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Speech at the Bankers' Committee's First Annual Dinner of the Local Centre of the Institute of Bankers at the Ikoyi Hotel, Lagos-25th February, 1966

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**SPEECH BY ALHAJI A. MAI-BORNU, CHAIRMAN OF THE BANKERS' COMMITTEE AND GOVERNOR, CENTRAL BANK OF NIGERIA, IN RESPONSE TO THE TOAST OF THE BANKERS' COMMITTEE AT THE FIRST ANNUAL DINNER OF THE LOCAL CENTRE OF THE INSTITUTE OF BANKERS AT THE IKOYI HOTEL, LAGOS—
25TH FEBRUARY, 1966.**

Mr Chairman, distinguished guests, ladies and gentlemen: It is a pleasure to be called upon, at this first annual dinner of the Local Centre of the Institute of Bankers, to respond to the toast of the Bankers' Committee so ably proposed by the Chairman of the Local Centre. May I take this opportunity to congratulate the Centre on the achievements it has so far recorded in its activities, especially in the field of banking education. It is a creditable testimony to its purposefulness that it has been able, within the short span of its existence, to assume responsibility for the commercial banking seminar, which was started three years ago by the Ford Foundation.

The Bankers' Committee's interest in the Local Centre of the Institute of Bankers is deep and abiding. We are happy with the progress which has been made within such a short space of time and shall continue to give the Institute our support. It is our hope that the Institute will continue to pursue and expand the scope of its activities in Nigeria. The Bankers' Committee recognize the importance of training for bank staff and the fact that an adequate supply of trained manpower is necessary for the maintenance and expansion of banking services in the country.

The establishment of the Local Centre of the Institute of Bankers was also made possible by the generous support and co-operation of the London Institute of Bankers, the parent association, which is represented here tonight by Mr Henry Eason, its widely respected and experienced Secretary-General. Mr Eason's presence here tonight is another indication of the Institute's interest in the Local Centre. On behalf of the Bankers' Committee of Nigeria I would like to express to him our appreciation of his keen interest and the valuable assistance of the Institute to the Lagos Centre of the Institute of Bankers. We hope that he will enjoy his stay in Nigeria and that he will carry back home pleasant memories of his visit.

The banking industry in Nigeria has been growing fairly rapidly in the last few years judging by the volume of business and the expansion of physical facilities. There are now about 240 commercial bank offices as compared

with 160 in 1959. In 1965 alone 14 new branches were opened. The Central Bank has opened, during the last three years, three branches which are offering a full range of banking services including Clearing Houses. Two other branches are under construction and one of these will be fully operational this year. Others are at the planning stage.

In a growing economy like that of Nigeria, the banking industry is a growth industry. I am sure that the old hands in the banking business are quite happy to be participating in this expanding service. This fact should similarly inspire hope and confidence in the new comers to this business who are, of course, of special interest to the Institute which are our hosts tonight.

Mr Chairman, the spread of banking offices, which one should assume will accelerate in the years ahead, apart from providing banking facilities to an increasing number of persons, has other important implications. The physical expansion of banks and the diversification of banking activities which follows in the wake of an economy that is becoming increasingly complex, imply a continuing decentralization of decision taking. The increasing demand on banks, not only from the public for more and better services, but also from research institutions and universities for banking statistics, requires the handling of a larger volume of statistics than in the past. This calls for an efficient organization of banking operations. It also suggests the training and development of men and women who can understand and appreciate the importance of their tasks to the needs of customers, as well as their relevance to the profitability of the undertaking and the development of the economy generally. I am sure the Bankers' Committee will continue to assist the Local Centre of the Institute of Bankers in its important task of improving the educational facilities for the banking profession in Nigeria.

Mr Chairman, alongside the expansion of the commercial banks as suppliers of credit other institutions have also been developed in Nigeria in recent years. In the late fifties it was recognized that the absence of money and capital markets

in the financial system of the country could constitute a serious drawback on economic development. The Central Bank, with the co-operation of the government and the commercial banks initiated, and provided support for, a number of schemes aimed at correcting this situation. The development of money market instruments, the establishment of the Lagos Stock Exchange, and the organization of the Nigerian Industrial Development Bank are examples of efforts in this direction. Encouraging growth has taken place in the money and capital markets, albeit slowly. It is hoped that a faster rate of growth will take place in the years ahead.

Mr Chairman, may I crave your indulgence to say a few words about one particular development in the economy: a development with which most of us here tonight are quite familiar. During the last World War, and for about ten years thereafter, Nigeria enjoyed an overall favourable balance of payments partly as a result of good export earnings and partly due to shortage of supplies of equipment and materials from abroad for development purposes. In the middle fifties the tide changed—on the one hand world prices of Nigeria's exports were falling, while on the other hand the supplies of imported goods improved. It was in this period that the country entered the second phase of planned development. As a result, expenditure on goods and services increased. Money supply was expanding in step with rising bank credit and government deficit financing, but prices did not rise to the same extent largely because of the growth of imports. The inflationary impact of the monetary expansion, therefore, fell on the country's external sector. Nigeria was living on its past savings of foreign exchange to pay for the resulting excess of imports. So long as reserves remained reasonably adequate, this situation could be tolerated up to a point. But with the adoption of the current development plan, the growth of bank credit to the economy accelerated and the annual loss of external reserves increased. By the middle of 1964 the pressures on the country's external reserves had intensified.

At this point, therefore, it became the duty of the Central Bank to move from mere exhortation to direct action. We instituted certain general and specific measures of credit restraint in the fourth quarter of 1964. The Government also introduced complementary measures. I need not bother you with the details of these measures with which you are quite familiar. But I am

happy to state that available statistics suggest that a measure of our policy objectives was realized in 1965. Thanks to other assisting influences, the rate of credit expansion to the economy in 1965 declined, savings with commercial banks increased and the balance of payments position was much better than it had been for many years.

I want to express my appreciation to the commercial banks whose co-operation contributed to the realization of the objectives of policy—the country was able to hold down the rate of price increase within reasonable limits, while at the same time achieving some improvement in our trade account, and in our overall international payments position. However, the banks are still required to continue to extend this co-operation so that conditions which are conducive to economic growth and confidence may continue to be maintained and improved.

It should not be imagined for a moment that the Central Bank relish this task of credit restraint. But as a Central Bank we are expected, and must always seek, to maintain monetary conditions which permit of steady and even rapid growth of the economy. It is in such conditions of relative stability that all those engaged in the development effort can achieve the national economic objectives, namely, increasing agricultural and industrial output, creation of new employment opportunities, sustained growth coupled with relatively stable prices, improvement of the standard of living and the maintenance of a healthy balance of payments position.

Our policy will continue to be fashioned to promote the economic goals of the nation. All of us can contribute our quota to the realization of these goals by a conscious reorientation of our philosophies and practices. We ought constantly to review the system to ensure that our methods and arrangements are adequate to meet the current needs of the national economy.

All branches of industry and commerce have a vital part to play. Financial institutions can also play an increasing part in fostering the national economic objectives to the benefit of all. Hence the importance of the facilities which the Institute of Bankers is organized to provide. Its activities should continue to be geared to producing alert, adaptable and trained manpower for the banking profession.

Mr Chairman, on behalf of the Bankers' Committee I would like to thank you all once again for making this memorable occasion possible.