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Banking in the eighties

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BANKING IN THE EIGHTIES

"What one is hoping to see in the realm of Banking in the 80s is a socially responsible financial system which will stimulate growth and creativity within the economy, an institution which will serve as an agent for the mobilizing of resources of society " Prof. Oladapo, VC. UNILAG.

In the early seventies, Nigeria witnessed an explosion in economic activities and tremendous strides in National Development. A colossal development plan was dawn up and with projected revenues from petroleum, it was assumed that money was not a constraint to economic, physical, and technological development of the country. The Udoji Awards helped to produce what economists call "an overheated economy" and by the middle of the decade, it had become clear that even if money was not a constraint to development, there were other constraints such as manpower and the limitations of the existing infrastructural facilities. For instance, we saw clearly with the cement armada that congested Lagos Port that even if one could afford to buy cement from all over the world, one's ability to import it into the country and to utilise it was limited by other factors.

The present Military Administration quickly perceived the problems, firstly that even

if we had money, the rate of development could not be sustained and, secondly, with inflation running at a high level, the fall in petroleum prices and a rapidly declining value for the dollar, it soon became clear that we did not have the necessary funds to carry out all our commitments at the pace at which they were planned.

The Government ordered a review of the Development Plan in 1976, but by then inflation was such that there was, in fact, an increase in estimated cost even though the scope of the Plan was reduced.

By 1977 and 1978, cuts in public spending had reached such a stage that there was an outcry from the Universities and from the other arms of the public sector. In fact, the slogan now is that the oil boom is over and Nigeria is 'broke'.

However, some of our economists insist that we have adequate resources and we have sufficient funds for our needs. They argue that all we need to do is to re-order our



*Prof. Oladapo,
Ag. Vice Chancellor Unilag*

priorities; others felt that we should harness the internal resources more effectively. With the emergence of political parties, the debate is likely to be intensified, with each Party trying to sell attractive political programmes without, in fact, having adequate information on the financial resources of the country.

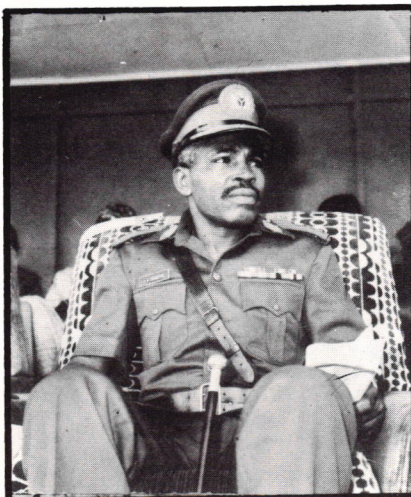
The fact that international banks are willing to finance some of the country's development projects would seem to suggest that we have basically a sound economy, and the fact that Bankers in Nigeria are complaining about Government restrictions and the liquidity ratio would seem to suggest that the banks have money and, in fact, that there is considerable internal resources.

It seems clear to me as a layman that the banks have a crucial role to play in the next stage of our national development. However, I think the banks would need to reassess their objectives and their roles. The traditional policy of banks in this country has been to invest in areas where there are iron cast guarantees that the investment will be recouped and in areas that would yield quick profits. This has provided little help in the development of infrastructure, except perhaps in the areas of housing but banks lending policy has largely led to development of "trading" and the establishment of the middle man as a business man.

In the Eighties, the banks would need to discover and exploit other less traditional sources of income. This would need to be done by Government encouragement and Government guarantees. Banks would need to invest more in productive sectors of the economy, such as industries and farming. They would also need to invest in the future of this country by funding projects which are not apparently profitable but which have considerable importance for the future of the country.

How can the banking institutions respond to these challenges. Being no Expert I lay no claim to having the absolute answer. But as a friend of the family of bankers, as a consumer of the services of banking institutions, I crave your indulgence to think aloud on consumers' expectation from financial institution in the 80s. The consumers of your services are expecting a greater degree of social responsibility in areas of lending, recruitment and training, to highlight a few such areas.

The financial houses have been accused of lending only to the well-to-do, thereby extending the gap between the rich and the poor. It has been said that banks very reluctant-



*Major-General J.J. Oluleye,
Fed. Commissioner for Finance,*

"The Financial houses have been accused of lending only to the well-to-do, thereby extending the gap between the rich and poor. It has been said that Banks very reluctantly take their services to the rural areas because the returns are small. In the 80s, it is to be expected that the Banking institutions will see the need to extend their loans to the disadvantaged customers and help the rural population to grow."

tly take their services to the rural areas because the returns are small. In the 80s, it is to be expected that the Banking Institutions will see the need to extend their loans to the disadvantaged customers and help the rural population to grow.

In the area of training and recruitment, it is gratifying to note that indigenisation in the banking sector has made great progress and that training continues space not only within the Banking Institutions but in collaboration with the Universities.

The University of Lagos takes pride in the fact that it is perhaps the only University in the country today whose programmes are geared largely

to the training of professionals, and professionals that are relevant to the needs of the country. Our degree programmes in banking, accounting and business administration contribute, in no small measure, to the provision of the much needed manpower in these areas.

It seems to me that the banks in the 80s will need to explore new fields and get more involved in the training needs and training facilities of personnel who are turned out to man key positions in the financial houses. The shortfall in grants to the Universities provide a unique opportunity for banks to invest in the future of this country. New areas have been opened up for banks to extend their activities either through loans to finance University projects, loans for provision of student facilities, or the funding of research activities which will contribute to the growth of the society in general and of business in particular.

What one is hoping to see in the realm of Banking in the 80s is a socially responsible financial system which will stimulate growth and creativity within the economy, an institution which will serve as an agent for mobilising the resources of society.



*Mr. O. Ola Vincent,
Governor
Central Bank of Nigeria*



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