
16.	Onitsha	Iweka road	1978	"	–
17.	Onitsha	Atani	Nov. 1982	–	rural
18.	Onitsha	New Mkt. Road	18/12/8	urban	–
19.	Onitsha	Bridge Head	18/12/8	"	–
	Total			9	10

(3) U.B.A.

				Urban	Rural
1.	Aguata	Agulu	11/10/82	–	rural
2.	Enugu	Enugu	7/3/70	urban	–
3.	Ezza	Onueke	25/7/78	–	rural
4.	Ezeagu	Ogu-obu-Owa	11/3/80	–	"
5.	Nnewi	Otolo Nnewi	7/7/83	urban	–
6.	Nsukka	Nsukka town	1/6/84	"	–
7.	Onitsha	Ogbomanu Junction	25/11/74	"	–
8.	Uzo-Uwani	Umulokpa	1/5/80	–	rural
	Total			4	4

(4) Union Bank

	Local Govt. Area	Location of Bank	Urban	Rural
1.	Abakaliki	Abakaliki	Urban	–
2.	Abakaliki	Izo-Imoha	–	rural
3.	Abakaliki	Ogoja Road	urban	–
4.	Aguata	Oko	–	rural
5.	Awka	Awka	urban	–
6.	Enugu	Emene	"	–
7.	Enugu	Ogui Road	"	–
8.	Enugu	Garden Avenue	"	–
9.	Enugu	Okpara Avenue	"	–
10.	Igbo-Eze	Ogbede	–	"
11.	Njikoka	Enugu-Ukwu	–	"
12.	Njikoka	Abagana	–	"
13.	Nkanu	Agbani	urban	–
14.	Nnewi	Nnewi	urban	–
15.	Onitsha	Bright street	"	–
16.	Onitsha	Bridge Head	"	–
17.	Onitsha	New Mkt. Road	"	–
18.	Udi	9th Mile Corner	–	rural
	Total		12	6

(5) First Bank

	Local Govt. Area	Location of Bank	Urban	Rural
1.	Abakaliki	Ezzamgbo	–	rural
2.	Anambra	Nkwelle Ezunaka	–	"
3.	Anambra	Otuocha	–	"
4.	Anambra	Ogbunike	–	"
5.	Enugu	Emene	urban	–
6.	Enugu	Hotel Presidential	"	–
7.	Enugu	Uwani	"	–
8.	Enugu	Okpara Avenue	"	–
9.	Ishielu	Effiunu	–	rural
10.	Isi-Uzo	Ikem	–	"
11.	Isi-Uzo	Eha Alumona	–	"
12.	Njikoka	Abba	–	"
13.	Nsukka	Opi	–	"
14.	Onitsha	Bridge Head	urban	–
15.	Onitsha	Main Mkt.	"	–
16.	Onitsha	Iweka Road	"	–
17.	Onitsha	Nwobodo Avenue	"	–
18.	Onitsha	William Street	"	–
	Total		9	9

(6) National Bank

	Local Govt. Area	Location of Bank	Urban	Rural
1.	Awgu	Nnewe	–	rural
2.	Enugu	Ogui Road	urban	–
3.	Idemili	Nnobi	–	"
	Total		1	2

(7) BCCI

1.	Enugu	Okpara Avenue	Urban	–
2.	Onitsha	Upper New Mkt. Road	"	–
	Total		2	0

(8) Progress Bank

1.	Onitsha	New Mkt. Road	urban	–
	Total		1	0

(9) IBWA

1.	Enugu	Okpara Avenue	urban	–
2.	Onitsha	Bright Street	"	–
	Total		2	0

(10) Mercantile Bank

1.	Onitsha	Upper Iweka	urban	–
2.	Onitsha	Onitsha-Owerri Rd.	"	–
	Total		2	0

(11) Pan African Bank

1	Idemili	Ogidi	–	rural
2.	Onitsha	Bright Street	urban	–
	Total		1	1

(12) Savannah Bank

Local Govt. Area	Location of Bank	Urban	Rural
Onitsha	New Mkt. Road	urban	-
Total		1	0

(13) Allied Bank

			Urban	Rural
1.	Awka	Achalla	-	rural
2.	Enugu	Red Crossway	urban	-
3.	Idemili	Awka Etiti	-	"
4.	Nnewi	Ozubulu	-	"
5.	Onitsha	Oguta Road	"	-
6.	Onitsha	Niger Bridge Head	"	-
7.	Uzo-Uwani	Adani	-	"
	Total		3	4

Source: Annual Report and Statement of Accounts of
various Banks Jan., 1987.

Appendix III: Computed expected number of rural dwellers who acquired banking habits through RBs in Anambra State.

Rural Banks Sampled	A	B	C	D	E	F	G	H	I	J	Total
No. who agreed acquired banking habits	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	15.4	154
No. who did not agree	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	46
Total	20	20	20	20	20	20	20	20	20	20	200

Appendix IV: Computation of X^2 From the Observed And Expected Frequencies.

Observed frequency (O)	Expected frequency (E)	O-E	$(O-E)^2$	$\dfrac{(O-E)^2}{E}$
18	15.4	2.6	6.76	0.44
13	15.4	-2.4	5.76	0.37
20	15.4	4.6	21.16	1.37
14	15.4	-1.4	1.96	0.13
12	15.4	-3.4	11.56	0.75
18	15.4	2.6	6.76	0.44
18	15.4	2.6	6.76	0.44
15	15.4	-0.4	0.16	0.01
10	15.4	-5.4	29.16	1.89
16	15.4	0.6	0.36	0.02
2	4.6	-2.6	6.76	1.47
7	4.6	2.4	5.76	1.25
0	4.6	-4.6	21.16	4.60
6	4.6	1.4	1.96	0.43
8	4.6	3.4	11.56	2.51
2	4.6	-2.6	6.76	1.47
2	4.6	-2.6	6.76	1.47
5	4.6	0.4	0.16	0.03
10	4.6	5.4	29.16	6.34
4	4.6	-0.6	0.36	0.08

$X^2 = 25.51$; $X^2_{0.05} = 3.31$

Appendix V: Expected Frequencies

$$E_{ij} = \frac{R_i\, C_j}{N} \qquad \cdot \quad \cdot \quad \cdot \qquad (1)$$

where

E_{ij} = Expected frequency in i^{th} row of jth column;

R_i = Observed frequencies in the ith row;

C_j = Observed frequencies in the jth column;

N = Sum of all observed frequencies.

Computation of X^2

X^2 is computed from the equation

$$X^2 = \frac{(O_{ij} - E_{ij})^2}{E_{ij}} \qquad \cdot \quad \cdot \quad \cdot \quad (2)$$

where

X_o^2 = value of chi-square computed from eqn (2)

O_{ij} = the observed frequency in the ith row of the jth column;

E_{ij} = the expected frequency in the ith row of the jth column.

Degree of freedom

This is computed from the formula:

$$V = (r-1)\,(C-1)$$

where V = the degree of freedom;
r = number of rows;
c = number of column;
$v = (2-1)\,(10-1) = 9.$

$$E11 = \frac{154 \times 20}{200} = 15.4$$

E12, E13, E14, E15, E16, E17, E18, E19, E10 have a constant value

of 15.4 respectively.

$$E21 = \frac{46 \times 20}{200} = 4.6$$

E22, E23, E24, E25, E26, E27, E28, E29, E2.10 have a constant value

of 4.6 respectively.

Calculation of the X^2 From the Observed and Expected Frequencies

$$X^2_o = 25.51$$

$$X^2_{0.05} = 3.31$$

$$X^2_{0.11} = 2.09$$

Decision Rule:

Reject Ho: if $X^2_o > X^2_{0.05}$

otherwise accept.

In this text, $X^2_o > X^2_{0.05}$ and so the null hypothesis is rejected and

the alternative hypothesis accepted. The implication of the acceptance

of the alternative hypothesis is that the rural banking scheme has

encouraged banking habits among the rural dwellers in Anambra state.

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Appendix VI: QUESTIONNAIRE FOR RURAL BANKS IN ANAMBRA STATE

(Whatever information supplied will be treated with the
strictest confidence)

1.   Name of the Bank: ....

Date of establishment: ....

Town of Location: ....

Local Government Area: ....

2.   What criteria were considered for selecting the rural site
for your bank?

(i)   Presence of infrastructural facilities like electricity,
road network, communication, security, etc.   (   )

(ii)   Ease of acquisition of land/building for the bank   (   )

(iii)   High population of the area   (   )

(iv)   Prospects of business activities in the area   (   )

(v)   Presence of other banks   (   )

(vi)   Others (specify) ....
....

3.   Kindly rank the above criteria in order of importance
(using 5 to 1 in decreasing order of importance).

Criteria	Rank
(i)	
(ii)	
(iii)	
(iv)	
(v)	

4. To what extent did the following contribute to the siting of the rural bank branch?

	Very great extent (5)	Great extent (4)	Some extent (3)	Little extent (2)	Indif- ferent (1)
(i) Director's influence					
(ii) Top management/staff's influence					
(iii) Top government officials' influence					
(iv) Top army officer's influence					
(v) Renounced politician's influence					

5. What was the cost of establishing the rural branch? N ....

6. Was there any rebate by the CBN? Yes ( ) No ( )

7. If Yes, how much? N ....

8. What incentives were promised your bank by CBN?

(i) ....

(ii) ....

(iii) ....

(iv) ....

(v) ....

9. To what extent has CBN been able to fulfil the promises? (tick most appropriate)

(i) Very great extent (5)   ( )

(ii) Great extent   (4)   ( )

(iii) Some extent   (3)   ( )

(iv) Little extent   (2)   ( )

(v) No extent   (1)   ( )

10. Does your bank undertake any enlightenment campaign to inform rural dwellers of your banking services?

Yes   ( )   No   ( )

11. If yes, kindly complete the following:

Date of such programme	Place/Avenue	Nature/Theme

12. Who are your main customers?

    (i)   Public servants   (   )
   (ii)   Traders   (   )
  (iii)   Farmers   (   )
   (iv)   Others (specify) ....

13. What services do your rural bank offer the customers?

    (i)   ....
   (ii)   ....
  (iii)   ....
   (iv)   ....
    (v)   ....

14. Please complete the table below:

	Number of people who opened accounts				Number of people who closed accounts		
Year	Farmers	Non-farmers	Total		Farmers	Non-farmers	Total
1977							
.							
.							
.							
.							
.							
1986							

15. How long do you require a customer to keep an account before granting him loan?

    (i)   less than 1 year   (   )
   (ii)   1 - 3 years   (   )
  (iii)   3 - 5 years   (   )

(iv) 5 - 7 years   (   )

(v) Above 7 years   (   )

16. Criteria for approving loans

Factors considered

	Most important (5)	Very important (4)	Important (3)	Less important (2)	Not important (1)
(i) ability to provide securities					
(ii) feasibility of projects to be undertaken					
(iii) investiment in some priority areas.					
(iv) Location of projects					
(v) proposed cash flow of the project					
(vi) profitability of the project					
(vii) character and skill of the applicant					
(viii) less risky ventures					
(ix) Others (specify)					

17. Please kindly complete the table below as applicable

Year	Type of account kept by customer	Total No. of Registered Customers			Total Amount Deposited			Total Amount Withdrawn		
		Farmers	Non-farmers	Total	Farmers	Non-farmers	Total	Farmers	Non-farmers	Total
1977	Current Savings Deposit 1986									

18. Please complete the table below on loan applications and approvals.

Please complete the table below on loan default

Year	Amount of loan grant to agric sector (₦)	Amount of loan grant to other sectors (₦)	Amount due for repayment by agric sector (₦)	Amount repaid by agric sector (₦)	Amount due for repayment by other sectors (₦)	Amount repaid by other sectors (₦)
1977						
.....						
1986						

Please complete the table below on the nature of the farm enterprise and the loan given:

Year	Food crop, i.e cassava, rice	Value of the loan (₦)	Tree/Cash crop, i.e Oil palm	Value of the loan (₦)	Livestock i.e. Cattle, Poultry.	Value of the loan (₦)
1977						
.....						
1986						

19. What category of farmers does your bank prefer?

(i) Individual farmers ( )
(ii) Group farmers ( )
(iii) Agricultural Corporations/Companies ( )
(iv) Others (specify) .... ( )

Year	Total No. of Applications	Total amount requested (₦)	Total amount approved (₦)	Total amount disbursed (₦)	No. of farmers who applied	No. of farmers who received loans	Total amount approved (₦)	Total amount disbursed (₦)
1977								
.....								
1986								

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22. What methods of loan disbursement are adopted by your bank?

    (i)   Direct disbursement to the customer   (   )

   (ii)   Instalmental disbursement to the customer   (   )

 (iii)   Disbursement through the selling agency   (   )

  (iv)   Others (specify) ....   (   )

23. Does your bank allow farmers a period of grace?

         Yes   (   )   No (   )

24. If yes, for how long? ....

25. How long does it take your bank to process and approve or reject an application for a loan?

      ....

26. What steps do your bank embark to recover loans?

    (i)   Issue ultimatum to defaulting customer   (   )

   (ii)   Confiscate property mortgaged   (   )

 (iii)   Litigate the defaulting customer   (   )

  (iv)   Use of task force   (   )

   (v)   Request ACGS to pay the loan   (   )

27. Which types of collateral (security) do most applicants present?

    (i)   ....

   (ii) ....

 (iii) ....

  (iv) ....

   (v) ....

28. Rank the various types (27) in descending order of preference by your bank.

    (i)   .... (   )

   (ii) .... (   )

 (iii) .... (   )

  (iv) .... (   )

   (v) .... (   )

29. What in general are the sizes of your agricultural loans?

   Minimum ₦ ....   Most Common ₦ ....   Maximum ₦ ....

30. What are the lengths of your agricultural loans?

   (i)   Short term ....   (   )

   (ii)   Medium term .,.................   (   )

   (iii)   Long term ....   (   )

31. State the security required for your agricultural loans.

   (i)   ....

   (ii)   ....

   (iii)   ....

32. Do most farmers meet these requirements?

            Yes   (   )   No   (   )

33. What is your interest rate on –

   (i)   Agricultural loans ....%

   (ii)   General commerce loans .....%

   (iii) Services (Public utilities, transportation and communication)
         ....%

   (iv) Others (specify) ....%

34. Do you think that the farmers are benefitting enough from the
   services offered by your bank?

            Yes   (   )   No   (   )

35. If no, what reasons are responsible?

   (i)   ....

   (ii)   ....

   (iii)   ....

   (iv)   ....

   (v)   ....

36. What are the problems you encounter in lending to farmers?

   (i)   ....

   (ii)   ....

   (iii)   ....

37. What are other general problems of the bank?

    (i) ....

   (ii) ....

  (iii) ....

   (iv) ....

38. In what ways do you think that the services of the bank could be improved?

    (i) ....

   (ii) ....

  (iii) ....

   (iv) ....

    (v) ....

39. After your bank have made a loan, do you visit the farmers to check how the loan is being used?

       Yes ( )   No ( )

40. If yes, do you have adequately trained personnel in the area?

       Yes ( )   No ( )

41. Please, how many adequately trained personnel do you have in your bank?

Position	Qualification	Number	Job Assignment
	Ph.D		
	M.Sc./M.Phil		
	B.Sc.		
	HND/OND		
	WASC/GCE		
	Others (specify)		

42. What is the total staff strength of the rural bank?

....

43. How many of the staff are from the local government area where the rural bank is located?

....

44. Please kindly complete the table below

	1977	1978	1980	1981	1982	1983	1984	1985	1986
Annual Opera-ting costs (₦)									
Annual Income (₦)									

45. What projects have your bank embarked upon in the rural area?

Project	Date	Amount involved	Year completed

46. What specific facilities do your bank lack?

  (i)   Ofice space   (   )
  (ii) Tables, chairs, etc   (   )
 (iii) Electricity, telephone   (   )
  (iv) Security   (   )
  (v)   Others (specify) ....   (   )

47. In your assessment, what factors would influence farmers to cultivate banking habit?

  (i)   ....
  (ii)   ....
 (iii)   ....
  (iv)   ....
  (v)   ....

(Thanks very sincerely for your understanding and co-operation).

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Appendix VII: QUESTIONNAIRE FOR RURAL DWELLERS IN ANAMBRA STATE

1:A   (a)   Name of Village/Town: ....

     (b)   Local Government Area: ....

     (c)   Sex: Male   (   )   Female   (   )

     (d)   If married, number of children ....

     (e)   Age: (i)   Under 30 years   (   )
            (ii)   30 - 40 years   (   )
          (iii)   40 - 50 years   (   )
          (iv)   Over 50 years   (   )

1:B   Highest level of education

     (i)   No formal education   (   )
    (ii)   Standard six/First School Leaving Certificate   (   )
   (iii)   Government Class Four/WASC/GCE/Teacher's Grade II   (   )
    (iv)   OND/NCE/HND/B.Sc/M.Sc/Ph.D.   (   )

1:C   Occupation(s)

     (i)   Full-time farming   (   )
    (ii)   Part-time farming   (   )
   (iii)   Fishing   (   )
   (iv)   Petty trading   (   )
    (v)   Any other (specify) ....

1:D   Hectares of land under farming:

     (i)   Less than 2 hectares   (   )
    (ii)   2 - 4 hectares   (   )
   (iii)   4 - 6 hectares   (   )
   (iv)   6 - 8 hectares   (   )
    (v)   Above 8 hectares   (   )

2.   How do you finance your farming activities?

     (i)   Loans from commercial banks   (   )

    (ii)   Money from previous savings   ( )

 (iii)   Money borrowed from money lender/friends/relations   ( )

  (iv)   Loans from co-operative society ( )

   (v)   Loans from Esusu, social clubs, age grades   ( )

  (vi)   Any other (specify) ....

3.   Are you aware of the rural bank in your local government area?

           Yes   ( )   No ( )

4.   Did you have an account with any commercial bank before 1977?

           Yes   ( )   No ( )

5.   If yes, name the bank and its location:

      ....

      ....

6.   Which type of account did you keep?

    (i)   Savings account   ( )

   (ii)   Current account   ( )

  (iii)   Fixed deposit   ( )

7.   If answer to (4) is no, when did you start with the present bank?

    (i)   Year ....

   (ii)   Name of the bank ....

  (iii)   Type of account ....

   (iv)   Location of the bank ....

8.   Have you ever changed your bank?

           Yes   ( )   No   ( )

9.   If yes to (8) give reasons for the change.

    (i) ....

   (ii) ....

  (iii) ....

   (iv) ....

10. How did you come to know about the present bank and its services?

   (i)   Through friends and relatives   ( )

 (ii)   Through bank agents   ( )

(iii)   Through news media advertisement   ( )

 (iv)   You just went there on your own   ( )

  (v)   Any other (specify) ....

11. Before you started saving with the present commercial bank, what was/were your previous mode of saving?

   (i)   Simply hidden in the house   ( )

 (ii)   Saved with Co-operative Society   ( )

(iii)   Kept with friends/relatives   ( )

 (iv)   Withheld farm proceeds until the need arose for cash ( )

  (v)   Any other (specify) ....

12. How do you get to your present bank?

   (i)   On foot   ( )

 (ii)   By bicycle   ( )

(iii)   By motor cycles   ( )

 (iv)   By commercial vehicle   ( )

  (v)   Any other (specify) ....

13. If by public transport, how much do you pay per trip?

  ₦ ....   ₦ ....

14. What is the distance from your home/farm to your present bank?

   (i) 1 - 3 km   ( )

 (ii) 4 - 6 km   ( )

(iii) More than 6 km   ( )

15. Have you ever been granted loan from the bank?

        Yes ( )   No ( )

16. If no, how you ever applied for one?

  ....

17. If you have ever obtained loan from the bank, kindly complete the table below:

Year	Amount applied (₦)	Amount approved (₦)	Amount received (₦)	Amount repaid (₦)	Purpose of the loan
1977					
.					
.					
.					
.					
.					
1986					

18. Which of the following problems did you encounter in the course of borrowing?

   (i)   Problem of completing the necessary forms   ( )

   (ii) Numerous visits to the bank before loan approval   ( )

 (iii) Problem of distance and transport costs   ( )

  (iv) Problem of collatery requirements   ( )

   (v) Delay in releasing the loan   ( )

  (vi) Any other (specify) ....

19. When did you get the loan?

   (i)   Before planting/stocking   ( )

  (ii) During planting/at the time of buying livestock ( )

 (iii) After planting/after buying the livestock   ( )

  (iv) Before harvesting/before sale of livestock ( )

   (v) After harvesting   ( )

20. How did you spend the borrowed money?

USES		AMOUNT
(i)	Hired labour	....
(ii)	Crops/livestock	....
(iii)	Fertilizer and chemicals	....
(iv)	Debts repayment	....
(v)	Tools and machinery	....
(vi)	Household (consumption)	....
(vii)	Farm operations	....
(viii)	Any other (specify)	....

21. How often do you visit the bank to transact business?

   (i) Weekly   ( )

 (ii) Monthly   ( )

(iii) 3-monthly   ( )

 (iv) 6-monthly   ( )

  (v) Yearly   ( )

 (vi) Any other (specify) ....

22. How long does it take you to transact the underlisted business with the bank?

Deposits		Withdrawals	
Less than 20 minutes	( )	less than 20 minutes	( )
20 - 45 minutes	( )	20 - 45 minutes	( )
45 min. - 1 hour	( )	45 min. - 1 hour	( )
above 1 hour	( )	above 1 hour	( )

23. How long did it take you to obtain loan from time of submitting application to the time of receipt of the money?

24. Did you receive any form of supervision from the bank after receiving the loan?

         Yes   ( )   No ( )

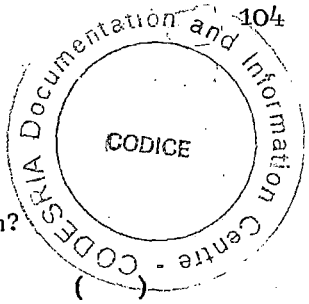25. If yes, what is the nature of the supervision?

    ....

    ....

26. Have you defaulted in repaying any loan?

         Yes   ( )   No   ( )

27. What is your annual income? ₦ ....

28. What percentage of your annual income do you save?

   (i) Less than 20%

  (ii) 21 - 40%

 (iii) 41 - 60%

  (iv) Above 60%

29. Do you have any relation working in the bank?

         Yes   (   )   No   (   )

30. If yes, what assistance do you obtain from him?

    (i)   assistance in making withdrawal/deposits   (   )

   (ii)   assistance in processing loan application forms   (   )

  (iii)   As a guarantor   (   )

   (iv)   Information about banking services   (   )

    (v)   None.

31. Did you cultivate banking habit through the RBS

         Yes   (   )   No   (   )

32. What problems did you encounter in the bank?

    (i)   ....

   (ii)   ....

  (iii)   ....

33. What is your impression about the rural banking scheme

    (i)   ....

   (ii)   ....

  (iii)   ....

   (iv)   ....

(Thanks very sincerely for your co-operation)