



Finance Management

Elixir Fin. Mgmt. 60 (2013) 16474-16478

Elixir
ISSN: 2229-712X

The Impact of Nigerian Commercial Banks on Rural Populace in Oyo Metropolis

Samuel Kehinde Oluwatoyin

Department of Accounting & Finance, Ajayi Crowther University, Oyo, Oyo State, Nigeria.

ARTICLE INFO

Article history:

Received: 1 May 2013;

Received in revised form:

10 July 2013;

Accepted: 19 July 2013;

Keywords

Commercial Banks,
Banks Activities,
Rural Populace,
Oyo Metropolis,
Economic development.

ABSTRACT

A bulk of the Nigeria wealth is derived from Oil and Agriculture which lies in abundant quantity in rural communities. Current estimates put the rural population at over 80% of the entire population of almost 160 million people. So far, not much in terms of infrastructural development has been done to bring this bulk of concentration of both human and material resources to contribute optimally to national economy. The neglect has resulted to the mass exodus of rural dwellers and in turn has made the rural area qualitatively and quantitatively depopulated, and progressively less attractive for socio-economic investment. It is against this backdrop that this paper evaluates the impact of Nigerian commercial banks on rural populace in Oyo metropolis and; also to determine the relationship that exists between various activities of commercial banks and its rural populace. In line with the objectives, two hypotheses were formulated. The population of the study is the eight (8) Commercial Banks in Oyo metropolis and three (3) were selected as sample size. The study utilized data from primary source. Data were obtained from the questionnaires administered. The time frame for the study is ten years, covering the period of 2002 to 2011. The technique of analysis used in the data was Analysis of variance (ANOVA). We concluded that even though commercial banks activities such as giving out loans and receiving deposit has positive impact on the rural economy, there is room for the Commercial banks to gear more of its activities towards empowerment of the rural populace. Commercial banks should also strategize on how to attract and retain more deposits so as to further improve on their lending performance towards the rural dwellers. In addition to establishing a policy framework that maximizes the incomes of the working rural dwellers through policies to promote rural self-employment and reliability.

© 2013 Elixir All rights reserved.

Introduction

It is widely accepted that majority of Nigerians live in rural areas (Osuntogun et al, 1986). Rural economics as opined by Atte (1986) are characterized by primary production with low rates of economic growth which is unable to provide the people with means to transform their lives through acquisition of modern artifacts which indicate better living. Therefore, challenges and prospects of rural development in Nigeria have been of great concern to the different tiers of government due to the rate of rural-urban migration. Rural development is faced with the paradox that the production oriented rural economy relies heavily on non-productive people who are ill-equipped with outdated tools, technical information, scientific and cultural training and whose traditional roles and access to resources pose problems for their effective incorporation into modern economic systems, whereas the consumption oriented urban economy is flooded with many (people) of who are either unemployed or unemployable, or marginally employed or underemployed in the urban centers where they choose to live (Onibokun 1987). As a result of this mass exodus, the rural areas have become qualitatively depopulated and are progressively less attractive for social and economic investments while the urban areas are becoming physically congested, socially unhealthy and generally uneconomic to maintain.

Economic development is about enhancing capacity of an economy by using available resources to reduce risk, remove impediments which otherwise could lower costs and hinder

investments (Sanusi, 2011). It is pertinent to note that rural development plays an important role in the Nigerian economic development both at the micro and macro level. Overtime, successive government have embarked on several programmes targeted at rural development, other approaches have been by Non-Governmental Organizations (NGO), corporations, individuals through private initiatives, corporate bodies as well as international organizations, (Ogidefa, 2010).

In the same vein to provide financial services to the poor and rural dwellers that are traditionally not served by the conventional financial institutions, the micro finance bank started operation in Nigeria in 1990. Policies like Commercial Bill Financing Scheme (1962) was introduced, the Small and Enterprise Equity investment scheme, a voluntary initiative of the Bankers' Committee approved at its 246th meeting held on 21st December, 1999 a scheme that requires all banks to set aside ten (10) percent of their Profit after Tax (PAT) for equity investment and promotion of small and medium enterprise as the banking industry's contribution to the Federal government's effort towards stimulating economic growth, developing local technology and generating employment. The concept of rural development include resettling displace communities or adopting new types of housing unit, rural development should include alongside land-use development, economic factors such as land carrying capacity for each area it farm land, irrigation, improved farming method and finance (Adelemo, 1987).

Tele:

E-mail addresses: kenogidi76@yahoo.com

© 2013 Elixir All rights reserved

Thus, the Banking system is an essential ingredient in the development of any national economy. The traditional business of banking is financial intermediation between surplus and deficit spending segments of the economy. Commercial banks operate with a number of branches at the urban and rural areas. At the rural areas, the rural branches are intended to mobilize savings from the rural people dwellers and bring development to these rural communities this trying to halt rural-urban drift.

In 1976, the government appointed a committee to review the Nigeria financial system under the chairmanship of Pius Okigbo. The committee, which saw nothing wrong in the nationalization policy of the government, identified the socio-economic objectives for commercial banks. The banks should actively facilitate the transformation of the rural environment by promoting the rapid expansion of banking facilities and services and banking habit in the rural and near rural communities. They will thus serve as paying and receiving stations for hand-to-hand currencies and provide facilities for remittances for their customers and thereby help to mobilize rural savings. Most important of all, they will serve as vehicles for the creation of credit in the rural areas; this credit will take the form of equity and loans for small scale farmers and entrepreneurs. The rural banking scheme was introduced in 1977. Government through the rural banking scheme had made it compulsory for banks to market their services in the rural areas. In 1990, it was mandatory for commercial banks to extend a minimum amount of 15 percent and 35 percent of their total credit to agricultural production and manufacturing enterprise respectively. It is against this background that this paper attempts to examine the impact of Nigerian Commercial Banks' on rural populace in Oyo metropolis.

Conceptual Framework

The rural areas are usually grossly neglected as far as development projects and infrastructure are concerned. As a result of this, there is relative underdevelopment of the rural areas when compared with the urban centers. Thus the concept of rural development in Nigeria lacks a unified definition as different scholars tend to view it from varying perspective. Some scholars look at rural development from the aspect of education or training like Haddad (1990), and Hinzen (2000).

Rural development is viewed to involve creating and widening opportunities for (rural) individuals to realize full potential through education and share in decision and action which affect their lives (Obinne 1991). He view efforts to increase rural output and create employment opportunities and root out fundamental (or extreme) cases of poverty, diseases and ignorance. Rural development is also a means for the provision of basic amenities, infrastructure, improved agriculture productivity and extension services and employment generation for rural dwellers (Olayide *et. al.*, 1981).

An understanding of the concept of development will give a clearer picture of rural development. Development is the gradual growth of something so that it becomes more advanced, stronger, etc; the process of producing or creating something new (Hornby 2000). This definition implies that development involves a gradual or advancement through progressive changes. The changes should be seen to be multi-dimensional involving changes in structures, attitude and institutions as well as the acceleration of economic growth; the reduction of inequality and eradication of absolute poverty (Umebali, 2006). He asserts that development involves economic growth component, equality or social justice component, and socio-economic transformational component which are all on a self sustaining basis.

Viewing the concept differently, development is an improvement in quality of life (not just material standard of

living) in both quantitative terms (Simon, 2004). He opines that development must be seen as actually and temporally relative, needing to be appropriate to time, space, society, and culture.

From the foregoing, it is obvious that rural development is not a one-off thing or an immediate and snap phenomenon. Rather, it is a gradual and progressive towards perfection having a set standard in mind. Rural development has variously been defined. Rural development is a process whereby concerted efforts are made in order to facilitate significant increase in rural resources productivity with the central objective of enhancing rural income and creating employment opportunity in rural communities for rural dwellers to remain in the area (Olayide *et al* 1981). It is also an integrated approach to food production, provision of physical, social and institutional infrastructures with an ultimate goal of bringing about good healthcare delivery system, affordable and quality education, improved and sustainable agriculture etc.

As it is today, rural development needs to be given priority attention. Several reasons for such urgency include high and unacceptable rate of poverty, poor access to social and economic infrastructure and services such as access to safe drinking water supply and sanitation, higher rate of health indicator such as infant mortality rate, malnutrition and disease prevalence and lower enrolment of children in school. Rural development achievement could be measured in the areas of roads, water supply, housing, electricity, building of model communities, access to quality education, improved health care delivery and availability of food and agricultural products for the rural settlers (Obot, 1987).

Impact of Commercial Banks Activities on Economic Development of Rural Areas

Commercial banks play an important and active role in the economic development of a country and in particular the rural areas. If the banking system in a country is effective, efficient and disciplined it brings about a rapid growth in the various sectors of the economy. The following is the significance of commercial banks in the economic development of rural areas, Slideshare Inc (2011):

Banks Promote Capital Formation:

Commercial banks has branches in the rural areas that accept deposits from individuals and the small scale businesses, these deposits are then made available back to the businesses in form of loans and they make use of them for productive purposes in their vicinity.

The banks are, therefore, not only the store houses of deposit, but also provide financial resources necessary for economic development.

Investment in New Enterprises:

Small scale businessmen normally hesitate to invest their money in risky enterprises. The commercial banks generally provide short and medium term loans to entrepreneurs to invest in new enterprises and adopt new methods of production. The provision of timely credit increases the productive capacity of the economy.

Promotion of Trade and Industry:

With the growth of commercial banking, there is vast expansion in trade and industry. The use of bank draft, check, bill of exchange, credit cards and letters of credit etc has revolutionized both national and international trade.

Development of Agriculture:

The commercial banks particularly in developing countries are now providing credit for development of agriculture and small scale industries in rural areas. The provision of credit to agriculture sector has greatly helped in raising agriculture productivity and income of the farmers.

Balanced Development of Different Regions:

The commercial banks play an important role in achieving balanced development in different regions of the country. They help in transferring surplus capital from developed regions (urban areas) to the less developed regions (rural areas). The traders, industrialist etc of the rural areas is able to get adequate capital for meeting their business needs. This in turn increases investment, trade and production in the economy.

Influencing Economic Activity:

The banks can also influence the economic development of rural areas through its influence on

- a. Availability of credit
- b. The rate of interest

If the commercial banks are able to increase the amount of money in circulation through credit creation or by lowering the rate of interest, it directly affects economic development. A low rate of interest can encourage investment.

Monetization of the Economy:

The commercial banks by opening branches in the rural and backward areas are reducing the exchange of goods through barter. The use of money has greatly increased the volume of production of goods. The non monetized sector (barter economy) is now being converted into monetized sector with the help of commercial banks.

The commercial banks are now considered the nerve system of all economic development in the country.

Granting of Credit Facilities:

Credit facilities of short term, Medium term and long term durations are granted by commercial banks to their customers in form of overdraft and loans. A loan arrangement is sourced from the bank and tailored towards the peculiar needs of the borrower while an overdraft is a situation whereby a current account holder with a bank is allowed by the bank to withdraw money more than what is in the account at a particular period.

Business and Advisory Services:

Due to the dynamic nature of business environment and the constant change in the economy, commercial banks do provide business advisory and investment advice to their customers. The services include how best to manage their fund and the actual management of customer's portfolio of investment within and outside the bank.

2.2 Contributions of Selected Banks to Rural Economic Development in Nigeria

As one of West Africa's largest and most profitable banks, there is a need for a social contract between the bank, the community and its people. United Bank for Africa became the first bank in Nigeria to institute a foundation, UBA Foundation. Funded with 1% of Profit before Tax (PBT), UBA Foundation is committed to the socio-economic betterment of the communities in which the bank operates, focusing on development in the areas of Environment, Education, Economic Empowerment and Special projects ("EEES"). More specifically:

1. Environment (beautification, waste-management systems, etc.);
2. Education (the provision of tertiary scholarships, learning interventions and events, etc.);
3. Economic Empowerment (providing facilities and amenities, employing street people to assist with cleaning and gardening services, enabling micro-credit schemes to budding traders);
4. Special Projects (various community development initiatives and infrastructure projects). UBA Foundation has been recognized with a number of awards such as the SIAO, Emerging Top in Corporate Social Responsibility (CSR) Award.

Despite the economic challenges, First Bank of Nigeria have remained focused and shown leadership by tackling key issues that matter to all our stakeholders and society at large. It has remained faithful to its promise to contribute to the growth and development of the nation beyond the provision of financial services. Its ability to respond to crises is one of its traditional strengths as demonstrated in its financial support to the flood disaster victims, as well as its support for, and investment in, important national initiatives such as the 16th NESG summit, or culture and heritage events. First Bank focus on supporting community projects across the six regions of Nigeria in the following key areas:

- a. education;
- b. economic development; and
- c. Health and welfare.

In addition to the above, it has a strong commitment to sports, culture and heritage, as demonstrated by sponsorships of key events.

Eco Bank Plc is one of Nigeria's foremost financial services institutions. The Bank was incorporated on March 26, 1990 under the Companies & Allied Matters Act (1990) of Nigeria as a private limited liability company and was granted a commercial banking license on April 10 1990. It commenced business on June 12, 1990. Fourteen years later, on June 4, 2004, Oceanic Bank converted to a public liability company. Its shares were listed on the Nigerian Stock Exchange on June 25, 2004.

Over the years, Oceanic Bank has built its success on excellent service, delivered in a friendly environment through professional staff, leveraging on world-class technology. Today, Oceanic Bank serves customers spread across all tiers of government, corporate organizations, small & medium enterprises and individuals. The Bank's commitment to value creation for all its stakeholders has earned it a solid reputation as a responsible corporate citizen and employer of choice.

With a strong presence in asset management, commercial banking, health management, insurance, investment banking, pensions, registrar services, savings & loans and trustee services, as well as over 370 business offices spread across Nigeria, Cameroun, the Gambia and São Tomé & Príncipe, Eco Bank is one of the most recognized financial services brands in West Africa.

Methodology

This work discloses the research method adopted in conducting the research. The research methodology refers to the methods and procedures used from which finding and conclusions are drawn. It therefore deals with method used, the sources of data, criteria for selection of respondents and treatment of data. This specifically cover: research design, type and source of data, instrument of collection, problem of data collection, actual fieldwork, validity test, and reliability test, method of presentation and method of data analysis. It also, deals with the techniques and method used in carrying out the research study. It enhances the specifications of the procedures employed in putting together the raw facts and on facts and for processing.

The population of this study is the eight (8) Commercial banks in Oyo metropolis. United Bank of Africa plc, First Bank of Nigeria and Eco Bank Plc were selected as sample size of the study. The sample size is the branches of the banks selected in Oyo town. First Bank, Eco Bank and United Bank of Africa were estimated to have fifty, thirty and twenty-eight staffs respectively in Oyo Town. In respect to this, a total of 100 questionnaires were distributed in the proportion of fifty (50) to First Bank and twenty-five (25) each to Eco Bank and United

Bank of Africa. The sampling technique adopted is judgmental sampling which is non probability sampling method which gives the researcher opportunities to use its opinion based on convenience to select sample elements which has been considered best to provide good outcome from a given population considering the relevance of the research work.

The first hypothesis and the second hypothesis: Commercial Banks' activities have not benefited the rural populace will be tested using Analysis of Variance (ANOVA).

Analysis of Variance

Table 3.1: Response Rate of Questionnaires Administered

Details	Frequency	Percentage (%)	Cumulative percentage
Number of questionnaires retrieved	80	80.00	80.00
Number of questionnaires not retrieved	20	20.00	100.00
Total	100	100.00	

Source: Field Survey 2012

Table 3.1 depicts that 100 questionnaires were administered out of which 80 were retrieved and 20 were lost. It can thus be inferred that researcher had sufficient and relevant numbers of questionnaires from which responses were extracted to carry out the study effectively.

Table 3.2: Retrieval of Questionnaires According to Banks

BANKS	FREQUENCY	PERCENTAGE	CUMULATIVE PERCENTAGE
United Bank of Africa	20	25.0	25.0
EcoBank	22	27.5	52.5
First Bank of Nigeria	38	47.5	100.0
Total	80	100.0	

Source: Field Survey 2012

The Table 3.2 shows the breakdown of how questionnaires administered to the selected bank were retrieved. Twenty five (25) questionnaires were administered to twenty (20) staff in United Bank of Africa, thirty (30) to Eco Bank and forty-five to First Bank of Nigeria out of which 20(25.00%), 22(27.50%), 38(47.50) were retrieved respectively making a total of 80 out of 100 administered.

Table 3.3: Analysis of Participation of Commercial Banks in Rural Economic Development Negatively Affects its Growth

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY AGREE	11	13.8	13.8	13.8
AGREE	8	10.0	10.0	23.8
INDIFFERENT	5	6.2	6.2	30.0
DISAGREE	25	31.2	31.2	61.2
STRONGLY DISAGREE	31	38.8	38.8	100.0
TOTAL	80	100.0	100.0	

Source: Field Survey 2012

From the Table 3.3, it can be inferred that 13.8% strongly agree to the fact that the participation of the Commercial Banks in Rural Economic Development has negatively affects its

growth, 10% also agreed with this while 31.2% disagreed and 38.8% strongly disagreed and 6.2% were indifferent. Thus, participation of Commercial Banks in Rural Economic Development cannot be said to have negatively affected its growth.

Table 3.4: Analysis of There are Adequate Number of Bank Branches in The Rural Areas

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY AGREE	11	13.8	13.8	13.8
AGREE	8	10.0	10.0	23.8
INDIFFERENT	4	5.0	5.0	28.8
DISAGREE	27	33.8	33.8	62.5
STRONGLY DISAGREE	30	37.5	37.5	100.0
TOTAL	80	100.0	100.0	

Source: Field Survey 2012

Table 3.4 depicts that, 13.8% strongly agreed, 10% agreed, 5% were indifferent, 33.8% disagreed and 37.5% strongly disagreed that there are adequate number of banks' branches in the rural areas. This shows that there are no adequate bank branches in the rural areas.

Table 3.5: Analysis of more than half of the rural populace knows about banks and its activities

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY AGREE	5	6.2	6.2	6.2
AGREE	13	16.2	16.2	22.5
INDIFFERENT	20	25.0	25.0	47.5
DISAGREE	23	28.8	28.8	76.2
STRONGLY DISAGREE	19	23.8	23.8	100.0
TOTAL	80	100.0	100.0	

Source: Field Survey 2012

Table 3.5 shows that quite a number of the rural populace know nothing about banks and its activities because a total of only 22.5% agreed that rural populace do no about banks and its activities, 25% were indifferent while others disagreed.

Table 3.6: Analysis of banks in the rural areas are highly patronized by the rural populace

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY AGREE	36	45.0	45.0	45.0
AGREE	20	25.0	25.0	70.0
INDIFFERENT	3	3.8	3.8	73.8
DISAGREE	12	15.0	15.0	88.8
STRONGLY DISAGREE	9	11.2	11.2	100.0
TOTAL	80	100.0	100.0	

Source: Field Survey 2012

From the table 3.6, 45% strongly agreed, 25% agreed, 3.8% were indifferent, 15% disagreed and 11.2% strongly disagreed

to the fact above. We can therefore conclude that banks in the rural areas are highly patronized by rural populace.

Table 3.7: Analysis of the rural populace has really derived benefit from banks activities

	Frequency	Percent	Valid Percent	Cumulative Percent
STRONGLY AGREE	10	12.5	12.5	12.5
AGREE	53	66.2	66.2	78.8
INDIFFERENT	5	6.2	6.2	85.0
DISAGREE	8	10.0	10.0	95.0
STRONGLY DISAGREE	4	5.0	5.0	100.0
TOTAL	80	100.0	100.0	

Source: Field Survey 2012

Table 3.7 shows that, 12.5% strongly agreed that rural populace derived benefits from banks' activities, 66.2% agreed, 6.2% were indifferent, 10% disagreed and 5% strongly disagreed. It can thus be inferred that rural populace has really derived benefit from banks activities.

Results and Discussion

Table 3.8: The rural populace has really derived benefit from banks activities

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	25.610	4	6.402	9.457	.000
Within Groups	50.778	75	.677		
Total	76.387	79			

Source: ANOVA Regression Analysis Result using SPSSWIN

From Table 3.8, the calculated value (F) is 9.457 while the tabulated value is given as 3.15 at 0.05 level of significance and degree of freedom of 4 for between group and 75 for within groups, a making a total of 79.

Decision: The calculated value is greater than the tabulated, thus following the decision rule already stated, the null hypothesis (H_0) will be rejected and the alternatives hypothesis (H_1) will be accepted that rural populace have benefited from Commercial banks.

Concluding Remarks

Rural development is all encompassing and so, cannot be taken piece-meal (Adalemo, 1978). A relegation of an integral part (housing, education, infrastructure, healthcare delivery, agriculture and food security, cooperatives, employment and optimal utilization of the potentials of the rural dwellers etc.) may easily rubbish and erase the seeming gains of others. In order to ensure improved and sustainable rural development, the following salient points need to be religiously pursued and implemented by government, Commercial Banks and stakeholders. In this regard, the study recommends that:

- i. Commercial banks should strategize on how to attract and retain more deposits so as to further improve on their lending performance towards the rural dwellers.
- ii. There should be closer consultation and cooperation between commercial banks and the regulatory authorities so that the effect of regulatory measure on commercial banks that will affect its activities towards rural development will be taken into account at the stage of policy formulation.
- iii. Establishing a policy framework that maximizes the incomes of the working rural dwellers through policies to promote rural self-employment and reliability.
- iv. Carrying out periodic surveys, the rural dwellers' development priority in order to ensure that they are carried along in efforts to better their lives; and
- v. Tackling and curbing crime, violence and youth restiveness, which could be through better policing and creation of recreational facilities in the rural areas should be adopted (Osaloje, 2008).

References

Adalemo, I. A. (1987) "Rural Development – New Imperative" *Journal of the Institute of Town Planners*. Vols. vii and ix.

Atte, O. D. (1986) "Overcoming Rural Underdevelopment in Nigeria; Past Approaches and Alternative View", *The Quarterly Journal of Administration*, Vol. xx, No. 314, pp 137-151

Obinne, C. P. (1991) "Culture of Poverty: Implication on Nigeria's Socio-Economic Transformation" *Journal of Extension System* Vol 7.

Obot I. D. (1989) "Rural Development Programme of DFRRI in Cross River: A Pessimistic View" *Journal of the Institute of Town Planners* Vols. viii and ix.

Olayide, S. O.; Ogunfowura, O.; Essang, S. M. and Idachaba, F. S. (1981) "*Elements of Rural Economics*, University Press: Ibadan.

Onibokun, A. G. (1987) "Rural Development Policy Planning and Implementation in Nigeria" *Journal of the Nigeria Institute of Town Planners* Vols. vii and ix.

Osaloje J.I. (2008) "Poverty Alleviation in Nigeria: a Pragmatic Approach" *Journal of Office Technology and Management*. vol. 1 no. 2, June.

Osuntogun, C. A. (1986) "Some challenges of rural Developemnt in Nigeria, *The Quarterly Journal of Administration*, Vol. xx, No. 314, pp 123-133

Simon, D. (2004) "Recent Trends in Development Theory and Policy: Implication for Democratization and Government" *Governance-Nigeria and the World*, CENCOD: Ikeja.

Umebali, E. E. (2006), *Rural Resources Farm Business Management and Rural Development*: Computer Edge Publishers: Lagos.

Umebali, E. E. and Akubuilu, C. J. C. (2006) "Principles of Rural Development" *Readings in Cooperative Economics and Management*, Computer Edge Publishers: Lagos.