Bullion

Volume 15 | Number 2 Article 2

6-1-1991

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THE ROLE OF THE BANKING SYSTEM IN THE MANAGEMENT OF THE ECONOMY

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INTRODUCTION

The management of national economies tends to be seen as the traditional preserve of governments and their agencies, the ideological inclination of such governments notwithstanding. Economic manage- ment involves the choice of objectives as well as policy strategies for realising the identified objectives. The management of an economy is adjudged effective if the authorities are able to attain and sustain specific goals of development such as increase in real income per capita There is a vital difference between initiating development and sustaining it over a long period of time. Development is often constrained by shortage of productive factors, a critical one being capital. A major goal of economic management therefore, is to facilitate the process of capital formation. Capital accumulation for investment requires domestic savings or foreign assistance. The implications of probable debt burden through foreign assistance which is not in the form of grants, make domestic savings a very critical and reliable factor in the capital formation process.

Capital formation, whether financed from internal or external sources requires the mobilisation of economic surpluses. For investment to increase, there must be a growing surplus over and above current consumption that can be channeled into productive uses. The different ways of accumulating capital entail different institutional arrangements. The banking system provides a major institutional mechanism for the mobilisation of minuscule and not- so-minuscule resources from surplus units and for channeling of the same to the deficit units through the extension of credit. The efficiency with which this is done greatly influences the savings investment process and has implications for the management of the economy and the attainment of sustained growth and development.

The objective of this paper is to examine and highlight the role of the banking system in the management of the economy, bearing in mind the lead role which financial capital plays in the development process.

The paper is thus divided into three parts. Part I describes the evolution and growth of the banking system within the overall financial system. Part II focuses on the role of the banking system in economic management while Part III provides the summary and conclusion.

Part I
THE BANKING SYSTEM

1. Evolution of the Banking System

(i) Foreign Based Banks

The banking system evolved to support the trading activities along the Nigerian coast in the late nineteenth century. It was initially foreign-based. In order to boost the British shipping business operated by Elder Dempster and Company, the chairman of the company initiated the setting up of a branch of African Banking Corpora- tion in August 1891. From January 1892, the bank was accorded the privilege of importing silver coin from Britain for use in Nigeria. Elder Dempster & Company took over the bank on payment of 1,000 (pound sterling) and the bank was incorporated as the Bank of British West Africa (B.B.W.A.) on 31st March 1893, with an authorised capital of 100,000 out of which 412,000 was paid up. The former B.B.W.A. is now known as First Bank of Nigeria Limited.

A second bank, Anglo African Bank which later became Bank of Nigeria, was established in 1899 as a result of the agitation by British traders that B.B.W.A. was biased in favour of Elder Dempster & Co. The B.B.W.A. however, was merged with the new bank in 1912.

Another bank (the Colonial Bank) was set up in 1917 and was later taken over in 1925 by Barclays Bank DCO (Dominion, Colonial and Overseas) as an integrated overseas bank. The bank which later became Barclays Bank Nigeria Limited is now known as Union Bank of Nigeria Limited. It posed a formidable competitor for B.B.W.A. In 1948, the British and French Bank (Now known as the United Bank for Africa Limited) was founded. The First Bank of Nigeria Ltd., the Union Bank Ltd. and the United Bank for Africa are the three largest banks in Nigeria today.

(ii) *Indigenous Banks*

During the period 1929 and 1952, numerous indigenous banks were founded. All of them failed except the National Bank of Nigeria Limited, which was set up in 1933. The Agbonmagbe Bank Limited, currently known as Wema Bank Limited was set up in 1938 followed by the African Continental Bank (ACB) which was set up in 1948. Following the failure of an indigenous bank - The Nigerian Penny Bank in 1946, the need for control over all the banks became apparent. Some regulatory provisions were thus recommended in a report - the Paton Report of 1948. The acceptance of the report by the government induced a great rush to open new banks as the report provided a three-year grace period to allow the banks comply with laid down guidelines. During the period February 1951 and May 1952, 18 indigenous banks were registered. All of them failed without exception, as a result of lack of banking expertise, non-prudent lending policies and, to some extent, the effects of the Great Depression.

(iii) Background to the Establishment of the Central Bank of Nigeria.

Prior to the establishment of the Central Bank of Nigeria, the West African Currency Board (WACB) which was established in 1912, had the responsibility for issuing legal tender currency. The WACB was set up to promote the financing of the export trade. Specifically, it was charged with the issue of a West African currency, the exchange of existing currencies, the repatriation of existing currencies and the investment of reserves. There was a fixed parity of the local currency with the British pound, while the currency had 100 per cent sterling coverage. The reserves were invested in Britain and this in a way facilitated Nigeria's international payments. However, because the WACB was linked automatically to the British system, it could not engage in monetary management, neither were Nigerians trained in the art of monetary management. In order to eliminate this deficiency and thereby promote the growth of the domestic money and capital markets, the Central Bank of Nigeria was established in 1958 and it commenced business on 1st July 1959.

1.2 The Growth of the Banking System

The banking system in Nigeria is made up of the Central Bank of Nigeria; the commercial and merchant banks; the development banks (the Nigerian Industrial Development Bank (NIDB); the Federal Mortgage Bank of Nigeria (FMBN); the Nigerian Bank for Commerce and Industry (NBCI); the Nigerian Agricultural and Cooperative Bank (NACB); a Federal Savings Bank - FSB International Limited and special banks such as the People's Bank of Nigeria (set out to provide easy access to credit for business requiring low working capital) and community banks (established to bring financial and banking services to those at the grassroot level).

The Central Bank, the development banks, the savings bank and the People's Bank of Nigeria are owned and controlled by the Federal Government, although some non-government equity is involved in the case of the development banks. The commercial and merchant banks are characterised by private initiative and participation, while community banks, as the name suggests are sponsored by communities. Broadly, the commercial and merchant banks which form the lion's share of the banking system are segmented into those that are wholly indigenous and those that have strong foreign links through shareholdings by major international banks.

There has been a steady growth in the number of commercial and merchant banks in the country, especially since the 1980s as indicated in Table 1. The number of commercial banks in the country at the end of 1990 almost tripled the number recorded in 1979 while the number of merchant banks at the end of 1990 was eight times the number recorded in 1979 (See Table 1).

The number of branches also increased steadily reaching 1,665 for commercial banks in 1988 and 46 in the case of merchant banks in the same year. As at the end of 1990, the commercial banks had 1920 branches (1150 urban, 765 rural and 5 overseas) while the merchant banks had 74 branches, all urban (See table 2). The one year old People's Bank and the recently - launched Community banks are expected to add a new dimension to banking in Nigeria.

The Central Bank of Nigeria

The Central Bank of Nigeria (CBN) started with an initial capital of N3 million which was subscribed to and wholly paid up by the Federal Government of Nigeria. Since then, the Central Bank has grown considerably and its functions have expanded.

The major functions of the CBN include the issuance of legal tender currency (Naira) in Nigeria, the maintenance of external reserves for the purpose of safeguarding the international value of the Naira, the promotion of monetary stability and soundness in the financial system, and serving as the banker and fantail adviser to the government and its agencies.

The CBN also has responsibility for managing public debt and providing assistance for rediscounts and advance when needed. The Bank is well represented on the boards of major financial institutions such as the Nigerian Industrial Development Bank (NIDB), the Nigerian Bank for Commerce and Industry (NBCI), the Federal Mortgage Bank of Nigeria (FMBN), the Nigerian Deposit Insurance Corporation (NDIC) and the Nigerian Agricultural and Cooperative Bank (NACB).

The CBN was granted a semi - autonomous status in 1988 when it was transferred to the Presidency. As at the end of December 1990, the Central Bank had assets/liabilities totalling ₦133.0 billion.

The Central Bank, as an apex monetary authority, plays a major role in the management of the economy through monetary policy measures designed to enhance the achievement of national economic objectives. The Bank facilitates economic management through its advisory and supervisory role as well as through its domestic and foreign operation. A Monetary Policy Circular issued at the beginning of each year by the Bank to the commercial and merchant banks induces the banking system to play a developmental role, among other thing. Further discussion of the role of the Central Bank in the management of the economy is undertaken in Part II.

The Commercial Banks

Commercial banking predates central and merchant banking in Nigeria, hence the awareness for making institutionalised saving was primarily induced by the commercial banks. These banks form the nucleus of the banking system. They account for the bulk - 84 per cent of institutionalised savings as at end - December 1990 and comprise the largest sector of the banking system in terms of number (56 in operation in 1990) and deposit takings (See Table 3). Total deposits (demand, time and savings) with the commercial banks at the end of 1989, at N30,974.2 million comprised 87.7 per cent of aggregate deposits of the banking system.

Two broad functions performed by the commercial banks are:

(i) the banking function which involves the creation, distribution and transfer of deposits as well as the provision of commercial credit; and

(ii) the saving function which comprises the mobilisation of savings from the surplus units of the economy and the channelling of such funds towards the funding of consumer items and capital projects. To execute their retail banking activities the banks have continued to open branch network in different parts of the country.

Commercial banks in Nigeria act as agents of the government in implementing various schemes aimed at promoting agricultural and industrial development. As at the end of 1990, their assets/liabilities stood at 82.3 billion. The commercial banking sector is oligopolistic with the seven largest accounting for 45 and 55 per cent of aggregate assets and deposits, respectively. In 1990, their major source of funds were deposit liabilities applied primarily to investment in financial and fixed assets and loans and advances.

The Merchant Banks

The rationale for the entry of

merchant banks into the banking system was to bridge the gap in the term structure of credit provided by commercial banks which tended to be short - ended. Philip Hill Nigeria Limited, the first Merchant Bank was set up in 1960 and was later merged with the then Nigerian Acceptances Limited (NAL), to become NAL Merchant Bank Limited.

The merchant banks which numbered 48 as at the end of 1990 are mainly wholesale bankers. They engage in made-to-measure banking while the commercial banks deal in off-the-peg or retail banking. The merchant banks accept large deposits, usually not less than ₦50,000 and only a small proportion of their loans and advances is of the overdraft type common to commercial banking. Owing to the nature of their activity, the merchant banks do not have a widespread branch network. The sources and uses of fund of the merchant banks differ substantially from that of the commercial banks. While the commercial banks accept deposits from a wide variety of individuals and institutions, both private and public, the merchant banks apart from their own paid-up capital, rely on other banks and institutional investors. They apply the funds mainly for loans and advances.

Merchant banks specialise in the provision of term loans and they engage in the business of equipment leasing, debt factoring, investment management and loan syndication for capital intensive projects. They often provide advisory and other services on mergers and acquisition, privatisation of public enterprises, capital reconstruction and on other schemes and programmes. As at the end of 1990, the assets/liabilities of the merchant banks totalled ₦28.59 billion.

The Development Banks

As stated earlier, development banks include the NIDB, the NBCI and the NACB. They provide medium to long term funds to the agricultural, industrial, commercial and other sectors of the economy. Their activities also include the provision of financial and advisory services to indigenous entrepreneurs and acting as agent of the government in disbursing funds to industrial enterprises.

(a) The Nigerian Industrial Development Bank (NIDB)

Following the restructuring of the Investment Company of Nigeria (ICON) which was established in 1959, the NIDB was set up in 1964 to provide credit and other facilities to industries. Although its activities focus mainly on medium and large-scale enterprises, some small scale enterprises also come under its scope of financing.

Specifically NIDB's main functions include: provision of medium and long-term finance, identification of investment bottlenecks, supervision of the implementation of projects by requesting for progress and projects reports and provision of technical and managerial advice to indigenous enterprises.

The major shareholder in the NIDB is the Nigerian Government and the bank has the mandate to borrow locally and internationally. An attractive feature of NIDB's financing is its policy of equity participation of 11 - 26 per cent in some of the projects. NIDB's loans are relatively soft with moratorium usually of 2 years duration. The repayment period is often medium term (about five years). The bank also grants working capital loans and advances as well as long term loans (ten years or more) for capital intensive projects. The NIDB borrows from the banks, the Central Bank, the Federal Government and international financial institutions such as the International Finance Corporation (IFC). As at the end of December 1990, NIDB's assets/liabilities totalled ₦1,230.3 million.

(b) The Nigerian Bank for Commerce and Industry (NBCI)

Following the promulgation of the Nigerian Enterprises Promotions Decree of 1972, the Federal Government, through Decree 22 of 1973 established the NBCI to provide among other things, financial services to the indigenous business community, particularly small and medium scale enterprises.

The NBCI commenced operation on the 4th October 1973. Its functions include: share underwriting through its membership of the Nigerian Stock Exchange, and identification of viable projects, preparation of feasibility studies and advice on relevant technical and managerial matters.

NBCI's assets/liabilities stood at ₦718.9 million at the end of December 1990.

(c) The Nigerian Agricultural and Cooperative Bank (NACB)

Established in 1973, the NACB's major objective is the financing of agricultural development projects and allied industries. The bank has a fully paid-up capital of ₦150 million. It extends short and long terms loans to agro-allied projects nation-wide. In order to coordinate its activities effectively, it often interacts with states Ministries of Agriculture and Cooperatives. NACB's total assets/ liabilities at the end of September 1989 was ₦698.9 million.

(d) The Federal Mortgage Bank of Nigeria (FMBN)

Established by Decree No.7 of 1977, the FMBN took over the assets and liabilities of the Nigerian Building Society (NBS) which had been performing the function of mortgage administration in Nigeria since inception in 1956. In addition to banking and advisory services, the FMBN is charged with the responsibility of supervising and controlling the activities of mortgage institutions in Nigeria, providing guarantee for loans from private investment sources for building purposes and carrying out research activities pertaining to architecture, mortgage finance activities and housing in rural and urban areas.

The FMBN obtains its funds mainly from the government, the CBN, the banks and some individuals. It is the apex financial institution for the mortgage industry. As at the end of September 1990, the assets/liabilities of the FMBN totalled N837.1 million.

(e) FSB International Bank Limited

The FSB International Bank Limited was formerly known as Federal Savings Bank (FSB), which replaced in 1974, the Post Office Savings Bank established since 1889.

Established by Decree 33 of 1972, the major objective for setting up the Federal Savings Bank was to encourage the savings habit particularly among the low or medium income categories of people. The functions of the FSB remained basically unchanged from what was stated in the Post Office Savings Act of 1958. These functions included; the provision of easy- to-facilities for the deposit of savings, and the promotion of thrift as well as the mobilisation of savings particularly in the rural areas.

No specific goals were set for the FSB and the bank enjoyed for many years, a near monopoly of the small savings sector. Owing to the large increase in the number of banks particularly from the mid-1980s, as well as the superior technology and greater professionalism within the commercial and merchant banking sector, the FSB lost a substantial part of its market to the new-comers. To activate the bank, it was transformed in 1990 from a parastatal dependent on government subvention to an autonomous limited liability company - FSB International Bank Limited.

(f) The People's Bank of Nigeria (PBN)

With an initial allocation of N30 million, the People's Bank of Nigeria (PBN) commenced operation on a pilot basis, with the first branch commissioned by the President on 3rd October 1989 in Ajegunle in Lagos State. The bank was accorded legal status by Decree No.22 of 1990.

The reasons for setting up the People's Bank stemmed from the realisation that low income earners normally lack access to institutional credit because they are unable to provide suitable collateral demanded by banks before credit worthiness is ascertained. Relatively small credit needs compared with large administrative charges on the part of banks make it uneconomical to grant loans to this category of small borrowers. Specifically, the PBN was set up to ameliorate the sufferings of the masses by providing them with easy credit, curb mass unemployment at the grassroot and encourage economic self-reliance.

Peoples' Bank commenced by gran- ting credit facilities in the range ₦50 to ₦5,000. No interest is charged but an administrative fee is collected. No collateral is required, but to induce loan repayment, loans are usually granted on the basis of group membership of cooperatives, trade associations etc. A borrower is expected to be a member of a group of at least 15 persons. The repayment period is 50 weeks.

The PBN's sources of fund accor- ding to Decree No.22 of 1990 include loans and grants from the Federal Government, funds from the Central Bank of Nigeria, low interest bearing loans from international financial organisations and funds from philanthropic organisations. The 1991 budget stated that a sum of ₦150 million had been set aside as equity base for the bank.

The PBN is currently government-sponsored but there are plans to sell its shares to the poor by 1992. The PBN has introduced a savings scheme and there are plans to introduce current account facilities. The bank recently raised its administrative charges from 5.0 to 15.0 million per cent. It plays an interest of 17.0 per cent on deposits placed with it.

(g) Community Banks

The decision to establish community banks was stated in the 1990 budget speech. A community bank is a self-sustaining financial institution, owned and managed by a community or group of communities and financial services at the grassroot level. Such credit would be provided mainly on the basis of self recognition and credit worthiness in a community in contrast to the orthodox banking practice of reliance on acceptable collateral as an indication of credit worthiness.

Community banks may be owned by Community Development Associa- tions (CDAs), cooperative societies etc. A minimum equity share capital of ₦250,000 is required and applications are received and processed by the Community Bank Implementation Committee (CBIC). The programme for the establishment of community banks took off in December 1990 when the first licensed community bank commenced operation in Alheri Local Government Area of Kaduna State.

Part II

THE BANKING SYSTEM AND THE MANAGEMENT OF THE ECONOMY

II.2 The State of the Nigerian Economy

The Nigerian economy has undergone structural changes in the past three decades from a predominantly agricultural economy in the 1960s to an economy mainly reliant on oil from the mid 1970s. The phenomenal growth in oil earnings in the mid 1970s was not fully internalised into the economic system. The result was that the consumption-production pattern became largely import-oriented. Inability to rationalise imports when the oil boom gave way to an oil glut led to the emergency of trade arrears. A growing debt burden also surfaced in the early 1980s as a result of jumbo loans contracted from the interna- tional capital market. External debt outstanding shot up drastically from $593.6 million in 1976 to $18.6 billion in 1986 and to about $30 billion in 1990. The pursuit of an overvalued exchange rate policy, the subsequent relegation of the agricultural sector to the background, heavy public sector spending and the huge debt over-hang all combined to create distortions in the production, consumption and payments patterns. The precipitous decline in oil earnings in the 1980s necessitated a policy re-direction aimed at re- aligning the domestic production pattern with the local resource base.

The Structural Adjustment Programme (SAP) introduced in July 1986 to eliminate structural distortions and encourage a diversified and broad productive base. The major features of the SAP include the re-alignment of the naira exchange rate to reflect market forces, trade liberalisation, privatisation and commercialisation of government - owned enterprises and the promotion of locally - sourced raw materials and de-regulation of the economy. The banking system has been an integral part of the on-going structural reforms and it has played a lead role in the management of policy changes.

II.2 The Role of the Central Bank of Nigeria

Within the banking system, the Central Bank of Nigeria (CBN) plays a lead role in the management of the economy through its traditional and developmental functions, thereby influencing the pace and direction of economic growth.

A. CBN's Traditional Functions

(i) Currency Issue and Distribution:

Economic transactions in the Nigerian economy is still largely cash-oriented. The Bank's currency issue function which involves distribution, safe custody of stocks and management of orders constitutes a vital part of the day-to-day management of the economy, given the enormous reliance by Nigerians on cash transactions. Without the regular supply of currency, economic activities would at best, grind to a habit. The value of currency in circulation as at end-December 1990 was ₦16.3 billion which was an increase of 29 per cent over its level in December 1989.

(ii) Banker to other Banks:

The CBN promotes confidence in the system through its activities as banker to other banks. In its supervisory activities, the Bank monitors monthly and quarterly performance of the commercial and merchant banks and undertakes ad-hoc and on-the-spot examination of the statement of accounts of the banks. This facilitates effective monitoring to assess quality of loans, loan adequacy ratios, the existence or extent of fraud in the banks, compliance with monetary policy guidelines and the pursuit of prudent banking practices.

The CBN monitors the cheque clearing system to ensure operational efficiency within the banking system.

The Bank accommodates commercial and merchant banks in temporary need of liquidity. For example, during September and October 1989, the CBN, through the NDIC extended facilities totalling ₦2.3 billion to ten banks (four commercial and 6 merchant banks). The availability of the Bank as a lender of last resort instills confidence in the banking system's ability to withstand economic strains and stresses.

The CBN also consolidates public sector accounts, particularly since the directive in May 1989 that all government accounts be maintained with the CBN.

(iii) Promotion of Monetary Stability:

The effectiveness of any Central Bank in 'managing' an economy hinges crucially on its ability to promote monetary stability. The CBN performs that functions through the regulation of money supply and the control of other monetary aggregates.

When inflation rate in 1988 reached 38.3 per cent, the Central Bank employed monetary policy measures to moderate the rate of inflation. A slower growth in the stock of narrow money, M1 was induced 1989. At N21.8 billion at the end of December 1989. M1 increased by 30.8 per cent over the level at the end of 1988. This represented a substantial deceleration from the growth rate of 43.6 per cent recorded 1988. As a result of the monetisation of government's foreign exchange earnings and the rise in aggregate banking system credit though slightly modified by lower income velocity of money, money stock (M1 and M2) grew substantially towards the end of 1990. As at end- December 1990, M1 and M2 rose by 40.7 and 34.8 per cent to the levels of ₦30.6 billion and ₦27.7 billion, res- pectively. The CBN took appropriate measures including the introduction of stabilisation securities in August 1990 to mop up excess liquidity in the system.

The Bank has executed its functions through the use of instruments of monetary policy, particularly direct control of credit, variable discount rate, special deposit and stabilisation securities, reserve requirements and moral suasion. Once some basic institutional arrangement are put in place, the Bank plans to utilise open market operation (OMO) in the very near future, to smoothen out sharp movements in monetary aggregates.

(iv) Direct Control of Credit:

The imposition of credit ceilings has been used by the CBN as a major policy tool to promote economic stability. Direct control of credit ensures that the growth in money supply is restricted to the amount perceived to be needed to support a reasonable growth rate without over extending the economy.

In the 1991 guidelines to banks, the ceiling on commercial and merchant banks' aggregate credit expansion to the private sector is increased from 12.5 per cent in 1990 to 13.2 per cent in 1991.

In order to induce adequate growth in the non-oil sector in line with the objectives of the Structural Adjustment Programme (SAP), the CBN directs that the commercial and merchant banks accord priority to the agricultural and industrial sectors as indicated below:

SECTORAL ALLOCATION OF CREDIT (%)*

Sector	Commercial Banks	Merchant Banks
A. HIGH PRIORITY SECTORS	50.0	50.0
i. Agricultural production	15.0	10.0
ii. Manufacturing enterprises	35.0	40.0
B. OTHERS	50.0	50.0
TOTAL A + B	100.0	100.0

The percentage share of A(i) and (ii) are minimal while that of B is maximum.

The prolonged use of direct control of credit and credit ceilings induces distortions. It is because of this that the Central Bank has stated in the 1991 Monetary Guidelines that monetary policy will shift towards market-oriented approach (in line with SAP) based on generalised tools. The major instruments of the Indirect Approach to monetary management are cash reserve requirements, liquidity ratio and open market operations (OMO).

An important point to note is that stabilisation and the management of the economy through credit ceilings and allocation are constrained if the fiscal policy stance runs counter to the monetary policy stance. Excessive public sector spending and large budget deficits are capable of neutralising the overall effects of monetary policy measures.

(v) Selective Credit control:

In realisation of the fact that the banks tended to go for the quick kill and the fast buck, the CBN uses selective credit control to focus banks attention to the priority sectors of the economy. These sectors include the agricultural and manufacturing enterprises, rural borrowers, indigenous businesses as well as small and medium scale enterprises (SMEs). The credit guidelines stipulate minimum credit expected to be injected into these sectors.

(vi) Moral Suasion:

From time to time, the CBN has found it expedient to influence the banks, through moral suasion, to broaden their branch network, grant credit for developmental purpose, narrow the spread between the prime and maximum lending rates, minimise unbridled bidding at the Foreign Exchange Market auctions and in general attune them to the overall economic goals.

(vii) Interest Rate Policy:

Interest rates have continued to be the subject of much controversy. They were controlled and regulated up till 1986 when the SAP was introduced. The rates were gradually deregulated from 1986 and later decontrolled from august 1987. Since then, all direct controls were removed and the rates left almost entirely to market forces. The minimum rediscount rate was revised downwards from 15.0 to 12.75 per cent on 29th December 1987. It remained unchanged at 12.75 per cent in 1988 and was later raised to 13.25 per cent with effect from 31st January 1989. In response to developments in the economy, particularly high inflation rate in 1989, the MRR was revised upwards to 18.50. However, as the inflation rate declined, the rates charged by the banks remained sticky downwards making it very difficult for manufacturers to borrow from the banking sector. With effect from January 1991 therefore, the MRR was revised downwards to 15.5 per cent and the banks are expected to relate interest rates charged by them to their cost of funds. Banks lending rates are currently pegged to a maximum of 21.0 per cent per annum.

The stance of the CBN as regard its interest rate policy is to ensure positive returns on savings, promote industrial expansion and encourage healthy competition among the banks. No doubt, this is not easy task but the monitoring of banks cost of funds, rates charged by banks, and charges in the saving - investment profile is expected to guide policy decisions regarding interest rates. It is important to note that the Bank does not intend to regulate interest rates. Rather, the Bank aims at ensuring that market signals are rightly discerned and that the responses to such signals are appropriate.

The bank has continued to pursue a policy of interest rate deregulation to encourage savings mobilisation and to induce interest rates to reflect the true opportunity cost of capital.

B. Some Development Functions of the CBN

Apart from its traditional functions, the Central Bank of Nigeria has been very influential in other areas of economic development. These include promotion of agricultural activities, through agricultural finance, industrial development, promotion of the development of financial market, rural banking, export finance, promotion of small and medium scale enterprises, carrying out research and data-gathering, management of external reserves external debt consolidation of public sector accounts, involvement in bank licensing as well as other developmental functions.

It is not possible within this framework to discuss exhaustively all the various ways and means through which the CBN, as an apex monetary authority, executes all its developmental functions. However, a few will be treated in the subsequent paragraphs to highlight the unique role of the CBN in the management of the economy.

i. Promotion of Small and Medium-Scale Enterprises (SMEs)

The Central Bank of Nigeria since 1970 has been instrumental in promoting the development of wholly owned Nigerian enterprises particularly in the small- scale sector. In its policy guidelines, the CBN directed that with effect from April 30, 1970, credit to indigenous borrowers was to be at least 35 per cent of the banks total loans and advances. The proportion of loans to indigenous borrowers was raised in subsequent years to 40 per cent in 1972/73 fiscal year, 49 per cent for the period 1973 - April 1977, 50 per cent from May 1977 till end 1977, and to 60, 70, 80 and 90 per cent in the year 1978, 1979, 1982 and 1984, respectively. Even though the CBN raised the proportion of loans to be advanced to indigenous borrowers, the banks concentrated on large scale businesses and granted loans on a marginal basis to SMEs, because of the perceived high risks involved. In the fiscal year 1979/80, the CBN directed that at least 10 per cent of the loans advanced to indigenous borrowers should be allocated to small-scale industries. This percentage has been reviewed over the years and with effect from January 1990, a minimum of 20 per cent of total loans and advances is to be allocated to SMEs. Non-compliance attracts stiff penalties, while failure to render returns on SMEs attract penalties of ₦100 - ₦200 per day.

The influence of the CBN in promoting SMEs is noticeable in Table 4 which shows the banks' overall compliance with CBN guidelines with effect from 1987. In 1990, SMEs obtained ₦7.9 billion or 20.8 per cent of total loans and advances of the banking system.

ii. Rural Banking

Designed to accelerate the moderni- sation and development of the rural areas, the rural banking scheme is a means for influencing rural development in Nigeria.

The scheme commenced in June 1977 and during its first phase (1977 - 1980), the commercial banks complied 100 per cent by opening up 200 branches. During the second phase (1980 - 1985) about 260 of the 266 branches were opened, thus indicating a 98 per cent compliance. The third phase of the rural banking scheme commenced on 1st August, 1985 and ended officially on 31st July, 1989. A total of 293 branches were opened under the third phase, while 7 branches were outstanding. Rural branches totalled 765 as at the end of 1990 and comprised 39.8 per cent of all commercial banks opened. The CBN could be said to have initiated grass root savings mobilisation. This unique feat in a way, translates to a management of the rural economy through financial intermediation.

iii. Export Promotion

There was a substantial growth in the refinancing and rediscounting facility (RRF) introduced in April 1987 to enhance the export financing operations of the banks. The CBN promoted non-oil exports through the provision of N714 million by way of advances under the RRF.

The CBN also promoted non-oil exports through the Foreign Input Facility (FIF) scheme, which is designed to give exporters unrestricted access to foreign exchange. The taking-off of the scheme was facilitated by the signing of the export stimulation loan (African Development Bank - ADB - ESL) Agreement between the ADB and the Nigerian Government. The revolving loan of $245 million is reserved exclusively for the promotion activities which involve the CBN include identification of export credit risks and other risks to enable the CBN and other governmental agencies determine the range of facilities to be provided by the Nigeria Export Credit Guarantee & Insurance Corporation (NEXIM).

iv. Agricultural Finance

In order to make the banks participate in agricultural development the CBN introduced the Agricultural Credit Guarantee Scheme (ACGS) in 1977.

A total of 34,518 loans valued at N129.3 million were guaranteed under the ACGS in 1989. Peasant farmers borrowing ₦5,000 and below comprised the bulk (96% in number and 68% in value) of the beneficiaries of the ACGS. In furtherance of the policy of self-reliance, food crops dominated the number and value of loans guaranteed the cumulative number and amount of loans guaranteed.

v. Debt Management

A major economic management issue is Nigeria's huge debt overhang, the servicing of which poses a heavy burden for the entire economy. The CBN, and the Federal Ministry of Finance have however made a far - reaching progress in reducing the debt burden through a refinancing of the trade arrears, rescheduling of the long term debt and debt conversion programmes. A total of $7 billion external debts has been rescheduled, while trade arrears of over $3 billion has been refinanced.

In addition, the Debt Conversion Programme (DCP) which came into operation in February 1988, has been effective in reducing as at the end of 1989, the country's external debt by $297.0 million. A total of $145.5 million has also been appropriated to the economy through the discounts offered by the redemptors. The country also benefitted from a total inflow of $4.5 million new money arising from foreign - denominated transaction commissions paid.

On the domestic scene, the CBN funds the Federal Government through Ways and Means Advances and issuance of Treasury Bills and Certificates, and long term development stocks. Ways and Means Advances totalled ₦5.7 billion towards the end of 1989, while treasury bills totalling N130.5 million were issued to fund maturing bills. Treasury certificates valued at N33.9 million were issued in 1990 compared with ₦6.5 billion in 1989. The large increase over the one year period was because some of the certificates were used to liquidate part of the Ways and Means Advances outstanding.

In order to activate the market for government short-term domestic debt instruments, an auction-based system for the issue of Federal Government treasury bills and certificates was introduced in November 1989. The issue rates of these treasury securities are thus based on the competitive bids of the authorised dealers. This is expected to further enhance efficiency of management of domestic debt, promote the development of an active market in these securities and enhance the effectiveness of monetary policy.

vi. Promotion of a Sound Financial System

The CBN in many ways initiates and implements measures to promote a sound financial system. With the introduction of the Structural Adjustment Programme (SAP) in 1986 and the consequent deregulation in some areas of the financial system, the number of banks and other financial instructions grew sharply as noted earlier. To ensure that the expanded financial system is sound and to curtail the incidence of illiquidity and capital erosion in banks, increased enforcement of prudential standards in line with what is practiced in developed financial markets became paramount.

In 1990 theretore, the risk-weighted approach to capital adequacy was introduced along with guidelines on provisioning for loan losses and on asset classification. These are discussed below;

(1) Capital Adequacy

Commercial and merchant banks must have adequate capital to absorb unusual losses. Central Bank's prudential requirement that banks maintain adequate capital-to assets ratio imposes discipline on banks' lending activities. The current regulations set minimum guidelines for capital adequacy to cover both balance sheet and off-balance sheet items. Guidelines on capital adequacy adopted by the Central Bank of Nigeria are fashioned along the lines of the recommendations of the Basle Committee of the Bank for International Settlement (BIS), which set out common standard of measurement of capital adequacy by all member countries. According to CBN Circular BSD/FE/48/Vol.6/303 of 30th March, 1990, the Chief Executive of all licensed banks are to comply with the following:

(a) A minimum of 7.25 per cent of risk weighted assets must be maintained as capital, with immediate effect.

(b) At least 50 per cent of the total components of capital of all banks should be made up of what is referred to as CORE OR TIER CAPITAL that is, paid-up capital plus reserves and retained earnings less intangible assets and unpublished losses.

(c) The ratio of capital to total risk-weighted assets should be at least 8 per cent with effect from 1st January, 1992.

2. Asset Classification and Provisioning

Central Bank's policies focus specifically on the prudential aspect of financial monitoring. In addition, to ensuring that banks comply with monetary policy regulations such as those on credit allocation to priority sectors, the Central Bank tries to promote safe, stable and efficient financial system by providing guidelines to ensure that banks make adequate provision for problem assets and loan losses. Banks are expected to suspend interest on non- performing loans and to write off uncollectible assets after a specified period of time.

3. Adequate Capital for the Banks

To ensure that banks are reasonably capitalised, the minimum paid up capital of commercial banks was raised from ₦10 million to ₦20 million in September 1990 and to ₦50 million in February 1991. That of merchant banks was raised from N6 million to ₦12 million in 1990 and to ₦40 million in February 1991.

vii. Foreign Exchange Monitoring

With the introduction of a market-determined exchange rate in September 1986, the Bank has encouraged the naira exchange rate to respond to market forces. It however monitors the rates as well as the utilization of scarce foreign exchange resources to ensure that manipulation of returns and exploitation of customers by authorised dealers are minimised. The Bank also carries out ad-hoc examinations to ensure that funds are repatriated and that interest due on domiciliary accounts are properly credited to customers' accounts. In 1990, the Bank conducted routine examination of 62 authorised dealers as well as the activities of some bureaux de changes. Banks which were found to sell at rates higher than permissible were made to forfeit excess profits so made to the Federal Military Government.

In general, through the numerous policy tools available to it - discounts and rediscounts, credit ceilings and selective credit control, interest rate variations, moral suasion and open market operations, the Bank can influence monetary aggregates for effective management of the economy.

II.3 The Commercial and Merchant Banks

A crucial role of the commercial and merchant banks is intermediation in the savings - investment process. The aggregate credit to the economy increased steadily over the years from ₦10.7 billion in 1980 to ₦49.2 million at the end of 1989. Commercial banks' credit to the government and the private sector stood at ₦3.0 billion and ₦22.3 billion, respectively, at the end of 1989, while merchant banks' credit to the government and the private sector amounted to ₦90.7 million and ₦7.1 billion, respectively, at the end of 1989. Credit by the Central Bank to the government and the private sector was ₦15.2 billion and ₦1.5 billion, respectively at end - December 1989.

The commercial and merchant banks, through their credit policy promote growth in different sectors of the economy with particular attention paid to the 'priority' sectors agriculture and manufacturing. Rural borrowers and small and medium-scale enterprises (SMEs) also benefit from these banks. Many of the banks participate in special programmes of schemes such as the National Economic Reconstruction Fund (NERFUND), the SME Apex Unit Loan Scheme and African Development Bank (ADB) Export Stimulation Loan Scheme (ESL). The banks obtain additional loanable funds through these special schemes, for the purpose of promoting industrial development.

The sectoral allocation of commercial banks' loans and advances indicates that the commercial banks advanced in 1989 less than the minimum credit stipulated for the manufacturing sector. The merchant banks on the other hand, achieved compliance with CBN guidelines. Both the commercial and merchant banks however complied with the guidelines on loans to small-scale enterprises and loans to rural borrowers. Loans and advances to small-scale enterprises, by the commercial amounted to ₦5.9 billion or 22.9 per cent of total loans and advances.

Through their wholesale banking activities, the merchant banks took up more equipment leasing business in response to the growing demand for equipment on lease by manufacturers.

II.4 The Development Banks

The NIDB and the NBCI, by providing relatively long-term loans to business enterprises, forget a link in the term structure of interest rates. The NIDB disbursed ₦174.6 million during the period 1980 - 1988 for the development of various industrial projects (mainly consumer-oriented). NIDB's sanctions increased more than five fold from ₦123.6 million in 1989 to ₦649.8 million in 1990. The NIDB also disbursed ₦218.38 million. Emphasis by the bank was more on non- consumer goods during the year. The NBCI on the other hand, pursued its function of promoting SMEs. Aggregate investment approvals by NBCI amounted to ₦879 million for 760 projects in 1989. NBCI's largest allocation in 1989 was to the food and beverages sub- sector.

The NACB and the FMBN also provided agricultural and mortgage loans, respectively. Mortgage loans approved in the first ten months of 1990 totalled ₦47.5 million while the disbursements amounted to N34.3 million during the period. It funded various agricultural pursuits, including food crops production, poultry and animal husbandry.

II.5 The People's Bank of Nigeria (PBN)

Representing and entirely new concept in banking in Nigeria, the People's Bank has begun a process of fully integrating the small borrowers into the banking system. As at the end of 1989, when the bank had operated for only three months, the sum of ₦5.69 million was disbursed as short term loans to 8007 beneficiaries. Loans outstanding at the end of 1990 amounted to ₦74 million while the number of borrowers totalled 79,061. The banks savings deposit facility at the end of 1990 had a balance of N9.8 million, while its branch network expanded from 26 in 1989 to 169 in 1990 located in all states of the Federation and Abuja.

II.6 Community Banks

The decision to establish community banks in Nigeria was stated in 1990 Budget. One community bank has already been established. Others are expected to follow shortly. In 1990 353 out of a total of 705 applications were given provisional approval. Commu- nity banks are expected to improve the access of the rural community to banking and financial services and thereby broaden the role of the banking system in the development process.

Part III

SUMMARY AND CONCLUSIONS

This paper examined the role of the Nigerian Banking system in the management of the economy, bearing in mind the importance of financial capital in the development process. From the standpoint that the management of an economy is the traditional preserve of the government and that the banking system provides a mechanism for mobilising and allocating economic surpluses, the paper attempts to broaden our perspectives on banking activities and the issue of economic management. a review of the evolution of the banking system is provided in Part I while the role of the banking system is the subject of discussion in Part II. Among other things, the banking system, through the money creation function provides liquidity in the system. The Central Bank as an apex monetary authority employs various tools of monetary policy to influence money supply, aggregate credit, sectoral allocation of credit to priority sectors such as exports, promotion of rural development and of small- scale enterprises in the system. The banks are seen as an integral part of the system and to a large extent, they have enhanced the effective management of the economy.

It is noted that the role of the banking system in the management of the economy is interrelated with other policy measures which could slow down or accelerated effective management of the economy. Taking into account the growing sophistication of banking activities, the deregulatory stance of monetary policy and the responsiveness of the banking system to various economic policies and reforms, there is the confidence that the Nigerian banking system can cope with the challenges of management of the economy, particularly capital formation to encourage more investment and induce economic growth.

In conclusion, there is no doubt that the banking system has been instrumental in the management of the economy. The banks contribute immensely to the growth of the economy through their intermediation activity of channelling credit to the productive sectors of the economy. The present deregulatory stance of the government should be regarded as a challenge by the banks to engage in innovative but prudent banking in order to make road to economic recovery and growth more obvious and manageable.

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Table 1

COMMERCIAL AND MERCHANT BANKS IN NIGERIA: 1894 - 1990

YEAR	NUMBER		TOTAL
	Commercial Banks	Merchant Banks	NUMBER
1894	1		1
1917	2		2
1933	3		3
1937	4		4
1945	5		5
1953	6		6
1959	8		8
1960	9	1	10
1961	13	1	14
1962	17	1	18
1971	17	1	18
1972	17	1	18
1973	17	2	19
1974	17	3	20
1975	17	5	22
1976	18	5	23
1977	19	5	24
1979	20	6	26
1982	22	8	30
1983	25	10	35
1984	27	11	38
1985	28	12	40
1986	29	12	41
1987	33	16	49
1988	41	24	65
1989	47	34	81
1990	56	48	104

SOURCE: The Central Bank of Nigeria.

TABLE 2
NUMBER OF BANK BRANCHES IN NIGERIA AND ABROAD AS AT 31ST DECEMBER, 1990.

No.	Commercial Banks	Over-seas	No. of Branches		
			Urban	Rural	Total
		(1)	(2)	(3)	(4)
1.	Access Bank Nig. Ltd.	-	1	-	1
2.	Afribank Limited	-	56	39	95
3.	African Continental Bank Ltd.	1	68	49	118
4.	Allied Bank of Nigeria Ltd.	-	38	24	62
5.	All States Trust Bank Ltd.	-	6	-	6
6.	Bank of Creait & Comm. Int. Ltd.	-	23	22	45
7.	Bank of the North Ltd.	-	55	39	94
8.	Broad Bank Limited	-	1	-	1
9.	Chartered Bank Ltd.	-	2	-	2
10.	Citizens International Bank Ltd.	-	1	-	1
11.	Commerce Bank Ltd.	-	5	-	5
12.	Commercial Bank (Credit Lyonnais Nig.)	-	7	5	12
13.	Commercial Bank of Africa	-	1	-	1
14.	Commercial Trust Bank Ltd.	-	2	-	2
15.	Coop. & Comm. Bank (Nig) Ltd.	-	32	24	56
16.	Co-operative Bank Ltd.	-	32	22	54
17.	Co-operative & Dev. Bank Ltd.	-	4	-	4
18.	Crystal Bank of Africa Ltd.	-	3	-	3
19.	Eco Bank Nig. Ltd.	-	1	-	1
20.	Eko International Bank Ltd.	-	5	-	5
21.	Equitorial Trust Bank Ltd.	-	3	-	3
22.	First Bank of Nigeria Ltd.	1	166	105	272
23.	Gamji Bank of Nigeria Ltd.	-	4	5	9
24.	Gatéway Bank of Nigeria Ltd.	-	2	-	2
25.	Gulf Bank Limited	-	1	-	2
26.	Habib Bank Nigeria Ltd.	-	16	6	22
27.	Highland Bank of Nigeria Ltd.	-	2	-	2
28.	Inland Bank Nig. Ltd.	-	3	-	3
29.	Intercity Bank Ltd.	-	1	-	1
30.	Lion Bank of Nig. Ltd.	-	4	-	4
31.	Lobi Bank of Nig. Ltd.	-	10	6	16
32.	Mercantile Bank of Nig. Ltd.	-	18	17	35
33.	Meridien Equity Bank of Nig.	-	1	-	-
34.	National Bank of Nig. Ltd.	-	67	43	110
35.	New Nigeria Bank Ltd.	-	38	21	59
36.	Nigeria-Arab Bank Ltd.	-	16	22	38
37.	Nigeria International Bank Ltd.	1	5	5	11
38.	Nigeria Universal Bank Ltd.	-	11	14	25
39.	North-South Bank Nig. Ltd.	-	2	-	2
40.	Oceanic Bank International Ltd.	-	1	-	1
41.	Orient Bank Nig. Ltd.	-	5	-	5
42.	Owena Bank (Nig) Ltd.	-	17	6	23
43.	Pan African Bank Ltd.	-	22	16	38
44.	Premier Commercial Bank Ltd.	-	6	-	6
45.	Progress Bank of Nigeria Ltd.	-	33	5	38
46.	Republic Bank Ltd.	-	1	-	1
47.	Savannah Bank of Nig. Ltd.	-	31	32	63
48.	Societe Generale Bank Ltd.	-	13	21	34
49.	Trade Bank Nig. Ltd	-	6	-	6
50.	Trans International Bank Ltd.	-	3	-	3
51.	Tropical Commercial Bank Ltd.	-	4	17	21
52.	United Bank for Africa Ltd.	1	103	87	191
53.	Universal Trust Bank of Nig.	-	8	5	13
54.	Union Bank of Nig. Ltd.	1	146	91	238
55.	Wema Bank Ltd.	-	37	17	54
56.	Zenith International Bank Ltd.	-	1	-	1
	Sub-Total	5	1150	765	1920

Merchant Banks

1.	Abacus Merchant Bank Ltd	-	1	-	1
2.	ABC Merchant Bank Nig. Ltd.	-	2	-	2
3.	Afribank International Ltd.	-	1	-	1
4.	Alpha Merchant Bank Ltd.	-	3	-	3
5.	Centre Point Merchant Bank Ltd.	-	1	-	1
6.	Century Merchant Bank Ltd.	-	1	-	1
7.	Citi Trust Merchant Bank Ltd.	-	1	-	1
8.	Comet Merchant Bank Ltd.	-	1	-	1
9.	Continental Merchant Bank Nig. Ltd.	-	6	-	6
10.	Crown Merchant Bank Ltd.	-	2	-	2
11.	Devcon Merchant bank Ltd.	-	1	-	1
12.	Fidelity Union Merchant Bank Ltd.	-	1	-	1
13.	Financial Merchant Bank Ltd.	-	1	-	1
14.	FBN (Merchant Bankers) Ltd.	-	1	-	1
15.	First City Merchant Bank Ltd.	-	1	-	1
16.	First Interstate Merchant Bank Ltd.	-	1	-	1
17.	Great Merchant Bank Ltd.	-	1	-	1
18.	Grindlays Merchant Bank Ltd.	-	2	-	2
19.	Group Merchant Bank Ltd.	-	1	-	1
20.	ICON Ltd. (Merchant Bankers)	-	3	-	3
21.	Indo-Nigeria Merchant Bank Ltd.	-	1	-	1
22.	Industrial Bank Ltd. (Merchant Bankers)	-	1	-	1
23.	International Merchant Bank Nig. Ltd.	-	5	-	5
24.	Investment Banking Trust Co. Ltd.	-	1	-	1
25.	Ivory Merchant Bank Ltd.	-	1	-	1
26.	Kapital Merchant Bank Ltd.	-	1	-	1
27.	Lead Merchant Bank Ltd.	-	1	-	1
28.	Liberty Merchant Bank Ltd.	-	1	-	1
29.	Manufacturers Merchant Bank Ltd.	-	1	-	1
30.	Marina International Bank Ltd.	-	1	-	1
31.	Merchant Bank of Africa Nig. Ltd	-	2	-	2
32.	Merchant Banking Corporation Ltd.	-	2	-	2
33.	Merchant Bank of Commerce Ltd.	-	1	-	1
34.	Metropolitan Merchant Bank Ltd.	-	1	-	1
35.	Midas Merchant Bank Ltd.	-	1	-	1
36.	NAL Merchant bank Ltd.	-	5	-	5
37.	Nationwide Merchant Bank Ltd.	-	1	-	1
38.	New Africa Merchant Bank Ltd.	-	1	-	1
39.	New World Merchant Bank Ltd.	-	1	-	1
40.	Nigbel Merchant Bank (Nig.) Ltd.	-	1	-	1
41.	Nigeria- America Merchant Bank Ltd.	-	3	-	3
42.	Nigeria International Merchant Bank Ltd.	-	1	-	1
43.	Nigeria Merchant Bank Ltd.	-	3	-	3
44.	Pacific Merchant Bank Ltd.	-	1	-	1
45.	Prime Merchant Bank Ltd.	-	1	-	1
46.	Prudent Merchant Bank Ltd.	-	1	-	1
47.	Rims Merchant Bank Ltd.	-	1	-	1
48.	Victory Merchant Bank Ltd.	-	1	-	1
	Sub-Total	-	74	-	74
	Grand-Total	5	1224	765	1994

Table 3

AGGREGATE CREDIT TO THE ECONOMY 1980-1990
(₦ Million)

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
TOTAL CREDIT TO THE ECONOMY (NET)	10,787.5	16,268.5	21,906.8	28,128.1	33,879.4	35,301.8	39,314.1	46,926.4	57,326.3	49,259.1	66,011.1
CREDIT TO THE GOVERNMENT	3,596.6	6,614.3	10,535.3	15,828.2	19,094.9	19,623.5	18,907.3	21,450.3	27,552.7	18,316.3	29,380.1
CENTRAL BANK OF NIGERIA	956.8	4,580.9	7,557.0	10,528.2	9,409.2	8,841.8	14,293.5	14,293.5	21,767.2	15,189.8	22,028.0
COMMERCIAL BANKS	2,632.4	2,026.3	2,971.2	5,296.3	8,719.3	9,614.4	6,866.3	6,866.3	5,728.9	3,035.8	7,036.6
MERCHANT BANKS	-	-	-	-	895.4	1,167.3	290.5	290.5	56.6	90.7	315.5
FEDERAL SAVINGS BANK	7.4	7.1	7.1	3.7	-	-	-	-	-	-	-
CREDIT TO THE PRIVATE SECTOR	7,190.9	9,654.2	11,371.5	12,353.9	14,784.5	15,678.3	25,476.1	25,476.1	29,773.6	30,942.8	36,631.0
CENTRAL BANK OF NIGERIA	756.4	910.4	918.0	1,062.8	1,302.2	1,423.6	1,917.3	1,917.3	2,418.5	1,502.2	1,400.1
COMMERCIAL BANKS	6,434.5	8,743.8	10,453.5	11,291.1	11,639.8	12,276.6	17,899.7	17,899.7	20,828.9	22,325.8	26,364.5
MERCHANT BANKS	-	-	-	-	1,842.5	1,978.1	5,659.1	5,659.1	6,526.2	7,114.8	8,866.4

SOURCE: CENTRAL BANK OF NIGERIA.

Table 4

LOANS AND ADVANCES TO SMALL-SCALE ENTERPRISES BY THE BANKING SECTOR: 1980-1990.

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
1. AGGREGATE LOANS AND ADVANCES(=N=MILLION)	6,379.20	8,604.80	10,277.00	11,100.00	11,550.60	12,170.60	15,701.60	17,531.90	24,602.30	28,108.80	38,199.30
11 AGGREGATE LOANS AND ADVANCES TO SMALL-SCALE ENTERPRISES (=N=MILLION)	113.40	185.00	206.70	351.30	705.70	972.20	1,454.30	3,587.30	5,090.60	5,789 80	7,954.60
111. PERCENTAGE ALLOCATION & Small-SCALE ENTERPRISES	1.78	2.15	3.16	6.16	6.11	7.99	9.26	20.69	20.69	20.60	20.82
CATEGORY A: UP TO =N= 25,000	0.20	0.20	0.30	0.40	1.00	1.00	1.60	1.90	4.20	2.10	2.60
CATEGORY B: =N=25,000 - =N=50,000	0.30	0.20	0.30	0.80	0.80	0.80	0.60	2.00	1.90	1.60	1.40
CATEGORY C: =N=50,000--=N=100,000	0.30	0.30	0.20	0.30	0.90	3.10	1.00	2.10	2.00	1.90	1.80
CATEGORY D: =N=100,000--=N=200,000	0.30	0.30	0.30	0.40	1.20	1.00	0.70	2.70	2.50	2.50	2.20
CATEGORY E: =N=200,000- =N=500,000	0.70	1.10	1.00	1.80	2.20	2.00	1.40	3.80	4.30	4.00	4.90
OTHER CATEGORY (F&G)	-	-	-	-	-	0.10	N/A	N/A	N/A	0.02	N/A
UNSPECIFIED CATEGORY	-	-	-	-	-	-	4.00	7.96	5.79	8.48	7.90

SOURCE:- CENTRAL BANK OF NIGERIA, LAGOS