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OWNERSHIP OF COMMERCIAL BANK DEPOSITS IN 1965

Commercial bank deposits rose by 15.2 per cent in 1965 to £132.5 million (see Table 1). This rate of increase, although much smaller than the 20.0 per cent in 1964, compared favourably with the 1961-65 average annual rate of 14.2 per cent. The decline in the growth rate of bank deposits in 1965 compared with that in 1964 may be explained by the fall in the growth rate of demand deposits, which in turn was a result of the slow-down in the rate of credit expansion in that year. The importance of demand deposits relative to total deposits continued to decline—a development which started in 1960. The proportion of these deposits fell from 50.3 per cent of total deposits at the end of 1964 to 46.8 per cent on 31st December, 1965.

About £101.7 million (76.8 per cent) of the £132.5 million total deposits was held by non-government depositors; the balance of £30.8 million was on the accounts of governments and statutory corporations. The increases in the deposits of statutory corporations, individuals and 'miscellaneous holders' were responsible for the £14.3 million (81.7 per cent) of the £17.5 million rise in total deposits.

Demand Deposits

Demand deposits expanded by £4.2 million or 7.2 per cent in 1965, establishing a new peak of £62.0 million at the end of the year (see Table 2). This rate of increase, although much smaller than the 18.6 per cent increase in 1964, compared favourably with the 1961-65 average annual rate of increase of 8.7 per cent. The fall in the growth rate of demand deposits in 1965 was due not only to the decline in the growth of bank advances, but also to holders' shift from demand to time deposit accounts. This, in itself, appeared to indicate a decrease in relative liquidity preference of the public. The movement of demand deposits followed the usual seasonal pattern that shows higher levels of demand deposits in the first and last quarters of the year.

On 31st December, 1965, non-government depositors held 85.4 per cent of total demand deposits, and the remaining 14.6 per cent was held by governments. Non-financial businesses,

individuals, and statutory corporations were the largest holders of demand deposits—their holdings varying during the year between 62.8 and 68.9 per cent of the total.

The rise of £4.2 million in demand deposits was concentrated mainly in the accounts of statutory corporations and those holders grouped under 'miscellaneous'. These two groups alone accounted for more than the total rise. The offset came primarily from the declines in the accounts of individuals and non-financial businesses.

Time Deposits

Time deposits increased by £7.3 million to £30.3 million in 1965—a 31.4 per cent increase compared with the 21.8 per cent increase in 1964, and the 1961-65 average annual increase of 28.6 per cent (see Table 3a). The relative importance of time deposits as a component of total deposits increased further by 2.8 percentage points in 1965. The movement of time deposits during the year was persistently upward with a steeper rise between June and September, the period of slack economic activity.

A breakdown of time deposits by class of holders shows that statutory corporations, non-financial businesses, and individuals held £19.2 million or 63.4 per cent of the total time deposits at the end of December. This represented a 3.2 per cent increase over their holdings a year earlier. Other important holders were local governments (£2.9 million), financial institutions (£2.5 million), and the 'miscellaneous' group (£4.0 million). Increases in the time deposits of statutory corporations, non-financial businesses and the miscellaneous category of holders were primarily responsible for the continued upward shift in these deposits. The rise was particularly noticeable in the accounts of non-financial institutions, marketing boards and the miscellaneous holders.

The substantial increase recorded in the deposits of non-financial businesses needs special comment. There has been a rapid increase in non-financial business holdings of time deposits since December, 1963*. For example, between

* Data of time deposits of non-financial businesses were not available prior to December 1963.

31st December, 1963 and the end of 1965, such deposits rose by 129.7 per cent. As a ratio of total time deposits, the deposits of non-financial businesses grew from 15.5 per cent at the end of 1963 to 22.6 per cent at the end of 1965 (18.9 per cent at the end of December 1964). This contrasts with the near stagnation in the ratios of demand deposits of non-financial businesses to total demand deposits; these were 26.4 and 26.6 per cent (28.9 per cent) for the respective dates. The rate of increase in the time deposits of these businesses was particularly sharp from the fourth quarter of 1964, when banks raised the rates of interest payable on time deposits. In 1964, for example, time deposit holdings of this class rose by 45.9 per cent: in 1965, they rose by 57.4 per cent. These compare with an increase of 28.9 per cent and a decline of 0.1 per cent in their demand deposits in 1964 and 1965, respectively. The desire of the business community to optimize earnings from temporary surplus funds without jeopardizing their liquidity positions is shown in the concentration of their holdings of time deposits in those accounts maturing within three months. Whereas such holdings represented 82.4 per cent of total time deposits at the end of 1964, the proportion was 90.8 per cent at the end of December 1965.

The 1965 growth of time deposits of up to

three months' maturity underscores a continuation of the general shift in the composition of time deposits to deposits of shorter maturity. For instance, at the end of 1964 time deposits maturing within three months accounted for 68.3 per cent of total time deposits. In contrast, time deposits of this maturity formed, at the close of 1965, 78.9 per cent of the total. This shift was mainly at the expense of demand, and time deposits of over six months' maturity, and reflected a preference on the part of the public for relatively liquid, yet income-yielding deposits.

Savings Deposits

There was a rise of £6.0 million in savings deposits, bringing the total of such deposits to £40.2 million. This represented a 17.7 per cent increase which, though much lower than the 21.1 per cent increase in 1964, compares favourably with the 1961-65 average annual increase of 16.9 per cent.

Individuals, as would be expected, continued to hold the bulk of savings deposits at commercial banks. In 1965 their savings accounted for 91.5 per cent of total savings deposits compared with 92.1 per cent as at the end of 1964. Co-operative societies and unions, miscellaneous, and non-resident holders held the balance.

TABLE 1
AGGREGATE DEPOSITS
(£'s thousands)

<i>HOLDERS</i>	1964	1965				<i>Change Between (1) and (5)</i>	
	<i>December (1)</i>	<i>March (2)</i>	<i>June (3)</i>	<i>September (4)</i>	<i>December (5)</i>	<i>Absolute</i>	<i>Percentage</i>
Nigerian governments	12,209	15,236	9,837	11,030	13,006	+ 797	+ 6.53
(a) Federal government	353	486	523	704	515	+ 162	+ 45.89
(b) Regional governments	6,734	6,743	3,971	6,581	5,406	- 1,328	- 19.72
(c) Local governments	5,122	8,007	5,343	3,745	7,085	+ 1,963	+ 38.32
Statutory corporations	14,153	14,982	15,116	15,390	17,813	+ 3,660	+ 25.86
(a) Marketing boards	8,077	9,974	8,421	10,247	12,749	+ 4,672	+ 57.84
(b) Other statutory corporations	6,076	5,008	6,695	5,143	5,064	- 1,012	- 16.66
Financial institutions	6,038	6,828	6,324	8,573	6,231	+ 193	+ 3.20
(a) Insurance companies	1,357	1,318	1,188	1,565	1,688	+ 331	+ 24.39
(b) Other financial institutions	4,681	5,510	5,136	7,008	4,543	- 138	- 2.95
Non-financial businesses	20,669	19,496	18,951	21,469	23,116	+ 2,447	+ 11.84
Individuals	52,053	52,216	54,751	55,439	57,263	+ 5,210	+ 10.01
Miscellaneous	8,405	12,005	11,654	13,065	13,833	+ 5,428	+ 64.58
Total resident accounts (a)	113,527	120,763	116,633	124,966	131,262	+ 17,735	+ 15.62
Banks outside Nigeria	396	250	1	—	250	- 146	- 36.87
Other non-resident accounts	1,133	1,076	1,568	1,348	1,008	- 125	- 11.03
Total non-resident accounts (b)	1,529	1,326	1,569	1,348	1,258	- 271	- 17.72
TOTAL (a+b)	115,056	122,089	118,202	126,314	132,520	+ 17,463	+ 15.18

TABLE 2
DEMAND DEPOSITS
(£'s thousands)

HOLDERS	1964	1965				Change Between (1) and (5)	
	December (1)	March (2)	June (3)	September (4)	December (5)	Absolute	Percentage
Nigerian governments	8,442	11,318	6,239	8,247	9,012	+ 570	+ 6.75
(a) Federal government	338	415	435	484	515	+ 177	+ 52.37
(b) Regional governments	4,645	6,112	3,307	5,443	4,310	- 335	- 7.21
(c) Local governments	3,459	4,791	2,497	2,320	4,187	+ 728	+ 21.05
Statutory corporations	8,783	8,960	7,675	7,568	10,127	+ 1,344	+ 15.30
(a) Marketing boards	5,253	6,026	4,584	4,366	7,023	+ 1,770	+ 33.70
(b) Other statutory corporations	3,530	2,934	3,091	3,202	3,104	- 426	- 12.07
Financial institutions	1,914	2,402	2,369	2,742	2,096	+ 182	+ 9.51
(a) Insurance companies	783	941	720	1,050	866	+ 83	+ 10.60
(b) Other financial institutions	1,131	1,461	1,649	1,692	1,230	+ 99	+ 8.75
Non-financial businesses	16,384	13,962	14,538	15,696	16,368	- 16	- 0.10
Individuals	16,381	14,832	14,925	14,810	15,657	- 724	- 4.42
Miscellaneous	4,976	7,663	6,946	7,519	8,199	+ 3,223	+ 64.77
Total resident accounts (a)	56,880	59,137	52,692	56,582	61,459	+ 4,579	+ 8.05
Total non-resident accounts (b)	963	953	1,212	930	553	- 410	- 42.58
TOTAL (a+b)	57,843	60,090	53,904	57,512	62,012	+ 4,169	+ 7.21

TABLE 3(a)
TIME DEPOSITS
(£'s thousands)

HOLDERS	1964	1965				Change Between (1) and (5)	
	December (1)	March (2)	June (3)	September (4)	December (5)	Absolute	Percentage
Nigerian governments	3,768	3,917	3,599	2,783	3,995	+ 227	+ 6.02
(a) Federal government	16	70	88	220	—	— 16	+100.00
(b) Regional governments	2,089	631	665	1,138	1,096	— 993	— 47.53
(c) Local governments	1,663	3,216	2,846	1,425	2,899	+ 1,236	+ 74.32
Statutory corporations	5,371	6,022	7,441	7,822	7,686	+ 2,315	+ 43.10
(a) Marketing boards	2,825	3,948	3,837	5,881	5,726	+ 2,901	+102.69
(b) Other statutory corporations	2,546	2,074	3,604	1,941	1,960	— 586	— 23.02
Financial institutions	2,559	2,960	2,488	4,314	2,491	— 68	— 2.66
(a) Insurance companies	574	377	468	515	822	+ 248	+ 43.21
(b) Other financial institutions	1,985	2,583	2,020	3,799	1,669	— 316	— 15.92
Non-financial businesses	4,286	5,533	4,413	5,773	6,748	+ 2,462	+ 57.44
Individuals	4,225	3,993	4,655	4,789	4,853	+ 628	+ 14.86
Miscellaneous	2,381	3,086	3,538	3,776	4,020	+ 1,639	+ 68.84
Total resident accounts (a)	22,590	25,511	26,134	29,257	29,793	+ 7,203	+ 31.89
Banks outside Nigeria	396	250	1	—	250	— 146	— 36.87
Other non-resident accounts	98	61	289	373	291	+ 193	+196.94
Total non-resident accounts (b)	494	311	290	373	541	+ 47	+ 9.51
TOTAL (a+b)	23,084	25,822	26,424	29,630	30,334	+ 7,250	+ 31.41

TABLE 3(b)
TIME DEPOSITS CLASSIFIED BY MATURITIES
(£'s thousands)

HOLDERS	December 1964				December 1965			
	Up to 3 Months	3-6 Months	6-12 Months	Over 12 Months	Up to 3 Months	3-6 Months	6-12 Months	Over 12 Months
Nigerian governments	2,620	114	521	394	2,659	195	607	534
(a) Federal government	16	—	—	—	—	—	—	—
(b) Regional governments	1,208	—	376	385	180	30	376	510
(c) Local governments	1,396	114	145	9	2,479	165	231	24
Statutory corporations	4,063	529	899	—	7,503	16	167	—
(a) Marketing boards	2,020	42	763	—	5,726	—	—	—
(b) Other statutory corporations	2,043	487	136	—	1,777	16	167	—
Financial institutions	1,846	222	431	60	2,254	121	73	43
(a) Insurance companies	461	53	—	60	682	59	41	40
(b) Other financial institutions	1,385	169	431	—	1,572	62	32	3
Non-financial businesses	3,531	510	244	—	6,128	259	362	—
Individuals	1,922	777	1,478	48	2,050	1,115	1,663	25
Miscellaneous	1,538	241	597	5	2,815	650	551	4
Total resident accounts (a)	15,520	2,393	4,170	507	23,409	2,356	3,423	606
Banks outside Nigeria	350	—	10	36	250	—	—	—
Other non-resident accounts	22	23	53	—	266	5	21	—
Total non-resident accounts (b)	372	23	63	36	516	5	21	—
TOTAL (a+b)	15,892	2,416	4,233	543	23,925	2,361	3,444	606

TABLE 4
SAVINGS DEPOSITS
(£'s thousands)

HOLDERS	1964	1965				Change Between (1) and (5)	
	December (1)	March (2)	June (3)	September (4)	December (5)	Absolute	Percentage
Individuals	31,447	33,392	35,172	35,840	36,753	+ 5,306	+ 16.87
Co-operative societies and unions	1,565	1,466	1,466	1,518	1,643	+ 78	+ 4.98
Miscellaneous	1,048	1,257	1,169	1,770	1,613	+ 565	+ 53.91
Total resident accounts (a)	34,060	36,115	37,807	39,128	40,009	+ 5,949	+ 17.47
Non-resident accounts (b)	71	62	67	44	164	+ 93	+ 130.99
TOTAL (a+b)	34,131	36,177	37,874	39,172	40,173	+ 6,042	+ 17.70