UNIVERSITY OF PORT HARCOURT

IN DEFENCE OF THE HIGH PRIEST AND THE SACRIFICIAL LAMB.

An Inaugural Lecture

By

PROF. IKECHUKWU SAMUEL NNAMDI
B.Sc, MBA (UPH); Ph.D (ABSU), FCIFIA, FILRM, MTAM (NIG), KSC.
Department of Finance and Banking,
Faculty of Management Sciences

INAUGURAL LECTURE SERIES

NO 192

26th September, 2024.

University of Port Harcourt Printing Press Ltd.
University of Port Harcourt,
Port Harcourt,
Nigeria.
E-mail: uniport.press@uniport.edu.ng

ISSN: 1119-9849
INAUGURAL LECTURE SERIES NO. 192
DELIVERED: 26TH SEPTEMBER, 2024.

Designed, Printed and Bound By UPPL

ORDER OF PROCEEDINGS

2.45 P.M. GUESTS ARE SEATED
3.00 P.M. ACADEMIC PROCESSION BEGINS

The procession shall enter the CBN Centre of Excellence Auditorium, University Park, and the Congregation shall stand as the procession enters the hall in the following order:
Academic Officer
Professors
Deans of Faculties/School
Dean, School of Graduate Studies
Provost, College of Health Sciences
Lecturer
Registrar
Deputy Vice Chancellor [Research & Development]
Deputy Vice Chancellor [Academic]
Deputy Vice Chancellor [Administration]
Vice Chancellor

After the Vice Chancellor has ascended the dais, the congregation shall remain standing for the University of Port Harcourt Anthem.

The congregation shall thereafter resume their seats.

THE VICE CHANCELLOR'S OPENING REMARKS.
The Registrar shall rise, cap, invite the Vice Chancellor to make his opening remarks and introduce the Lecturer.
The Lecturer shall remain standing during the Introduction.

THE INAUGURAL LECTURE

The Lecturer shall step on the rostrum, cap and deliver his Inaugural Lecture. After the lecture, he shall step towards the Vice Chancellor and resume his seat. The Vice Chancellor shall present the document to the Registrar.

CLOSING

The Registrar shall rise, cap and invite the Vice Chancellor to make his Closing Remarks.

The Vice Chancellor's Closing Remarks.

The Vice Chancellor shall then rise cap and make his Closing Remarks. The Congregation shall rise for the University of Port Harcourt Anthem and remain standing as the Academic [Honour] Procession retreats in the following order:

Vice Chancellor
Deputy Vice Chancellor [Administration]
Deputy Vice Chancellor [Academic]
Deputy Vice Chancellor [Research & Development]
Registrar
Lecturer
Provost, College Of Health Sciences
Dean, School Of Graduate Studies
Deans of Faculties/School
Professors
Academic Officer

DEDICATION

This inaugural lecture is dedicated to the memories of my late parents- George and Caroline Ezigbo Nnamdi, as well as my late brothers- John C.U. Nnamdi, BA (Lond) and Edwin O. Nnamdi B. Sc (New York Inst. of Tech.), M. Sc (Ball State), AIMLT (Nig). May their gentle souls continue to rest in the bosom of the Lord.

ACKNOWLEDGEMENTS

Time, space and academic tradition do not allow for a comprehensive listing of all the parties that contributed to the achievement of any academic objective. However, some special characters irrespective of all odds and constraints, deserve special mention. I remain entirely grateful to the 9th Vice Chancellor of the University of Port Harcourt, Prof O. A. Georgewill, for his approval of this inaugural lecture.

When I left the shores of this University in December 1986 as a young and vibrant holder of B.Sc (Economics) and MBA (Finance) degrees, I was very grateful to my Alma Mater for providing me with quality and competitive education in addition to a full graduate scholarship for my MBA programme. This background made it possible for me to have the opportunity of choosing from a basket of alternative and competing jobs at various points in time, especially during my industry career.

First, by early 1987, I was appointed a lecturer II at the Institute of Management and Technology (IMT), Enugu. Just after a semester, series of opportunities purely based on competitive examinations and interviews were open to me in the Nigerian banking sector. That made it possible for me to work for four preferred Nigerian banks over a seventeen- year period, as well as three other banking appointments that I did not accept. It was thus, possible for me to rise from the post of Executive Trainee to Senior Manager within those seventeen years.

When I exhausted myself in the banking industry and wanted to return to the class room in November 2005, I was

again, openly accepted by my Alma Mater as a **Lecturer II through the encouragements of Dr (Mrs) Chinelo Cecilia Ikoku of** blessed memory, who was my Lecturer and MBA thesis supervisor in then Graduate School of Business Administration, as well as the serving Vice- Chancellor at that point in time, Prof. Don. Baridam. That event re-enforced my confidence and gratitude to this unique university. Consequently, my decision to apply for approval to deliver this inaugural lecture within two (2) months of receipt of my letter of promotion to the professoriate is justified by the need to appreciate all the opportunities offered by my Alma Mater and also, provide a modest account of my sojourn in academics and industry before my exit in the near future.

My further appreciations go to Prof. N.E.S Lale, the 8th Vice- Chancellor of this University as well as his DVC (Admin), Prof. Regina E. Ogali. She was my ideal lecturer and mentor in my first year in this University (1978), as a student in the school of Chemical Sciences. I was very surprised that she vividly recognized me and even remembered my name when I surfaced as a lecturer in the year 2005. She has so far, not relented in encouraging me. In the same manner, I owe a lot of gratitude to Prof. (Mrs.) F. O. Nduka of the Department of Animal and Environmental Biology, University of Port Harcourt for her inexhaustible patience with me in the course of preparation of this inaugural lecture. My journey through primary and secondary schools enjoyed the impactful guidance of many teachers. However, for the fact that most of them are late, including the risk of improper presentation of their names, I would prefer to acknowledge them in bulk, though with much apology.

My teachers at various levels in the University of Port Harcourt who provided the foundations for my academic achievements deserve special mention. In this respect, the contributions of Professors Eugenius Richlewisky, R.S. Moro, W.G. Ollor, W. Okowa and Dr. Kwesi Newman Kusi who supervised my B.Sc thesis, remain indelible. My gratitude equally goes to my lecturers in the Graduate School of Business Administration in those days. They include late Professor Nnonyelum G. Nwokoye, Professor Peter Nyong Umoh, who rose to become Acting Managing Director of Nigeria Deposit Insurance Corporation and presently, Deputy Vice-Chancellor, (Academic) Base University Abuja. Others are late Dr. Uche Okafor, who excited us with a lot of American slangs then, Chief Gogo Clarke who made the subject of quantitative techniques very familiar, as well as Mrs. Ebong. They all motivated us as young men.

My sojourn through four (4) Nigerian banks, especially Universal Trust Bank (UTB) Plc, provided a lot of challenges and success stories as well. Among my superiors who provided professional drills, the contributions of late Mr Joseph Uwadiegwu Nwodo remain indelible. An excellent Statistician, he was a close friend, confidant and boss in whom I was quite pleased. May his kind soul continue to rest peacefully with the lord. My other superiors who had absolute confidence in me at UTB Plc are Mr Chris Nwosu (MD), Mr Andrew Adama (ED, Banking Operations), Mr Goddy Oki (GM, Banking Relationships) and Dr Dominic Chikwelu Onu, my close associate, all of whom, I still relate with till date. To them, I remain grateful for their industry education, which provided me with the necessary tutelage in banking.

My M.Sc/Ph.D Programme at Abia State University, Uturu, provided me with veritable opportunities for further academic experiences and exposures. We met some of those names that laid foundation for the teaching of Finance in Nigeria. In this respect, I acknowledge the painstaking lectures offered by Professor Francis Okoye Okafor, (a compendium of finance), Prof Hamilton O. Isu, Prof. O.M. Ogbulu, and Prof G.C. Okpara. They provided much of the foundations which I significantly deserved for further academic pursuits.

Presently, the latitude of academic achievements (if any) that I have recorded in this unique university, can significantly be attributed to the friendly interactions and environment created by many colleagues including Professors. B. F. Nwinee, S. E. Kalu, P.C. Mmom, O. Onuchuku, E. Eketu, U. Ironkwe, P. E. Ifionu, R. S. Needorn, L.L. Torbira, G.O. Omojefe , J.N. Obiora, S. R. Igwe and B. Nwibere. Other are Drs. O. V. Olulu- Briggs, A. Nteegah, E.R. Odi, Y. Bello, R. Muojekwu, E.C. Atuoh and E.U. Makwe. To them, I remain grateful. My doctoral students past and present, have through the enthusiasm which they demonstrated in their course work and theses, made valuable contributions to this outing. The past students include Drs T. Boufini, S. Penu, G. Emela, D. E. Eniekezimene, G. Olieh, C. Weli, L. Zachriah, O. F. Akinpelumi, S.C. Keremah, K .C Anyalechi, J. Achumu, P. Onugha, T. Okoisama, T. Sede, J. Utele, M. Akpombe, I. Mgbemena, F. Marshall-Harry, N. B. Udokang, I. Alagoa, and C. E. John. I hope that they are finding useful applications for all they studied. Worthy of mention also are the following set of my present doctoral students: A. Wabali, M. Hammajumba, C. Dike, I. Eke, L. Nwantah, S. Ifeosaeme, O. Mbelu, F.

Nwiyor , G. Okwuosa. , K. Akpeghughu, A.Suleiman, B. Nwoke, E. Ehilegbu, M. Anokwuru, C. Ibrahim, P.Abina, A. Alwell-Nteegah, O. Nwogu, C. Etim-Bassey, M. B. Pamogho, S. A. Ojo, S. Edopu, N. Chisa and B. E. Aladejebi.

Special mention is made of my dear and only surviving brother, Dr. Kenneth Onwudiwe Nnamdi (MBBS, MD, FAS, KSC) and his wife Mercy. They sent me to school, picked all my bills and have remained exceptionally interested and committed to my affairs.

Brother Ken's sacrifices for me and the rest of his siblings can best be described in terms of the assertions of Stephen Grellet (1773-1855) as follows;

I shall pass this way but once. If therefore, there be any kindness I can show, or any good thing I can do, let me do it now, let me not defer it or neglect it, for I shall not pass this way again.

Consequently, I cannot thank him and his wife enough, and still hope that I will not have any cause to disappoint them. In the same manner, I wish to acknowledge with great regards, the relationship I enjoy with my nephew, Dr. Uchechukwu Chinedu Nnamdi (MBBS, MD), Head of Residency programme in Psychiatry and Addictions, Columbia University, Harlem, New York, for his support and interest in my affairs and those of my children. Equally, his siblings Mrs. Ifeoma Okeke, Dr. Toby Nnamdi and Dr Nneka Nnamdi have all demonstrated unending love for me and my family.

Some family friends have remained valuable sources of encouragement over the years. Worthy of Special mention is Prof. S.E. Ekwelie, a retired Professor of Mass Communication, who has remained exceptional and has significantly, extended his love to all our children, who have grown to adopt him as a grand daddy. Further, I also wish to acknowledge the continued encouragements and support (morally and financially) that I have received from Dr. Akeeb Shola Ajilesoro, having come in contact with him in the year 2000. We have remained very close over the years. May God continue to guide and protect him for mankind.

My family has remained a strong pillar of support. In this respect, I wish to thank my one and only wife since the year 1991, the mother of our four lovely children, a woman who has continued to accommodate my unavoidable absence in the bid to make ends meet, in short, the widow of a living husband- Lady Nneka Juliet Nnamdi. She has, in spite of her congested schedule as a lecturer and Ph.D candidate in Maternal and Child Care Nursing at the University of Nigeria, Enugu Campus, continued to find time to provide all the necessary support. Our four lovely children- Emeka Odilibe Nnamdi (MD, MPH), Ugochukwu C. Nnamdi (B. Eng, M.Sc., Ph.D), as well as our lovely twin daughters- Ezigbo, a 6th year medical student and Chiemezue, (B.Pharm) respectively, constitute good sources of Joy. I cannot wait to see them excel in their various fields of endeavor, as well as become fathers and mothers of my expected grandchildren.

Further, I owe a world of gratitude to my two Sons- in-law, Engineers Darlington Onyeka Okoye and Chidera Njoku. Also appreciated are their Parents, Chief Aloysius and Mrs Nneka Okoye as well as Mr and Mrs Emmanuel Njoku. May God continue to protect them. Of specially mention is my very close cousin, Mr. Edwin Uzochukwu Ejike, who despite his combined Portfolio as Permanent Secretary, Ministries of Land

and Petroleum Resources in Anambra State, has never failed to keep in touch. His wife, Chinyelu and children have remained remarkable sources of inspiration and encouragement.

In all, I give every glory to God who has made this day possible. However, irrespective of the contributions of all the parties acknowledged above, I wish to assert that they have in no way, contributed to any of the errors or omissions that may be found in this lecture. That responsibility is entirely mine.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

APPENDIX

PROTOCOL

Vice Chancellor, Sir,

Members of the Governing Council of the University,

Principal Officers of the University,

Provost, College of Health Sciences,

Dean, School of Graduate Studies,

Deans of Faculties and Directors of Centres,

Heads of Departments,

Distinguished Professors,

Staff and Students of the University,

Members of the Press

Distinguished Guests,

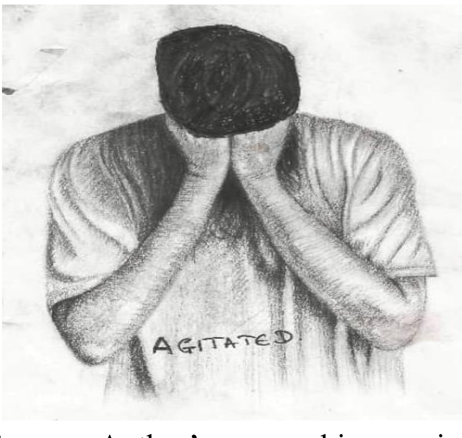
Ladies and Gentlemen.

1. INTRODUCTION

Preamble

I was very grateful on receipt of Vice-Chancellor's approval of my request to present this inaugural lecture. It comes as the fourth (4th) from the Department of Finance and Banking, University of Port Harcourt. With every sense of responsibility and delight, I therefore appreciate the rare opportunity to stand before this respected audience in the discharge of that responsibility. Vice- Chancellor Sir, I am and remain, very grateful.

I must honestly confess to this respected audience that I was sufficiently agitated when I received my letter of promotion to the rank of Professor in the Department of Finance and Banking in June 2021, with effect from 1st October, 2019. The agitation was induced by a sudden realization of the fact that in the established academic tradition, admission into the professoriate partly requires the new professor to be presented to the academic community and the general public through an inaugural lecture as soon as possible.



Source: Author's personal impression

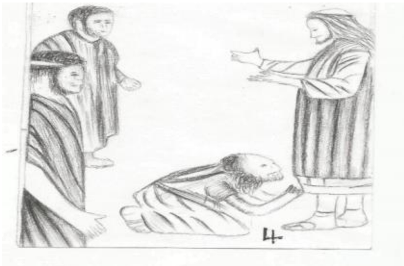
However, I googled and found that an inaugural lecture should derive from the scholar's research interests, publications and professional exposures. Admittedly, this realization relieved my discomfort and provided the needed solace. Consequently, I applied for Vice-Chancellor's approval within the first two months. Unfortunately, the last prolonged ASUU strike as well as our university's internal review of Inaugural Lecture guidelines delayed this outing.

Source: Author's personal archives

Biblical Routings

Vice- Chancellor Sir, in the book of Luke 17:11-19, The Holy Scriptures present the account of Jesus healing of ten (10) Lepers. However, verse 15 clearly asserts that only one, out of the ten Lepers came back to thank Jesus as asserted below;

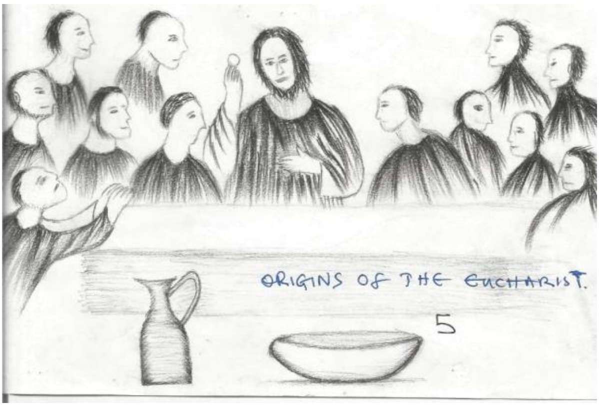
> **When one of them saw that he was healed,**
> **He came back. He praised God in a loud voice.**
> **He threw himself at Jesus feet and thanked Him.**



Source: Author’s personal impressions

Further, the Hymnist in Ancient and Modern (A&M) No. 386 and Church of Nigeria Hymnal No 614 Vs 3, Provides a gloomy and **paradoxical** picture of Jesus Christ in the celebration of the Eucharist as the High Priest and at the same time, the Sacrificial lamb as follows:

Offered was He, for greatest and for least.
Himself the Victim, and Himself the Priest.



Source: Author’s personal impressions

Objective of this Inaugural Lecture:

Vice- Chancellor Sir, the objective of this inaugural lecture is to present to the University and wider community, the "paradoxical fate" of Nigeria's banking sector in its growth process. Just like Jesus Christ in the celebration of the Eucharist, Nigeria's banking sector is conceived as the High Priest and at the same time, the Sacrificial lamb in this lecture. Further, this lecture will demonstrate the extent to which the banking sector has paid the price as a victim of the economic and financial growth opportunities it has championed for its numerous beneficiaries in Nigeria since the year 1894, based on my research activities and professional exposures.

Consequently Sir, this lecture, while commencing with some preamble as above, will shed some light on some theoretical preludes intended to facilitate a general appreciation of the subject at stake. Secondly, it will provide a picture of the interphase between the banking sector and the economy, as well as the nature of banking sector regulations and reforms in Nigeria. Further, the lecture will consider the essential issues of banking sector credit repayment defaults and frauds, which are the two key banes of the sector. Finally, the lecture will address my contributions to professional practice and knowledge, summary, implied conclusions and recommendations.

Scope of This Inaugural Lecture:

While the subject of this lecture and related data center on Nigeria, some literature have also, been drawn from other countries where applicable. However, relevant data were sourced from the publications of Central Bank of Nigeria and the Nigeria Deposit Insurance Corporation (NDIC) which belated nature, forced the study to end with information up to the year 2020, where NDIC has specifically attained.

Significance of this Lecture:

This lecture aims to support banking sector regulators in Nigeria namely the Central Bank of Nigeria and the Nigeria Deposit Insurance Corporation by highlighting the limitations of existing theories in the light of the realities within the Nigerian banking sector. The objective is to guide regulators in formulating enhanced policies to advance the performance of the banking sector in Nigeria.

The lecture also intends to foster understanding within the academic and general banking communities in Nigeria. It seeks to highlight the potential threats that undermine the banking sector, such as loan repayment defaults and frauds. By doing so, it hopes to instill a moral obligation within these communities, emphasizing the importance of being staunch advocates for the continual protection of the banking sector. Additionally, the lecture emphasizes the need to avoid glorifying individuals who exploit and harm the banking sector.

1. THEORETICAL CONSIDERATIONS

The Concern of Finance:

Vice- Chancellor Sir, banking business is part of Finance. You are aware that my Department- Finance and Banking which I represent today, is the most important Department in this University and any other human organization. This is for the simple and great reason that **Finance** is the most important factor of production. It is the only factor that lubricates and galvanizes other factors of production or factor inputs in any human productive set up.

Vice- Chancellor Sir, with finance, I make bold to assert that you can afford to acquire and employ the best of brains and other factor inputs and get them cracking for you by simply paying the right prices. Consequently, with finance, you can **secure** the services of the best medical team, engineers, professors, ASUU members, including the best of Vice- Chancellors.

Banking is essentially, that aspect of finance which is concerned with the running of formal financial institutions. These institutions are set up, not only to provide financial services but also, to re-distribute them to the banking public. Consequently, this view qualifies banking as a worthy subject for today's discussion. While celebrated scholars of Finance like Weston and Brigham (1984) and Van- Horne (1977) have defined finance from functional and decisional perspectives respectively, the most interesting aspect of finance for the purpose of this audience appears to me, to be the concern of finance as a discipline of study.

Generally, the central concern of finance as a discipline and subject of interest is the creation of more wealth out of given financial resources. Creation of more wealth could be achieved through a wide range of financial services which according to **Nnamdi** and Nwakanma (2013), include but are not limited to; i) Banking (ii) Insurance (iii) Investments and financial advisory services (iv) Stock broking (v) Leasing (vi) Discounting and Re-financing services (vii) Hire purchase services (viii) Factoring services (ix) Off- Shore financing (x) Credit/Debit card services (xi) Trust administration services (xii) Pension fund services etc.

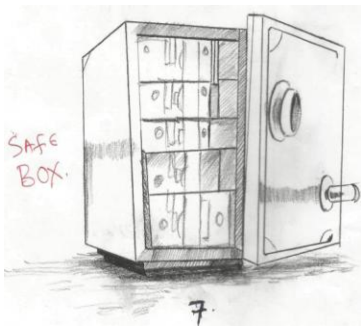
The Theory of Financial Intermediation:

Jongchul (2011), observed that the foundations for banking in particular and financial inter mediation in general, can be traced back to the London goldsmiths of the 1630s. Capitalizing on a pool of funds approach and the very fact that gold and other precious metals were part of the means of exchange then, the goldsmiths conceived the idea of lending at an agreed interest rate, part of the deposits accumulated from various depositors to needy parties. To grow their customer and deposit base, the goldsmiths further, introduced the payment of interest on deposited precious metals as a sweetener.

Financial intermediation is defined as the process of mobilizing financial resources from surplus saving units in the economy through formal financial institutions and intermediaries. as well as efficient allocation of the same at optimal prices to the most viable and needy parties or units in the economy for the production of goods and services.

Popularized by Goldsmith, (1969), McKinnon (1973), Shaw (1976) and Patrick (1976), These scholars believed that constructive management of real interest rates would generally, provide basis for greater deposit mobilization by formal financial institutions. It also, serves to stimulate the economy for improved investments and ultimately, economic growth. On the other hand, mismanagement of real interest rates would lead to an obvious decline in deposit mobilization with consequent dis-investment and economic stagnation.

For the purpose of clarification, real interest rate is that interest rate paid or payable to depositors, which compensates for inflation. Two distinct positions therefore, arise from the central idea of constructive management of real interest rates following the general concept of financial intermediation. They include;



Early London Goldsmith **Goldsmith's safe box**
Source: Author's personal impressions

Financial Liberalization (Higher real interest rates)

The above scholars argued that in circumstances where the monetary authorities allow for higher real interest rates, otherwise called a debt intermediation hypothesis, there will be an expanded financial intermediation between the savers and the investors because higher real interest rates will encourage savers to save more. Consequently, the following will result;

- The increased savings mobilized and lent out to customers will stimulate more investment activities due to increased supply of credits.
- The increased supply of credits will in turn, raise the average efficiency of capital investment and consequently, economic growth.

Liberalized economy; high interest rate, savings, investments, and economic growth

Source: Author's personal impressions

Financial Repression (Lower real interest rates)

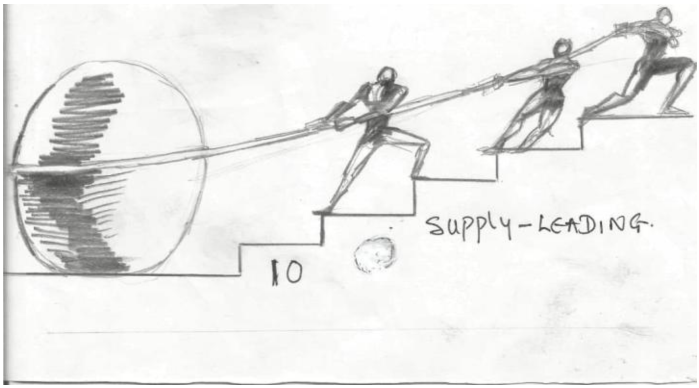
On the converse, where the monetary policies are such that there are lower real interest rates, these scholars argued that financial repression would prevail and resultantly reduce the incentive to save. Consequently, there will be a reduction in the level of saved funds available for investments and credits, which ultimately will reduce economic growth.

Repressed economy; low interest rate, savings, investments.
Source: Author's personal impressions

Behavioural Patterns of Financial Institutions Resulting from Their Intermediating Roles.

The perceived interrelationships between financial institutions' credits, investments and economic growth of nations could be viewed as follows:

- **Supply- Leading**: In this case, the financial institutions provide resources and direct the course of enterprise investments in the economy. In this sense, financial institutions act as catalysts to enterprise and economy.



Source: Author's personal impressions

Demand- Following: in this instance, the financial institutions only appear to service already existing and successful enterprises in order to make income. In this sense, they operate in a **parasitic manner.**

A parasite feeding on its host.
Source: Author's personal impressions

Contemporaneous (Symbiotic): This conduct prevails where the financial institutions and enterprise tend to support, promote and/or reinforce each other in the growth process.

Lean on me, I lean on you.
Source: Author's personal impressions

Independence Hypothesis State: Here, the operations of financial institutions and those of enterprise or economy do not align as to provide any synergy. In short, each of them operates independently.

Independent views.
Source: Author's personal impressions

Given the fact that the intermediation capacity and efficiency of banks within any economy is essentially critical in the assessment of both financial and economic development of nations, **Nnamdi** and Penu (2018) evaluated the extent to which the intermediation functions of Nigerian banks do influence Nigeria's economic growth. The results show that both deposits mobilized by Nigerian banks and credits granted by them are promoted or supported by expansions in business opportunities indicated by economic growth, while credits advanced by banks to the government sector are independent of Nigeria's gross domestic product (economic growth.).

Given the results, the study recommended greater enforcement of market discipline as initiated in the 2005 banking consolidation programme, in order to ensure that credits to the government sector are not out of tune with the economy, by shifting ownership of banking institutions to the private sector.

Constraints to the Efficacy and Workings of Financial Intermediation in Nigeria:

Given the postulates of financial intermediation theory, scholars in Nigeria would equally expect that strategic application and adoption of real interest rates and other monetary policy instruments would practically, provide good monetary management measures and consequently, facilitate the intermediation functions of financial institutions and other intermediaries. However, the following barriers still prevail in Nigeria.

- Existence of a strong parallel foreign exchange market, called the black market.
- Significant level of operation of the black-market money lenders.
- Prevalence of large scale, active age grade and Isusu lenders, which dominates the rural economy in Nigeria.
- Large and outrageous amounts of cash (part of money supply), which is held outside the banking system.

The domineering existence therefore, of a dualistic financial market structure, tends to pose a serious constraint to monetary management and banking operations in Nigeria.

Black market FX/lender **Age grade group.**

Source: Author's personal impressions

Cardinal Principles of Credit Considerations in Banks:

Credit considerations in banks are guided by three (3) major principles. They include;

- Safety of the exposure.
- Liquidity of the investment.
- Profitability and expected yield of the investment.

A distinct approach to lending practice constitutes the vital characteristic of any given funding structure. Bhole (2006), succinctly observes the prevalence of two theoretical approaches to lending considerations by banks. At the first extreme position is the liquidation approach. This perspective provides the foundations for commercial loan theory, which is alternatively known as the real bills doctrine. In this approach, the borrower's assets are considered as fundamental security for the bank loan. At the same time, the approach also, prefers the exposures to be self-liquidating and short term.

At the other extreme is the going concern approach. This approach places emphasis on the capacity of the borrower to repay the bank's exposure from expected future cash flows or streams of income as opposed to capacity and/or value of securities offered by intending debtor. However, in practice, banks whether commercial, merchant, development or microfinance tend to adopt at best, a combination of the two approaches for safety.

Fallacy of the Interaction between Interest Rates and Banks' Deposit Mobilization in Nigeria:

The theory of financial intermediation reviewed above presupposes that greater deposits can be mobilized from savers depending on how the monetary authorities manage the real interest rate. The higher the value of deposits that formal financial institutions mobilize, the higher the amount of loanable or investible funds they can provide the investing public with.

However, and disappointingly, **Nnamdi (2008)** evaluated the effectiveness of employment of interest rate paid on deposits as a sweetener for mobilization of deposits from the Nigerian public. The results showed that deposit mobilization by Nigerian banks is significantly **"interest-inelastic"** and it does not reasonably work in Nigeria. The study therefore, called for the continued employment of deposit marketing promotions (promos) in the form of periodic deposit- marketing bonanza for more effective deposit mobilization in Nigeria. Generally, such deposit marketing campaign promos do attract some gift items as internal rewards for opening of new savings and even fixed deposit accounts, as well as final raffle draws which are associated with good cash and other asset awards for more efficient deposit mobilization in Nigeria.

A promo-driven deposit-promotion and mobilization strategy therefore, significantly supports deposit mobilization by helping to release the funds kept under the pillows or large safe boxes of individuals for more efficient financial intermediation and potential funding of Nigerian enterprises.

Interaction Between Lending and Deposit Structure in the Nigerian Banking Sector:

Vice-Chancellor Sir, for business entities to exist, they must offer products which provide solutions to customers' problems. For the Nigerian banking sector therefore, sustenance of profitability demands that they must not operate at the level where they only strive to satisfy customers by providing quality services which meet customer's expectations. Rather, for corporate continued survival and growth, Nigerian banks must offer to their customers, services which qualities exceed the expectations of the customers. In essence, the banks must continue to excite their customers through service excellence**.**

Banks offer several products which may be credit/deposit related or not. However, provision of credit and its attendant multiplier effects on enterprise and the economy tend to dominate attention when the influence of the banking sector on the economy is considered. For continued supply of credits to meet and exceed customers' expectations, banking institutions need to continually source and mobilize deposits to fund the ever-expanding credit needs of the growing customer base.

Vice-Chancellor Sir, the question becomes which forms of deposit should the banks emphasize in their marketing campaigns in order to exceedingly support the provision of credits?

In order words, which forms of deposit are characterized with dependable **stability** in order to avert liquidity crisis since the banks need to balance their **pragmatic objectives- liquidity and profitability?** At this juncture, the nature of the empirical interrelationships between deposit structure of Nigerian banks and risk assets creation becomes critical in order to determine and direct banks' deposit marketing efforts towards sustenance of credits in the system.

In this direction, **Nnamdi (2007)** examined the deposit structure of Nigerian banks, lending rates and risk asset creation over the period 1980 to 2005. The results showed savings and fixed deposits as the most stable forms of bank deposits, while demand (current) deposits tend to be the most volatile or unstable, in terms of support for lending operations of Nigerian banks. The study therefore seriously criticized bank managements that tend to overemphasize marketing efforts on demand deposits for the simple reason that they do not attract interest costs. Unfortunately, this line of reasoning tends to neglect the fact that demand deposits are highly volatile and can create problems of illiquidity when high net worth individuals and corporate organizations with significant overdraft facilities throw in their cheques through clearing. When savings and fixed deposit balances are not sufficient to cover such gaps, it will obviously lead to violation of pragmatic objectives. On the whole, the study insists that banks should concentrate reasonable efforts on marketing of savings and fixed deposit accounts. This will ensure a high reserve of pooled funds to meet their credit/ income requirements, as well as the liquidity/ stability needs of banks both in the short and long run.

2. BANKING SECTOR AND NIGERIA'S ECONOMY

Economic historians provide vivid accounts of the patterns of economic growth of nations. In this wise, Gunderson (1976) provided solid accounts of the relative influences and contributions of various sectors of America's economy to her economic growth. Of prominence, were iron and steel, automobile, construction, agriculture, finance etc. The study essentially highlighted the role of finance as depicted by financial houses and institutions (banks and stock markets). They served as the key mobilizers and allocators of substantial short and long- term funds, which were invested in funding other sectors of America's economy in order to accelerate the nation's industrialization.

On the other hand, Kemp (1978:8), did not only present the banking sector as the key catalyst of economic growth in Europe but in addition, captured th**e paradoxical fate** of the banking sector as follows;

> **Banks play a necessary and indispensable role in capitalist development. They are the product of particular conditions- the response to need. At the same time, as business enterprises seeking profits, subject more or less to legal control, they enjoy a measure of autonomy. At a particular**

juncture in a country's economic history, what bankers do may have crucial importance. At other times, they may be powerless or themselves, become victims of other forces as is very plain during financial crises and panics. They may speed up economic growth or act as a brake upon it. Only historical inquiring into particular cases can determine what their role was at any particular time.

Further, Schumpeter (1934) provided a novel account of the role of the banking sector in enterprise financing which resultantly, drives accelerated economic growth of nations. Prior to Schumpeter, Classical and Neo-classical economic scholars, viewed the growth of savings in nations as slow. That invariably, constrained or limited societal investible income and consequently economic growth, because societal investment is a function of the quantum of saved funds. However, Schumpeter (1934) objected to these Classical and Neo-classical views. The study rather, viewed the banking system as an efficient mobilizer of deposits from societal saving units and consequently, accumulates funds even in excess of the financial requirements of the efficient and needy entrepreneurs. By so doing, lending to viable enterprises was no longer constrained by scarcity of financial resources thereby, resulting in the outburst of investments and outputs of goods and services. It consequently, leads to economic boom in nations.

In a study, Nwakamma and **Nnamdi (2012)** attempted to prioritize sectorial investment influences on Nigeria's economy. The study found principally, only four outstanding sectors in the following order- (i) Petroleum marketing (ii) Building materials (iii) Packaging and (iv) Banking. It recommended that sectoral contributions to Nigeria's economy should be adopted as one of the priority criteria for assessment of projects' viability by banks, in order to minimize incidents of loan repayment defaults arising from unviability of projects in the interest of banks and Nigeria's economy.

Bank Credits as Lubricants in the Economy:

Finance is a clear lubricant and catalyzer of other sectors of the economy. It serves to galvanize all other factor inputs for production. Bank credits therefore, provide effective leverage for productive activities. Evaluating the relevance and potency of bank credits in Nigeria's economy, Nwakanma, **Nnamdi** and Omojefe (2014) employed the Auto Regressive Distributive Lag Bound and Granger causality techniques. The results indicate a significant long run relationship between credits disbursed by banks and Nigeria's economic growth (proxied by gross domestic product). However, the study found no significant causality (support). It consequently, recommended the development of more long-tenured credit products, since most of commercial banks' lending are short tenured, in order for bank credits to have more pronounced effects on Nigeria's economy.

In a later development, **Nnamdi (2015 a)** evaluated the comparative efficacies of credits disbursed by Nigerian banks to the private and public sectors of the economy. The study found that neither bank credits to the private sector, nor those to the public sector could be qualified as efficient since they all failed to promote Nigeria’s economic growth. The study therefore, strongly recommended that the government should forthwith, stop borrowing funds from banks, but should only access funds through the capital market for long term development purposes. As such, the tendency for the government to over-crowd the private sector by borrowing from the banks will be minimized.

In a comparative study of the effects of financial market funds (capital and money markets) on Nigeria’s economic growth, **Nnamdi (2015 b)** found that bank credits in Nigeria do not significantly support growth of Nigeria’s economy, unlike the long-term funds issued by both the government and private sectors in Nigeria’s capital market.

Also, **Nnamdi (2015 c)** evaluated the extent to which the banking sector proxied by credits to the private sector of Nigeria’s economy does support or promote capital market activities (proxied by market capitalization), as well as Nigeria’s economic growth (proxied by gross domestic product). The results indicate that neither market capitalization nor credit to the private sector do promote Nigeria’s economic growth. However, capital market operations (market capitalization) were found to significantly promote bank credits to the economy. The study recommended further relaxation of conditions for corporate quotations and securities listing in the Nigerian Stock Exchange. This will enable more companies raise extensive funds from there, invest more in the economy and achieve greater impact.

Evaluating the extent to which changes in the structure of deposits in Nigerian banks (demand, savings and time deposits) influence demands for credits by customers of Nigeria banks, **Nnamdi (2015 d),** found that increases in demand deposits held by banks on behalf of their customers reflect increases in quantity and quality of businesses executed in the economy. They thus, influence the level and quantum of credits disbursed by banks. The study recommended that banks should place more emphasis on product development in order to meet the increasing deposit and credit needs of customers.

Money market instruments- treasury bills, commercial papers, treasury certificates and bank credits constitute the funding elements of Nigeria's money market activities. **Nnamdi**, and Penu **(2017)** examined the nature of interrelationships that prevailed between money market investments and Nigeria's economic growth. Money market investments were confirmed not only to have valuable long-run relationship with Nigeria's gross domestic product, but significantly promote and/or support same. Creation of more money market instruments was recommended in order to accelerate Nigeria's economic growth as the money market remains a veritable source of investible funds in Nigeria.

In another development **Nnamdi,** Mahmud and Akinkpelumi (2017), specifically evaluated the effect of financial market funds which bank credits constitute a part thereof, on Nigeria's manufacturing sector's output over the period 1981 to 2015. The results showed that Nigeria's manufacturing sector tends to support or promote banking sector credit expansion against expectation. Accordingly, the study recommended that the State should introduce an infrastructural development/rehabilitation trust fund, whereby; 10 percent of net profits of companies operating in Nigeria should be channeled into the fund mostly for roads, power construction and rehabilitation. These are hoped to reduce the operational cost of manufacturing companies and further, enhance the capacity of the manufacturing sector to take advantage of the leverage effects of Nigerian bank credits, while boosting output and consequently, Nigeria's gross domestic product.

Brief Performance Indicators of the Nigerian Banking Industry and the Economy, 1981-2020:

Presented below are valuable statistics on the performance indicators of the Nigerian banking sector and economy over the period, 1981 to 2020. For the purpose of this lecture, they include.

- Gross domestic product
- Number of operating bank branches
- Value of deposits generated or mobilized
- Number of persons employed
- Value of risk assets disbursed
- Contribution of banking sector to Nigeria's gross domestic product
- Percentage contribution of banking sector to Nigeria's gross domestic product
- Bank deposits as percentage of gross domestic product
- Bank credits as percentage of deposits generated
- Bank credits as percentage of gross domestic product.

This study's appendix presents details of the above performance indicators, which trends and graphs follow below;

Trends of Gross Domestic Product, Number of Bank Branches, Deposits Generated, Risk Assets and Contributions of Banking Sector to Gross Domestic Product in Nigeria.

The above trends are illustrated in Figure 1 below;

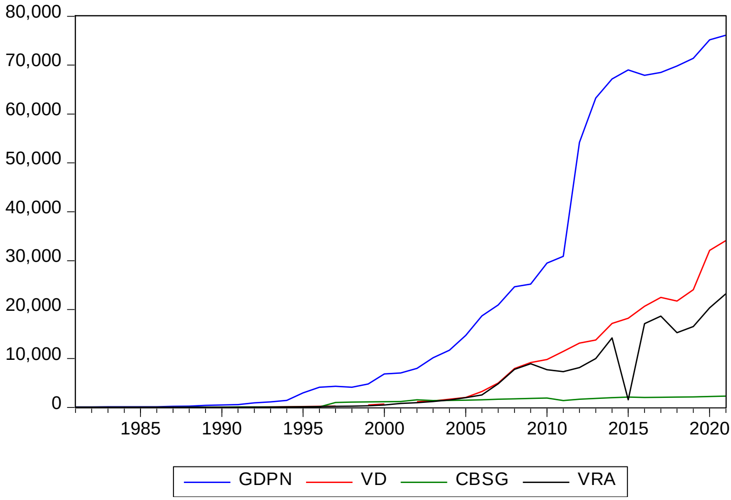


Fig 1: Trends of Gross Domestic Product, Number of Bank Branches, Deposits Generated, Risk Assets and Contributions of Banking Sector to Gross Domestic Product in Nigeria, 1981-2020.

Source*: E-views computation*

Fig 1: shows that Nigeria's gross domestic product rose steadily from 1981 2012. It accelerated between 2013 and 2016, but grew again at a lower rate between 2017 and 2020.

Deposits generated towed the same rising trend. It slightly stagnated between 2012 and 2013 and continued to rise thereafter. The contributions of the banking sector to Nigeria's economy rose gradually from 1981to 2009. It slightly declined between 2010 and 2012 and rose in 2014. It then crashed sharply in 2015 but rose steadily to its highest value in 2020. Value of disbursed risk assets rose steadily over the period of study.

Trends of Banking Sector's Contribution to Nigeria's Gross Domestic Product, Bank Deposits as Percentage of Gross Domestic Product and Bank Credits as Percentage of Gross Domestic Product:

The above trends are shown in Figure 2 below;

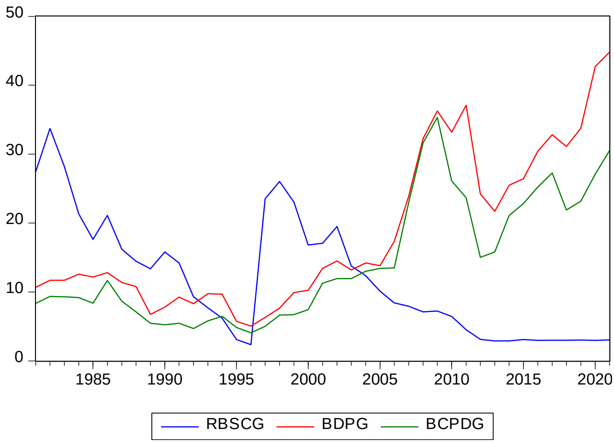


Fig 2: Trends of Banking Sector's Contributions to Nigeria's Gross Domestic Product, Bank Deposits as Percentage of Gross Domestic Product and Bank Credits as Percentage of Gross Domestic Product, 1981-2020.

***Source**: E-views computation*

Figure 2 above shows that the ratio of banking sector's contribution to Nigeria' gross domestic product declined from 1981 to the lowest point in 1996 and rose to its peak position in 1998. Thereafter, it declined until the year 2020. On the other hand, bank deposits as a percentage of GDP and bank credits as a percentage of GDP, all towed the same pattern. The two fluctuated between 1981 and 1995, but maintained a steady rise from 1996 to 2008. They declined again until 2013 after which, they rose till 2020.

Trend of Bank Credits as a Percentage of Deposit Generated:

The above trend is shown in Figure 3 below;

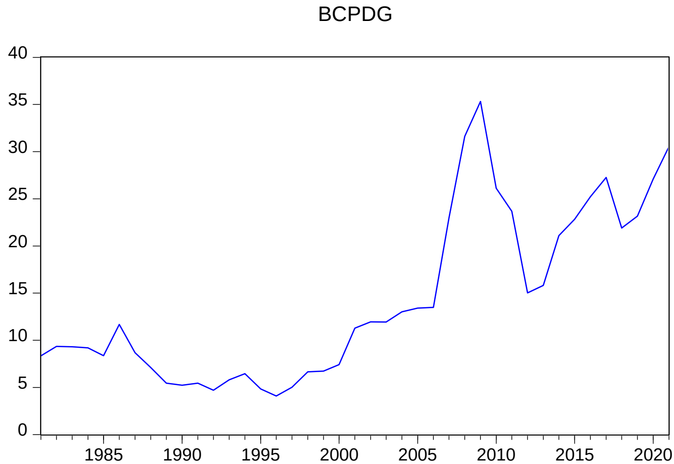


Fig. 3: Bank Credits as a Percentage of Deposits Generated, 1981-2020

Source: *E-views computation*

Figure 3 shows that bank credits as a percentage of deposits generated declined from 1981 to1985. Thereafter, it rose between 1985 and 1987 and fluctuated between 1986 and 2000 after which, it rose till 2005. Thereafter, it rose sharply till 2009, declining steeply again till 2013. It rose thereafter until 2017 when it sharply dropped and rose sharply again till 2020.

Sectoral Allocation of Bank Credits Within Nigeria's Economy:

Financial intermediation theory advocates a completely deregulated financial system which even allows for free entry and exit from banking business operations. However, this theoretically provides for two extreme divides or positions as follows:

(i) A totally deregulated financial system which is purely under the influence of market forces at one end and;

(ii) A fully regulated financial system under the administrative control of the government.

However, what prevails currently in Nigeria belongs to the realm of what I prefer to call **a guided deregulated frame work** in which case, market forces are allowed to operate and influence banking operations within a certain bandwidth. However, it still allows for regulatory intervention in order not to distort approved monetary policy targets. Repressive monetary policies were prevailing in Nigeria. For sectoral credit allocation purposes, they used to specify maximum credit allocations to less preferred sectors and minimum credit allocations to preferred sectors of the economy until 1994, when directed credits allocation system was abrogated.

Table 1 below shows bank credit allocations in Nigeria to various sectors of the economy for the years 2019 and 2020. Evidently, the table shows that the highest percentage credit allocations of 15.25% and 26.45% in 2019 as well as 15.55% and 25.47% in 2020 were to the manufacturing and oil / gas sectors of Nigeria's economy respectively.

With liberalization of the economy and deregulation of credits, banks are currently under no obligation to respect credit controls as used to prevail during the administratively regulated era. In recent times, project profitability, customer history and viability of repayment sources tend to dominate banks' credit considerations. Of further relevance in credit allocation is the overall viability of the economic sector where the investment is domiciled, as well as the expected returns. On the whole, these agree with the findings and recommendations of Nwakanma and **Nnamdi (2012)** in their evaluation of corporate sectorial investments and economic growth in Nigeria.

Table1: Bank Credit Allocations in Nigeria to Sectors, 2019 and 2020:

Classified Sectors of Nigeria's Economy	**Credits Allocated to Sectors (₦ b), 2019**	**% of Total Credit Allocations 2019**	**Credits Allocated to Sectors (₦ b), 2020**	**% of Total Credit Allocations 2020**
Agriculture	819.02	4.67	1049.6	5.16
Mining & Quarrying	11.856	0.07	11.87	0.06
Manufacturing	2675.70	15.25	3164.02	15.55
Real Estate	625	3.56	654.3	3.21
Public Utilities	75.10	0.43	90.3	0.44
General Commerce	1296.3	7.39	1368.7	6.73
Transportation & Storage	392.4	2.24	529.99	2.60
Finance & Insurance	1107.34	6.31	1264.57	6.21s
General	1467.54	8.37	1863.2	9.15
Government	1544.72	8.81	1774.03	8.72
Water Supply, Sewage, Waste Management and Remediation	23.02	0.13	27.7	0.14
Construction	726.4	4.14	965.18	4.74
Information & Communication	904.12	5.15	1018.2	5.00
Professional, Scientific and Technical Activities	191.84	1.09	209.7	1.03
Administrative and Support Services	27.07	0.15	36.18	0.18

Education	59.16	0.34	79.66	0.39
Human Health and Social Work Activities	45.62	0.26	76.91	0.38
Arts, Entertainment and Recreation	14.52	0.08	21.1	0.10
Activities of Extra Territorial Organizations and Bodies.	0.65	0.01	0.75	0.01
Power and Energy	671.8	3.83	763.3	3.75
Capital Market	219.1	1.25	199.42	0.98
Oil and Gas	4664.5	26.48	5184.4	25.47
TOTAL CREDITS	17542.3	100	100	100

Source: Nigeria Deposit Insurance Corporation. Annual report and accounts, 2020 P. 172.

Given the transition to a deregulated credit policy framework in Nigeria, **Nnamdi,** Akinpelumi and Eniekezimene (2018) comparatively evaluated the sensitivities of Nigeria's economy to sectoral credit allocations by banks during the regulated era (1971-1993) as well as the deregulated era (1994-2016). The results showed that;

- Nigeria's economy was more sensitive to bank credit allocations to trading and real estate/construction sectors during the regulated or directed credit allocation phase. However, the economy became more sensitive to bank credit allocations to the productive sectors of manufacturing and mining/quarrying on transition to a deregulated framework.

- During the regulated phase, variations in banks' sectorial credit allocations accounted for only 62.26 percent of the variations in Nigeria's gross domestic product. However, they accounted for a higher value of 87.42% on transition to deregulated sectorial bank lending policy. The study consequently, called for more deregulation in other sectors of Nigeria's economy for increased sectoral contributions to Nigeria's economic growth.

Banking Sector in International Trade Relationships:
Deriving from the premise that autarchy (a closed economy whereby, a given country does not engage in any trade relationship with other nations in the world), is only a limited theoretical position, the banking sector functions to bridge a lot of gaps by providing unlimited linkages between a given domestic economy and other existing world economies.

In this respect, **Nnamdi** and Nwakanma (2013), observed that the banking sector profoundly plays these under-listed roles in international trade relationships among nations by;

- Acting as intermediary agents between importing and exporting countries.
- Playing the role of a confidence bridge between parties involved in international transactions among different countries.
- Bridging the differences in currencies and exchange rates by applying cross rates in settlement obligations.

- Bridging the difficulties arising from the prevalence of varied national regulations and documentation requirements.

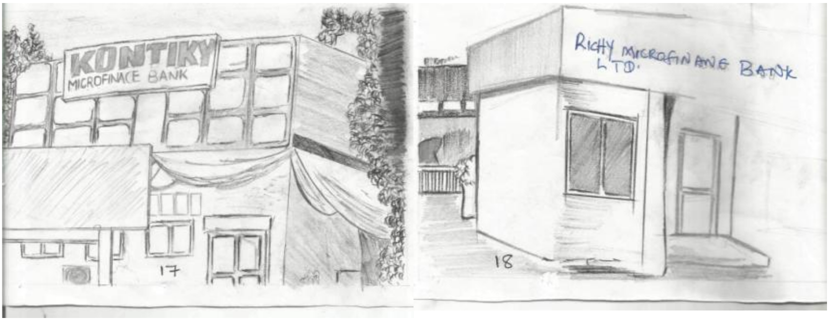
In essence, international trade transactions and settlements which facilitate imports and exports among nations would be impossible without the banking sector.

The Rise of Microfinance Banking:

Microfinance banking emerged out of the realization of the potential capacity of microcredits as an instrument of leveraging the active poor, and consequent poverty alleviation in developing economies. Against this premise, Agene (2011) observed that;

- The colonial administration in Nigeria promulgated the Co-operative Societies Ordinance of 1939 to initiate some micro credit policy measures aimed at enhancing access to microcredits by the active poor.
- Further implemented, was the establishment of the following catalytic institutions after Nigeria's independence;
- Nigerian Agricultural, Co-operative and Rural Development Bank in1973.
- Rural Banking Scheme, in which commercial banks were compelled to open specified number of rural branches per urban branch desired.
- Central Bank of Nigeria's Agricultural Credit Guarantee Scheme and

- Community Banking Scheme which finally, metamorphosed into Microfinance Banking Scheme with enhanced capitalization.



Source: Author’s personal impression

The influence of microfinance banking and attendant micro-credits on Nigeria’s economy so far, has attracted reasonable attention within academic and professional circles. In this perspective, Nwakanma, **Nnamdi** and Omojefe (2014), traced the transition to microfinance banking in Nigeria and further, evaluated the contributions of micro credits to Nigeria’s economic growth through employment of Autoregressive Distributed Lag Bound technique. The study not only found valuable long run relationships between Nigeria’s economy and disbursed microfinance banking credits, but confirmed that the credits promoted or supported Nigeria’s economic growth. It consequently called for more supply of microcredits to Nigeria’s micro enterprises in order to accelerate the growth of the economy.

In a related development, **Nnamdi** and Torbira **(2015)** studied the multi-sectoral dimensions of the influence of microcredits on Nigeria’s economy. On employment of long- run analytical techniques, they found statistically valuable long run relationships between microcredits and Nigeria's economy, although with varying causalities between the different sectors of Nigeria's economy and microcredit allocations. The study recommended intensified product development, in order to develop sector-specific micro credit products that will enhance productivity in each sector of Nigeria's economy and boost overall interaction between microfinance credits and the economy.

Relating private sector microcredit programmes, financial inclusion and sectoral entrepreneurship in Nigeria, **Nnamdi** and Nwiyordee (2014) found significant causalities between the economic sectors of agriculture/forestry, mining/quarrying, manufacturing/food processing, real-estate/construction, as well as transport/commerce and Nigeria's economic growth. The rest of the sectors failed the causality test with the economy. The study called for strong enforcement of credit contracts to ensure that disbursed microcredits are not only repaid, but are re-invested to enhance productive ventures throughout the economy. In several related studies aimed at evaluating how business opportunities signified by growth of entrepreneurship ventures in different sectors of Nigeria's economy act as pooling factors for microcredits in Nigeria, **Nnamdi** and Akinpelumi (2016), Zachariah, Nwinee and **Nnamdi (2021 a)**, as well as Zachariah, Nwinee and **Nnamdi (2021 b**), all found that irrespective of significant long run relationships prevailing between sectoral entrepreneurship activities and microcredits allocated to them, the causal nature of the relationships appear to be largely demand- following with causality flowing from some of those sectoral activities to microfinance institutions' credits. The study found large absence of contemporaneous trends (bi-directional or symbiotic) for now. Also, available evidences of Schumpeterian independent hypothesis were found whereby, some of the sectoral entrepreneurial activities operated independent of the microfinance credit facilities. The study recommended development of more sector-specific micro-deposit and micro-credit products to meet the specific needs of each sector for the achievement of greater interrelationships with Nigeria's economy.

Microfinance and its attendant microcredit disbursements have valuably had reasonable influences on Nigeria's human development on employment of human development index. This is through its ability to influence the living standards of the active poor. The active poor have remained the key target of microcredit disbursements. In this wise, **Nnamdi** and Eniekezimene (2018), investigated the multi-sectoral implications of the interrelationships between microcredit disbursements and human development index in Nigeria. On application of human development index (HDI) as proxy for improvement in human conditions, the study found that microcredits through their leverage effects, have improved significantly, the standard of living and wealth creation capacities of entrepreneurs in mining/quarrying, real estate/construction, as well transport/commerce sectors of Nigeria's economy. The study recommended a boost in the quantum of microcredits availed these classified sectors as well as the development of sector-specific microcredit products to meet the operational requirements of the active poor in the rest of the classified sectors, in order to improve their livelihood.

One of the most contentious issues in banking operations is the possible leverage potentials of different forms of bank credits on the economy. In other words, it is essential to evaluate on comparative basis, the effects of commercial (conventional) bank credits as opposed to microfinance bank credits on the economy. In this respect, **Nnamdi** and Torbira (2016) examined the efficacy of the leverage effects of commercial and microfinance bank credits on Nigeria's economy.

Symbiotic microfinance banks   Parasitic commercial banks.

Source: Author's personal impressions

The study employed long run statistical techniques including causality analysis. The results showed that while microcredits demonstrated bi-directional causality or symbiotic relationship with Nigeria's economy, commercial bank credits displayed a unidirectional relationship with Nigeria's economy. The causality ran from the economy to commercial bank credits thereby, depicting a parasitic relationship. The results showed that commercial banks only service or feed on the economy without contributing much to the system.

On the whole, the study recommended expansion in private sector microcredit operations and network, reduction in corporate income taxes paid by microfinance banks, and intensification of the development of micro credit and deposit products in order to deepen the effects of microfinance and microcredit operations on Nigeria's economy

4. BANKING SECTOR REGULATIONS AND REFORMS IN NIGERIA

Banking Regulations in Nigeria:

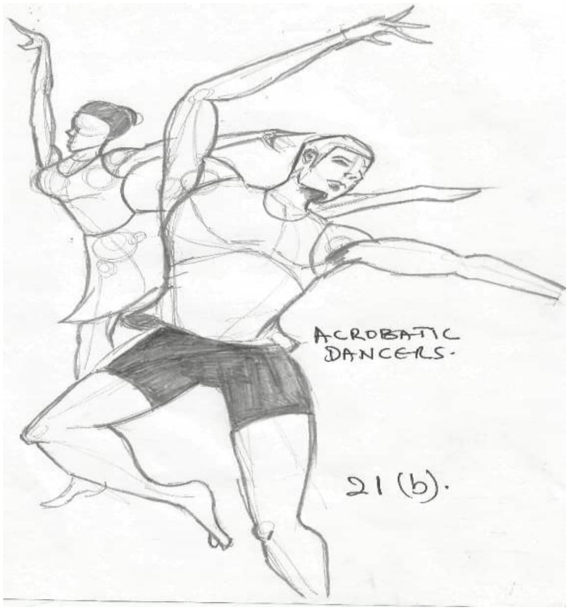
No country allows her banking sector to operate without regulations. However, in every country, these regulations are periodically reviewed. An unregulated banking sector portends a significant bunch of hazards for the banking public, the operating banking institutions, the domestic economy, as well as the international economy.

In this vein, **Nnamdi** and Nwakanma (2013). observed that banks like other financial institutions, are regulated by governments for the following reasons;

- Unlimited nature of leverage which banks enjoy by virtue of the fact that they live and thrive on borrowed funds i.e. customers' deposits.

Vice- Chancellor Sir, in my home town, there is an adage that says,

He who wears borrowed clothes should not dance faster than the true owner of the clothes during a village dance outing. Otherwise, the true owner of the clothes will protest in order to prevent the clothes from being torn.



Source: Author's personal impressions

This is the exact case of the banking industry. It is a business that hinges on "borrow- borrow makes me rich". Therefore, he who lives and thrives on borrowed funds needs to be closely regulated.

- Instabilities in the operations of banks have obvious implications for the nation's financial system, as well as international financial/monetary relationships among nations. Therefore, the vector or conducting financial institutions need to be healthy.

- Control of banking activities is necessary in order to ensure that national monetary policies and anticipated achievements are not significantly distorted. This is because there is a reasonable reliance on the banking system for the achievement of monetary policy objectives.

Colonial Banking Ordinance, 1952:

The first attempt at banking regulations in Nigeria could be traced to the Colonial Administration through the enactment of the Banking Ordnance, 1952.

The Ordinance intended to address and minimize erosion of public confidence and financial losses experienced by bank depositors in the early 20thth century. This followed the prevalence of very small, fragile and inadequately capitalized unit banking outlets which dominated the banking arena especially in Lagos area, during the free and unregulated banking period prior to 1952.

The fundamental fragility of these small banking outlets which required only a certificate of incorporation to commence banking business, created room for massive bank failures with some of them being in operation for less than one week. The banking reforms in Nigeria became more intense with attainment of political independence in 1960 as well as establishment of a central bank that formulates and manages its own independent monetary policy. In this vein, Okafor (2011) evaluated the background motivators, and achievements of banking sector reforms in Nigeria. The study observed that between 1960 and 2010 for example, banking sector reforms in Nigeria could be categorized into five (5) cluster periods as follows, 1960-1969, 1970- 1976; 1977-1985; 1986- 1999 and 2000-2010. Within each cluster period, there were several banking sector reforms as follows.

1^{st} cluster period (1960-1969)-> Four banking sector reforms.

2^{nd} cluster period (1970-1976)-> Three banking sector reforms.

3^{rd} cluster period (1977-1985)-> Five banking sector reforms.

4^{th} cluster period (1986-1999) -> Eight banking sector reforms.

5^{th} cluster period (2000-2010)-> Two phases of banking sector reforms, which consisted of eight reforms in the first phase and six reforms in the second phase.

Credit Controls in the Nigerian Banking System:

One of the key responsibilities of the central bank of any nation, is the regulation and control of the operations of the domestic financial institutions. This responsibility may over a given period of time, warrant the conduct of some financial and banking reforms to ensure that the operations of the financial institutions are in consonance, or tandem with the realities and anticipations of both the domestic and international economies. To this extent, the efficacy of the regulators in getting the players in the banking sector to fall in line with their expectations becomes crucial. One of the cardinal techniques of ensuring the above regulatory objectives is credit controls. In this perspective, Osiegbu and **Nnamdi (2008)** evaluated the efficacy of Central Bank of Nigeria's credit regulations in the nation's banking system. The study evaluated the targeted and actual credit disbursements of Nigerian banks from 1990 to 2005 and employed the analytical tools of correlation and test of difference between sample means of the targets and actual achievements. The results revealed both insignificant correlation coefficients as well as insignificant differences between the means of credits to the private sector of Nigeria’s economy, while the converse prevailed for credits disbursed to the public (government) sector. The study argued that credit target violations might have resulted from the desperate attitudes of banks to make profits from temporary overdraft facilities. These facilities yield high profits in order to meet income targets. It was however recommended that the government should desist from borrowing from the banks in order to avoid crowding out the private sector from available banking sector credit facilities. The government should as a matter of urgency, lay more emphasis on capital market long-term sources of funds in order to finance government investments and development programmes for healthier economic growth and development.

Source: Author’s personal impressions

Business Combinations in Nigeria’s Banking Sector: The 2005 Banking Consolidation Programme in Nigeria:

With deregulation of Nigeria’s economy in 1986, entry into the banking sector was liberalized in terms of specified minimum capital requirements among others. The result was a spontaneous growth in the number of licensed and operating banks which rose to 186 by year end 1996. Again, bank failures and liquidations started occurring because of the legion of under-capitalized banking organizations with poor asset quality, low earnings capacity, low liquidity, eroding shareholders’ funds and poor corporate governance, relative to internationally acceptable standards. These factors proved a significant constraint to the required levels of protection needed for depositor’s funds, as well as the risk exposures assumed by Nigerian banks in the normal course of local and international business transactions prior to 2005.

Business/Effort combinations in practice– typical synergy.
Source: Author's personal impressions

The 2005 banking sector consolidation in Nigeria among other reforms, provided a regulatory framework to address observed anomalies in the banking sector. It attempted to comprehensively improve on the health and financial conditions of Nigerian banking institutions. Prior to the 2005 banking consolidation programme, Ebong (2005) rated Nigerian financial institutions on employment of CAMEL parameters, which results are summarized in table 2 below;

Table 2: Rating of Nigerian Banking Institutions Using CAMEL Parameters, 2001-2004.

	2001		**2002**		**2003**		**2004**	
Category	**No of banks**	**% of total**	**No of banks**	**% of total**	**No of banks**	**% of total**	**No of banks**	**% of total**
Sound	10	11.1	13	14.4	11	12.6	10	11.5
Satisfactory	63	70	54	60.1	53	60.9	51	58.6
Marginal	8	8.9	13	14.4	14	16.1	16	18.4
Unsound	9	10	10	11.1	9	10.4	10	11.5
Total	90	100	90	100	87	100	87	100

Source: Ebong, E.B (2005). The banking industry and the Nigerian economy: Post-consolidation. Union Digest, 9 (3&4), 22.

Table 2 above shows that maximum of 13 banks or 14.4% of the number of banks existing between 2001 and 2004 were adjudged sound within the Nigerian banking system. That was only in the year 2002. By the year, 2004, it declined to 10 banks and percentage of 11.5. Those adjudged satisfactory declined from 63 (70%) in 2001 through 54, (60.1%), 53, (60,9%) to 51, (58.6%) in 2004. Those on marginal category, rose from 8, (8.9%) in 2001 to 16 (18.4%) in 2004, while the unsound banking institutions rose from 9, (10%) in 2001 through 10, (11.1%) in 2002 to 10, (11.5%) in 2004 as operational licenses of some banks were withdrawn within the period under consideration.

Soludo (2004:6) presented the comprehensive motivations, for Nigeria’s 2005 regulatorily- induced banking sector reforms as follows:

- Weak corporate governance, evidenced by high turnover in the board and management staff, inaccurate reporting and non- compliance with regulatory requirements, falling ethics and de-marketing of banks in the industry.

- Late or non-publication of annual accounts that obviate the impact of market discipline in ensuring banking soundness.
- Gross insider abuses resulting in huge non- performing insider related credits.
- Insolvency, evidenced by negative capital adequacy ratios, as well as shareholders' funds, that had been completely eroded by operating losses.
- Weak capital base even for those that have met the minimum capital requirements, which as at July, 2004, stood at ₦1billion or $7.53 million for existing banks and ₦2 billion or $15.06 million for new banks. However, these do not compare favourably with RM 2.0 billion of $526.4 million in Malaysia
- Over dependence on public sector deposits and neglect of small and medium class savers by the Nigerian banking industry.

The gains of the 2005 banking sector consolidation in Nigeria have been tremendous especially in terms of substantial growths in key performance indicators of the industry. In this wise, **Nnamdi**, Ogunbiyi and Ebirim (2016) evaluated the transition to a consolidated banking framework in Nigeria with emphasis on the comparative analysis of the predictive potentials pre and post consolidation. The study which covered the periods (1997-2004) and (2005-2014), found significant improvements in the post- consolidation performance indicators of shareholders' funds, total deposit liabilities, performing loans and advances, gross earnings, network expansion and contingent liabilities. At the same time, the values of non-performing risk assets declined on the average over the period of study.

Further, the results indicated that gross earnings of Nigeria's banking sector were not significantly related to the above performance indicators in the pre-consolidation period. However, the post- consolidation period results (2005-2015), substantially indicated that gross earnings had become a valuable function of these banking performance indicators. On the whole, the study concluded that the 2005 banking consolidation programme in Nigeria substantially improved the financial intermediation process in Nigeria. It recommended that further banking sector consolidation should be encouraged on market determined basis, by willing and strategy-seeking banks.

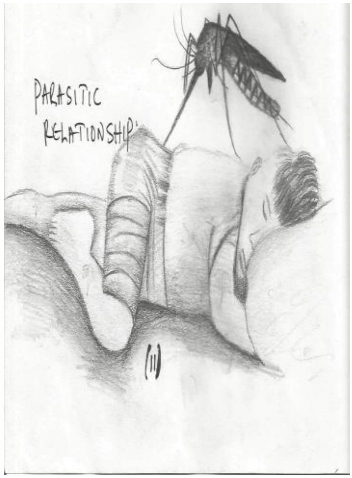
Where Does the Future of Enterprise Financing Situate in Nigeria's Banking System?

My candid opinion is that the future of enterprise finance especially for small, medium and growing businesses is located in micro finance banking. This position finds practical and empirical support as follows:

- Microfinance banks service and finance mostly the **active poor**, small and medium scale businesses with far less stringent requirements. This is unlike conventional (commercial and merchant) banks.
- Microfinance banking de-emphasizes as much as possible, the strict adherence to cash securitization. Thus, they can rely on anticipated project cash flows to

commit funds to viable projects and expect repayments from there.

- Microfinance banks can deal with lower values of credit requests from the active poor. Under normal circumstances, the conventional banks would find this as administratively costly and unattractive.



Symbiotic relationship. Parasitic relationship.

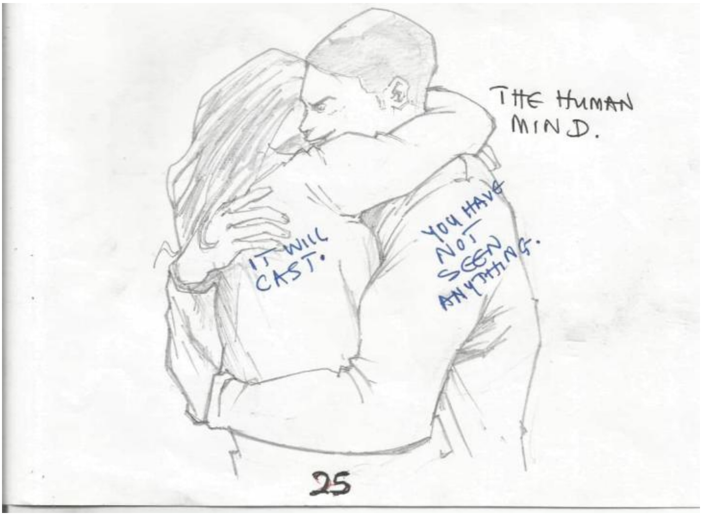
Source: Author's personal impressions

Empirically, studies including **Nnamdi** and Torbira (2016), **Nnamdi** and Eniekezimene (2018), **Nnamdi** and Nwiyordee (2014) as well as **Nnamdi** and Torbira (2015), all confirm that commercial banking operations remain largely parasitic with respect to Nigeria's economic growth. In this instance, commercial and merchant banks only service business enterprises to make income. On the other hand, the results of these studies show that microfinance banks' credits not only support business enterprises in Nigeria's economy, but have within the relatively short time that they have operated, achieved a symbiotic relationship with businesses in Nigeria. There is predominantly, significant bi-directional causality between microfinance banking operations and entrepreneurship in Nigeria. This simply implies that microfinance banking and enterprise not only lean on each other but also, do support and promote each other in Nigeria's economic growth process.

5. CREDIT ADMINISTRATION, LOAN REPAYMENT DEFAULTS, FRAUDS AND LOSSES:

Character and Misrepresentations in Credit Analysis:

Credit deterioration starts right from the application/ appraisal stage. However, acts of God (natural disasters, insecurity etc.) are mainly unforeseen, and beyond the control of even the most honest customers. Consequently, they can genuinely frustrate business operations and constrain the flow of funds required for repayment of credit exposures as and when due. However, other causes of non-regularization of credit exposures are largely intentional. The early warning signs, even set in at appraisal stage. Here, the "prospective" loan beneficiary intentionally provides false information in order to present rosy pictures of the proposed investment project as if they are the actuals against all dictates of professional business management. From this point, distortions prevail, as the banker is misled on the basis of misrepresentation of the intended business. It obfuscates the banker's perception and assessment of the credit request with significant consequences. It remains largely, the dominant cause of credit deterioration in our Nigerian circumstance.



Source: Author’s personal impressions

As a former Managing Director of Savannah Bank Plc, Lot (1981:10) asserted as follows:

> **Indigenous businesses suffer from the consequences of historical inertia which are of a technical and moral nature as reflected by their unwillingness to develop a truly professional management. The lack of trained management results in an inability to meet the demands of constantly developing sophistication in credit requirements with which they have to deal. The short comings are moral in nature in that many indigenous businesses do not appreciate the necessity to demonstrate at all times, the willingness to meet their**

obligations. Lack of candour with their bankers is but one of the many ramifications of this problem, the greatest of which is representing what is at best, an intention as though it were an accomplished fact, a situation which makes credit appraisal difficult if not impossible. The indigenous business must survive and flourish if the nation itself is to survive and flourish. It must engineer its own escape from these pitfalls. It must recognize the need for developing professional management. It must develop respect for the sanctity and integrity of complete and accurate figures and above all, it must learn to appreciate the importance of honest communication and intent, which includes the will to meet one's obligations.

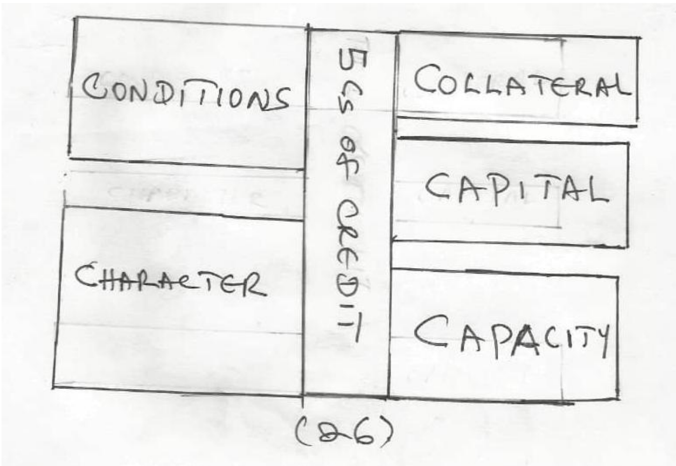
Foundations of Bank Credit Analysis:

The central objective of credit analysis is to ascertain whether an intended credit exposure would be profitable for both the borrower and lender, repayable from expected sources of cash inflow, as well as self-liquidating. In this case, the repayment would be expected to emanate from the purpose or target activity to which the fund will be committed.

In credit analysis the Credit Analyst (Banker) considers five (5) essential issues, usually referred to as the five Cs of credit. They are:

- Capital contributions to the project.

- ➢ Capacity of the customer to manage funds.
- ➢ Conditions prevailing in the economy.
- ➢ Collateral (security) for the exposure.
- ➢ Character of the borrower.



Source: Author's personal impressions

While capital contribution goes to ascertain the extent of the customer's financial commitment in the project compared with the loan being sought, capacity of the customer verifies the amount of funds that the customer has been opportuned to manage in the past. The essence is to minimize diversion of funds to conspicuous consumption or frivolities, which may indicate both lack of focus or imprudent financial management. Conditions refer to the banker's assessment of the economic, financial and general conditions in the economy. These conditions may facilitate and /or constrain the operations of the customer's line of business within a considerable time limit thereby, affecting customer's loan repayment capacity. This may prevail, even when the customer did not intend to default in repayment of the loan.

Collateral serves as a matter of last resort and may not be of a priority demand, especially where character is not in doubt. For instance, most corporate exposures like commercial papers in favour of large corporate organizations are issued on clean basis, against what is termed negative pledge. In this case, the organization only issues an undertaking not to tamper with all the assets until the facility is paid off. Among the above 5 Cs of credit, character is the most important. It is at the same time, the most unseen. Trust is the core of banking business relationship among parties. However, trust could be violated by two (2) basic conditions. These conditions include greed and dishonesty.

The consequence of loan repayment default is corresponding, weighty provisions for non- performing loans and advances. This provision is charged in accordance with Prudential Guidelines. They are 10% for non-performance for 90 days, 50% for 180 days and 100% for 360 days relative to the face or principal value of the risk asset against periodic incomes of the operating bank. It therefore, constitutes a vital aspect of the financial health of operating banks as shown in table 3 below;

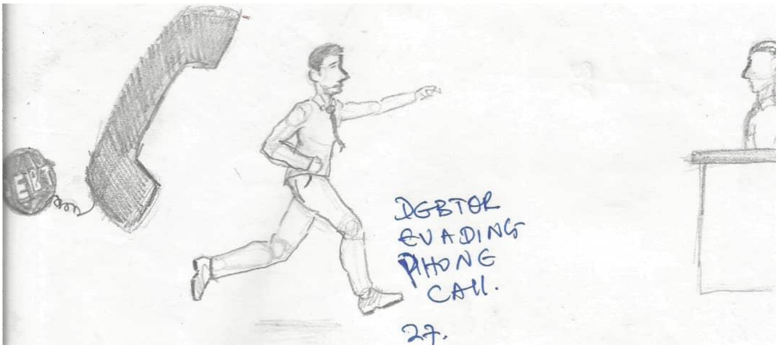
Table3: Snapshot of Operating Bank's Performance in Nigeria, 2018 to 2020.

S/NO	Indicators	2018	2019	2020	2018-2019 Growth (%)	2019-2020 Growth (%)
1	Total Assets (₦' billion)	42080	40.400	50701	-3.99	25.50
2	Total Deposits (₦' billion)	21730	24090	32110	10.86	33.29
3	Insured Deposits (₦' billion)	3320	3620	4232	9.04	16.91
4	Total loans and Advances (₦' billion)	15290	16540	20373	-14.45	16.42
5	Non- Performing loans (₦' billion)	1790	1060	1249	-40.78	17.83
6	Profit Before Tax (₦' billion)	73282	887.71	899.16	21.14	1.29
7	Adjusted Shareholders' Funds: Tier I Capital (₦' billion)	2830	2910	3196	2.83	9.83
8	Non- Performing Loans/Total loans Ratio (%)	11.7	6.06	6.13	-48.21	1.16
9	Non-Performing loans/Shareholders' Funds (%)	57.5	32.97	35.61	-42.66	8.01
10	Capital Adequacy Ratio (%)	15.26	14.54	15.05	-4.72	3.51
11	Average Liquidity Ratio (%)	51.87	45.45	44.44	-12.38	-2.22
12	Load/Deposit Ratio (%)	64.69	68.68	59.56	6.17	-13.28
13	Return on Assets Ratio (%)	2.20	2.30	1.97	4.5	-0.33
14	Return on Equity Ratio (%)	22.30	25.80	22.66	15.70	-0.34
15	Net Interest Margin (%)	1.85	1.26	1.95	-31.89	54.76

Source: Nigeria Deport Insurance Corporation (2020), Annual report and accounts, 164.

Loan Repayment Defaults and Loan Losses in Nigeria's Banking Sector: The First Bane of Nigeria's Banking Industry:

Risk asset deterioration and attendant defaults in loan repayment induce provisions for loan losses. They constitute the first bane of the banking sector. The second bane arises from frauds and attendant losses. Both loan losses and frauds, erode the capital base and shareholders' funds of banking institutions.



Loan defaulter evading phone call/meetings

Source: Author's personal impressions

Table 4 below presents useful information on the asset quality of Nigeria's banking industry from 2018 to 2020 and their growth rates.

Table 4: Asset Quality of Nigeria's Banking Industry, 2018 to 2020:

Asset quality indicators	2018	2019	2020	2018-2019 Growth (%)	2019-2020 Growth (%)
Total loans and advances (₦ b)	15290	17500	20373	14.45	16.42
Non- performing loans and advances (₦ b')	1790	1060	1247	-40.78	17.42
Ratio of non-performing loans and advances to total loans & advances (%)	11.70	6.06	6.13	-48.21	17.83
Ratio of non-performing loans and advances to shareholders funds (%)	57.5	32.97	35.61	-42.66	1.16

Source: Nigeria Deposit insurance Corporation 2020

Annual Report and statement of Accounts, P.166

Table 4 above shows that credit defaults as reflected by non-performing loans and advances, constituted 11.70% of total loans and advances disbursed by Nigerian banks, as well as 67.5% of shareholders' funds in 2018. In 2019, they declined to 6.06% and 32.97% of total loans and advances and shareholders' funds respectively.

This decline could probably have resulted from intensification of recovery efforts by banks. Also, it is associated with Central Bank of Nigeria's implementation of Bank Verification Number (BVN) programme, for most of the active accounts. This exercise provided an avenue for Central Bank of Nigeria to trace the banks where many of the credit defaulters diverted their barrowed funds to. This measure as it were, largely aided credit refunds and bank recoveries. It reflects in the declined growth rates between 2018 and 2019. Unfortunately, the ratios rose again to 1.16 and 8.0 respectively in 2019- 2020 period.

Fallacy of Customers' Claims of Excess Pricing of Credit Facilities by Nigerian Banks:

Of great relevance is the usual average Nigerian customer's complaint that bank charges are very high and therefore, constitute significant basis for non-repayment of bank facilities. On the other hand, I often enquire to ascertain why Nigerian borrowers strive to pay off black market lenders' loans at a flat rate of 10% per month. This amounts to 120% p.a. regardless of the reducing principal balances. However, Nigerian bank customers would still default in repaying bank facilities at an all-in rate not exceeding 28% p.a. on reducing balance basis. This is the basic human fraudulent nature for us. It remains a puzzle to me.

Frauds in Banking: The Second Bane of Nigeria's Banking Sector:

Theoretically, fraud is justified on three grounds which include;

(i) Opportunity.
(ii) Rationalization.
(iii) Pressure.

Fraud prevails because of the nature of the human mind. Unfortunately, human beings serve as managers, customers, contractors/suppliers, as well as part of the immediate environment of banks. In this wise, credit defaulting customers even go the extent of conniving with staff of ministry of lands in some States of the Federation, to sell properties mortgaged to banks to other parties by duplicating or triplicating the Deed of Mortgage in order to frustrate banks' loan recovery efforts.

Banking sector fraud potential parties include, but are not limited to the following;

- Bank staff
- Bank boards and management
- Customers and loan defaulters
- Armed robbers
- Internet and computer fraudsters etc.

Source: Author's personal impressions

Factors That Induce Bank Frauds:

Nwankwo (2004:162) enumerated the following factors as significant causes of bank frauds;

- Weak enforcement of the legal system and contracts.
- Poor internal control measures.
- Increasing sophistication of criminal actions.

- Increasing international spread of financial markets.
- Unstable human nature and character.
- Economic conditions.
- Deteriorating society’s value systems.
- Weak bank managements and boards.
- Employ the bearer syndrome.

Celebrating looted money. Facing the law

Source: Author’s personal impressions

The above factors are self-explanatory. They partly derive from fundamental human nature to take advantage of prevailing circumstances, especially when they are privier to the issues at stake than others. The values of reported frauds and forgeries in Nigerian banks from 2016 to 2020 for illustration purposes, are shown in table 5 below:

Table 5: Reported Frauds and Forgeries in Nigerian Banks Over the Period, 2016-2020.

Year	Total Number of Fraud Cases	Total Amount Involved (₦'m)	Total Actual Loss (N)	Proportion of Actual Loss to Amount Involved
2016	16,751	8683	2,396	27.6%
2017	26,182	12,012	2,372	19.75%
2018	37 817	38926	15151	38.92%
2019	52754	204652	5464	2.67%
2020	146,183	120788	5334	4.42%

Source: Nigeria deposit Insurance Corporation (2020). Annual report and accounts, .194

Table 5 above shows that the number of reported fraud cases in Nigerian banks rose from 16,751 in 2016, through 37,817 in 2018 and peaked at 146,183 in 2020. The total amount involved rose from ₦ 8.68 billion in 2016 to a peak of ₦204.788 billion in 2019. Further, actual losses resulting from the reported fraud cases rose from ₦2.396 billion in 2016 to a peak of ₦15.51 billion in 2018, but dropped to ₦5.334 billion in 2020. On the whole, the proportion of actual losses to amounts involved after recovery efforts amounted to 27.6% in 2016 and rose to a peak of 38.92% in 2018. It dropped to the lowest portion of 2.67% in 2019, but rose again to 4.42% in 2020.

Channels and Instruments Involved in Frauds and Forgeries in the Nigerian Banking Industry:

Of great relevance in this lecture is a knowledge of the specific channels and instruments involved in the unfortunate incidents of frauds and forgeries, as well as the actual losses and their frequencies. These are presented in table 6 below;

Table 6: Channels and Instruments Involved in Frauds and Forgeries with Actual Losses and Their Frequencies, 2018-2020:

		2018			2019	2020	
S/NO	**Nature of Fraud, Channels/Instruments**	**Frequ-ency**	**Actual Loss Sustained (N'b)**	**Frequency**	**Actual Loss Sustained (N'b)**	**Frequ-ency**	**Actual Loss Sustained (N'b)**
1	ATM /Card Related Fraud.	10,063	2.64	26,263	1.03	58, 193	1.11
2	Web- Based (Internet Banking) Fraud.	12,343	3.85	11,089	1.37	11,660	0.294
3	Fraudulent Transfers/ Withdrawal of Deposits.	6,980	1.93	6,689	0.93	-	-
4	Suppression of Customer Deposits.	3,918	0.960	3,978	0.410	-	-
5	Fraudulent Conversion of Cheques.	501	1080	407	0.08	918	0.165
6	Presentation of Stolen Cheques.	112	0.324	129	0.094	-	-
7	Presentation of Forged Cheques	183	0.642	133	0.142	-	-
8	Outright Theft by Staff (Cash Defalcation)	1,509	0.110	1904	0.110	1,339	0.611
9	Unauthorized Credits.	1282	1140	1082	0.589	-	-
10	Outright Theft by Outsiders/Customers.	461	0.835	641	0.141	-	-

11	Foreign Currencies Theft.	180	0.835	197	0.339	-	-
12	Diversion of Bank Charges, Comm & Fees.	274	0.820	241	0.220	-	-
13	Lodgment of Stolen Warrants.	7	0.018	1	0.018	-	-
14	Across the Counter.	-	-	-	-	1,293	0.261
15	Internet Banking.	-	-	-	-	18,144	0.985
16	Mobile Banking.	-	-	-	-	25,357	1237
17	Point of Sale, (POS).	-	-	-	-	14,914	0.363
18	E-Commerce.	-	-	-	-	5574	0.177
19	Non-Electronic.	-	-	-	-	8791	0.33
20	**Total**	**37817**	**15.15**	**52,754**	**5.46**	**146,183**	**5.334**

Source: Nigeria Deposit Insurance Corporation (2020). Annual report and Accounts, 196.

Table 6 Shows that from 2018 to 2020, web-based (internet banking) fraud led by occurring 12,343 times in 2018, and 11089 times in 2019. It was overtaken in 2020 by ATM/ card related frauds which occurred 58,193 times in 2020. In terms of actual losses sustained, unauthorized credit led with a peak value of N1140 billion, while fraudulent conversion of cheques, web-based (internet banking) and ATM/card related frauds followed with values of ₦1080 billion, N 3.85 billion and ₦2.64 billion respectively. However, actual losses due to fraud declined over the sampled period, from ₦15.5 billion in 2018, through N5.46 billion in 2019, to N5.334 billion in 2020 respectively, probably due to more fraud-preventive measures adopted by operating banks.

Categorization of Staff Involved in Bank Frauds in Nigeria:

As a former staff of four Nigerian banks, my candid experience is that fraud incidences appear to have escalated with increased career insecurity. With privatization of banking institutions, less emphasis seems to be placed on staff career, while greater emphasis is placed on periodic target achievements. Given this scenario, staff tend to largely perceive their career as short lived. It becomes an enhanced opportunity for those with potential fraudulent intents to let them manifest, especially among the contract staff. Table 7 below provides information on categories of bank staff involved in reported frauds and forgeries between 2016 and 2020 respectively.

Table 7: Categories of Bank Staff Involved in Reported Frauds and Forgeries in Nigeria, 2016-2020.

Status	**2016**		**2017**		**2018**		**2019**		**2020**	
Status	**Number**	**%**	**Number**	**%**	**Number**	**%**	**Number**	**(%)**	**Number**	**%**
Supervisors & Managers	31	13.42	68	21.25	119	13.24	61	7.31	3	0.63
Officers & Executive Assistants	98	42.42	83	25.94	206	22.91	102	12.2	96	20.25
Clerks & Cashers	18	7.79	7	2.19	65	7.23	144	17.25	4	0.84
Messengers, Drivers, Cleaners,	1	0.43	13	4.06	83	9.23	23	2.75	0	0

Security Guards										
Temporary Staff	59	25.54	132	41.25	394	43.83	343	41.08	357	75.32
Others	24	10.39	17	5.31	32	3.56	162	19.40	14	2.95
Total	**231**	**100**	**320**	**100**	**899**	**100**	**835**	**100**	**474**	**100**

Source: Nigeria Deposit Insurance Corporation (2020): Annual Report and Accounts, .197.

Table 7 above shows that over the period 2016 to 2020, Officers / Executive Assistants and Temporary staff were the most involved in frauds and forgeries. One thing common among these two categories of staff is that even the Officers/Executive Assistants are mostly on contract employment. This places them on the same unsecured group with the contract staff. In a related study, Nwakanma and **Nnamdi (2011 b),** evaluated the extent to which frauds and forgeries destabilize Nigeria’s banking industry. The study concluded that instability in Nigeria’s banking industry approximated by erosion of shareholders’ funds, is a significant function of the losses attributable to frauds, forgeries and loan loss provisions.

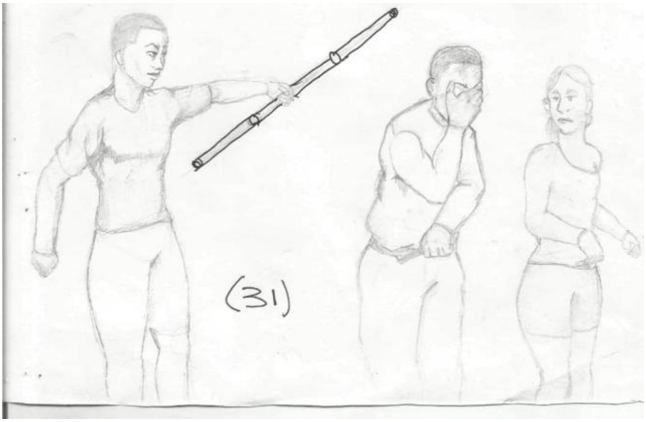
What Then, is Wrong with the Banking Sector in Nigeria?
Vice- Chancellor Sir, I am fully aware that this respected audience expects me at this juncture, to real out a legion of Journalistic problems, woes, accusations and counter-accusations that be-devil Nigeria’s banking sector. Surprisingly, my candid response is an emphatic NONE!!!

Vice- Chancellor Sir, my humble submission is that there is no problem with the banking sector in Nigeria or elsewhere, given its Modus Operandi (Its particular method of operation or workings). Rather, the problem with the banking industry is the atrocities committed by the "naturally treacherous and fraudulently minded man", whose mind is fundamentally, not as straight as his nose. Unfortunately, the same man serves as both manager and customer of banking institutions. These atrocities are in the forms of (i) frauds and (ii) credit repayment defaults. They two, constitute the two broad banes of the banking sector in Nigeria and elsewhere.

In this wise Sir, it is my sincere belief that any set of solutions that aim at improving the operations and efficacy of the banking sector must derive from the required actions necessary to curb the excesses of man in the management of banking institutions, customer relationships and also, as part of the environment in which banks operate.

Vice- chancellor Sir, I wish to remind this respected audience that man is the only creature God regretted his creation because of his treacherous nature. Treachery therefore, cost man his place in the Garden of Eden. The Holy Scriptures in Genesis 6:6 captures it as follows:

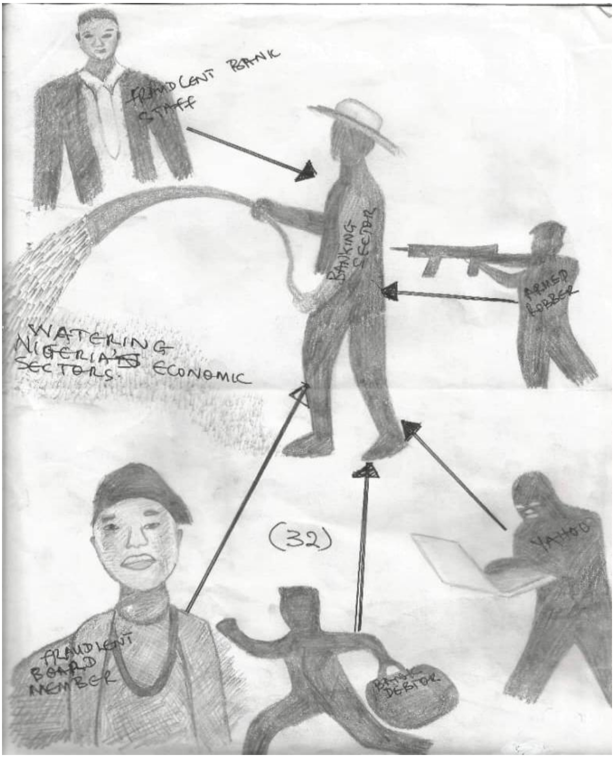
> **And the Lord regretted that He had made man on earth.**
> **And God was grieved at heart.**



An Angel of the Lord Driving Away Adam and Eve from the Garden of Eden.
Source: Author's personal impressions

Supreme Sacrifice of the Banking Sector.

Vice- Chancellor Sir, the pictorial illustration below captures the supreme sacrifice of the banking sector corresponding to that of Jesus Christ as captured in Sacred Songs and Solos (SS&S) Hymn 621- "I GAVE MY LIFE FOR THEE"



I Gave My Life for Thee (SS&S Hymn 621).
Source: Author's personal impressions

6. CONTRIBUTIONS TO PROFESSIONAL PRACTICE AND KNOWLEDGE

Vice-chancellor Sir, my contributions to knowledge center on the application of the theory of financial intermediation as a principal framework that guides the operational functions of the banking sector. Banks function as net deposit liability takers and trade on such funds to create risk assets which yield income. Given this theoretical relationship as implicated in the theory of financial intermediation, all the defensive and strengthening actions in the interest of the banking sector would expectedly revolve around strategic deposit marketing efforts to improve on deposit generation, sound evaluation, disbursement and management of quality risk assets, prevention of frauds, as well as sound credit recovery measures. All these measures combine to ensure that the banking sector remains operationally viable and robust enough to sustain the nation's enterprises and economic expansion.

My research focus on banking sector operations partly derived from my seventeen years experience in the banking industry (Executive trainee to Senior Manager). It was reinforced by my acceptance of appointment as Lecturer II in this unique university in November, 2005, thereby offering me the opportunity to blend industry experiences involving credits, marketing and operations with more theory.

Vice-Chancellor Sir, in my days as a young and vibrant middle level manager in Universal Trust Bank Plc, I was best known for revitalization of ailing bank branches. Firstly, in January 1994, I was promoted to Assistant Manager grade and assigned the responsibility of reactivating the ailing New Motor Spare Parts Branch, Nkpor, Onitsha. My predecessors had unfortunately engaged in large scale unauthorized/unsecured lending through cheque suppressions, kiting and cross-firing. To return the branch to the path of progress, I employed with reasonable tact, the following measures:

i. Debt recovery drives with approved concessions and interest waivers to ensure that at least, the principal amounts were recovered.

ii. Reactivation of dormant/lost relationships.

iii. Deepening of relationships with existing customers.
iv. Aggressive marketing for new customers/relationships.

The results emanating from the above strategic actions were quick return to profitability and deposit growth as shown in our in-house digest titled “A network in success trip-the Nkpor story”.

- **A revitalizer of bank branches.**

UTB Universal Trust Bank — BEAT THE ODDS

A NETWORK IN SUCCESS TRIP

... The Nkpor Story

Last edition we brought to you, the special formula that has earned our Victoria Island Branch the dream branch for most high networth customers.

Now what do you know about the Nkpor Branch? Theirs is another motivating story. We call it another success story.

You would definitely wish to know that deposits are rolling in from that special branch. What is the magic? Why have their customers remained faithful? Why are all staff at Nkpor happy with themselves? They say reason is because customers are happy. We don't agree less.

Please read the Nkpor story

Branch Manager, **Mr. I. S. Nnamdi**, said his branch some few years ago embarked on extensive marketing for more deposits as well as actions that ensured overall improvement in service delivery.

He said, the Nkpor branch has been witnessing upward trend in profit, deposits, service delivery and re-activation of accounts. The situation, according to him, has also been helped by his management's strict adherence to budgetary target. He gave the credit of his branch's performance to members of staff whom he said are motivated, and highly dedicated to their duties as a team.

Nkpor branch, according to him, has been meeting all its quarterly profit targets, and is very likely to exceed target at the end of the year 1995.

On deposit base, the manager expressed the hope of meeting his set target. He anchored his hope on the branch staff.

The branch's operations officer **Mr. Chris Adigwe** expressed views similar to those of his boss.

According to him the management of the branch has created a conducive working environment to enhance staff commitment to duties. He expressed confidence that the high sense of dedication the branch staff have shown overtime, can work effectively in other branches and departments of the bank. As expected of operations officers in the UTB network, Mr. Adigwe mans a busy desk at Nkpor, with most transactions constantly seeking his attention. He said the major challenge he faces is making a consistent effort to increase profitability as well as getting staff to embrace the new orientation and vision of the bank.

Messrs G. O. Mmuogbo and P. A. Nwachukwu, Credit and Customer Relations Officers respectively, said they are often excited when customers show their satisfaction with the services provided by the branch. All officers of the branch who spoke with UTB Digest said they feel fulfilled by satisfactorily rendering first-class services to customers. Simply put, they are happy because their customers are happy.

Mr. I. S. Nnamdi

Members of Staff Nkpor Branch

Paying Cashier with a customer

4

Source: Author’s Personal Archives

In 1998, I was transferred to Onitsha main branch as the Branch Manager with additional responsibility of coordinating Nnewi, Bridge Head and Nkpor branches. The results were the same, as I recovered most of the unauthorized credits, tripled the deposit base and developed substantial foreign exchange customer base in the branch thereby, returning to the part of profitability.

Vice-Chancellor Sir, I was rewarded with double promotion to full Manager grade for this repeat performance. In the year 2002, I was also transferred to reactivate Aba Main Branch. The same results were achieved.

Vice-Chancellor Sir, I have presented the rosy side of my bank branch management experiences. I equally, experienced the ugly side of the equation as follows:

i. One of our indebted customers went to the extent of publishing his obituary in an obscure Lagos week-end newspaper in order to evade repayment. He obtained some unauthorized credits through cheque suppression, cross firing and kiting which were aided by a previous manager. The bank was using Alagbon Close police to chase him for recovery of the illegal facility. The customer published his obituary which was communicated to us by one of his brothers. As a follow up, we requested the Investigating Police Officer (IPO) to visit the debtor's village for confirmation. His report was that he was even shown the man's grave.

I believed however, that something passed under. That was how the bank was forced to write off over ₦5, 000,000 (Five million Naira) in 1998, since the credit was unsecured ab initio. However, four years later, I was reliably informed by one of his friends that he relocated to kano and was doing well there. The friend was oblivious of the strained relationship between the bank and the “Supposedly” deceased customer. To prevent subsequent unauthorized lending bank-wide, our bank developed a software that prevented any staff to overdraw an account except where such facility has been approved, keyed into the system and authorized by the appropriate Head Office Risk Management and Control Department staff.

ii. In another development, a customer of our bank who happened to be an ex-bank manager, used one of his buildings to secure a credit faculty from our bank. Our bank effected a legal mortgage on the property after securing the Governor’s consent. However, the customer turned around and connived with officers in the Lands Registry to create three additional files for the same property. The customer used one of the files to obtain a credit facility duly mortgaged also, from another bank. Further, the customer used the remaining two files to sell the same property to two different individuals. When the facility started deteriorating, our bank foreclosed and realized the mortgage. The other bank experienced the same deteriorating credit situation and foreclosed, but could not realize the property because we had already sold. The bank sued us for selling their “supposedly rightfully” mortgaged property. But the court ruled in our favour because our bank was the first to stamp its interest on the property. The other two individuals sued us, but lost on the same ground. Vice-Chancellor Sir, you can see the multiplier effects of bank frauds.

iii. In another incident, in the 1990s, our bank had a product, which allowed us to issue cash/ open drafts to non-customers on lodgment of cash. Consequently, one of my branch tellers pretended that he received cash from a non-customer and raised interbranch vouchers for the purported cash receipt. The negligent Operations Manager, coded the two drafts, but failed to ascertain the received cash before authorizing the two drafts drawn on Nnewi and Aba branches. The two beneficiaries cashed the instruments later in the day at the paying branches. Our teller failed to report for duty the next day. By that time, the Cash Officer and Operations Manager had traced the cash shortage to him. Our staff got his own share of the N1,500,000 loot and headed to Lome from where, he secured a Togolese passport and travelled to Germany.

We employed the services of Interpole to deport him from Germany to Togo and subsequently, Nigeria. He was detained at Awka, capital of Anambra State, since the offence was committed in Onitsha. The court granted him bail when the trial commenced on condition of providing a surety for N3,000,000 with landed property either in Awka or Onitsha. When he jumped bail, we discovered that the Certificate of Occupancy of the purported property was fake. Further, the Investigating Police Officer also announced in court, the demise of the Chief who provided the contentious surety and also hailed from somewhere in Abia State. Our bank lost out. However, to minimize the loss, our bank had to lay claim on the Fidelity Insurance policy relating to the staff, thus re-enforcing the necessity for Fidelity Insurance policy to be taken on every staff of the bank as a precautionary measure. This measure helped our bank to write off only the difference between the proceeds of the Fidelity Insurance policy and the cash drafts' value. Equally, issuance of cash draft to non-customers as a product, was banned bank-wide in our system.

Vice-Chancellor Sir, since my return to academics in November, 2005, I have combined my teaching/research responsibilities with financial consulting. That endeavor has yielded reasonable number of results some of which are listed below:

i. Given the literature on banking business collapse, frauds and credit defaults have been implicated in many countries. Exploring the need for empirical validation of this line of thinking as well as the need to fundamentally prioritize these destabilizing factors in the case of Nigeria, we executed a principal component evaluation of the key, endemic and destabilizing factors which induce instability in Nigeria's banking sector (High priest). The study prioritized loan loss provisions, frauds and operational losses (in this order) as the key factors that erode shareholders' funds in Nigeria's banking sector. It called for urgent regulatory actions both on on-site and off-site basis, to ensure that these deteriorating trends are timely observed and arrested, in order to save Nigeria's banking sector (High priest) from any surprisingly catastrophic collapse. The results emanating from this study might have contributed to the current weighting or scaling of these factors in banks' operational risk analysis and management by many of the risk rating agencies operating in Nigeria currently (Nwakanma and **Nnamdi**, 2011).

ii. Received Western theories emphasize that interest payment is an essential driver of deposit mobilization. Also, deposits serve as life wire of the banking sector (High priest).

This ensures provision of credits in funding ever-expanding enterprises in any economy including Nigeria. I demonstrated extensively, the fallacy of the received Western interest rate theory given that deposit mobilization as well as demand for credits by Nigerian customers are all interest inelastic. Consequently, I provided a strong basis for re-direction of banks' deposit marketing efforts in Nigeria. It proved that employment of marketing promos through distribution of corporate gifts on opening of bank accounts, as well as final raffle draws, have more immediate and long term significant effects on banks' liquidity and deposit base over interest rate management, thereby, guaranteeing long-term survival of banking sector operations in Nigeria.

The results agree extensively with our experiences in Universal Trust Bank Plc from 1992 to 1993, when we used our SAVINGS BONANZA CAMPAIGN to win the position of most liquid bank in Nigeria, courtesy of Chiefs Jegede and Zebrudaya. At that period, their promotion slogan was:

"UTB IS THE BANK JOOOR!, O SUPER"

I am pretty sure that many of us here who had attained the age of opening accounts in banks then, must have received some of those gift items dished out as promo gifts and raffle draws (**Nnamdi**, 2008).

iii. In the bid to contribute to improvement of liquidity management in Nigerian banks as basis for enhancing provision of credits for enterprises in the Nigerian economy, I explored conditions that would guarantee the sustainable provision of credits needed by Nigerian enterprises by the banking sector (High priest). The study showed that a strategic shift of marketing emphasis to more stable savings and time deposits in place of previous emphasis on least-cost current accounts is a more efficient way of funding the ever-growing credits needs of Nigeria's enterprises. Only a strict adherence to this deposit marketing strategy would guarantee the continued delivery of ever-increasing credits (Loans/advances) requests made on the high priest (Banking sector) by Nigerian customers. This line of thought has become currently popular in marketing of financial services courses in Nigeria.

It has also been extensively adopted and implemented in Entity Micro Finance Bank Ltd where I currently serve as the Chairman, Board of Directors. The results are increased liquidity, credits as well as profitability (**Nnamdi**, 2007).

Source: Author’s Personal Archives

iv. In another development, Nigerian government (public sector) was accused of crowding out the private sector with respect to disbursed bank credit resources in spite of the regulatory mandate of the Central Bank of Nigeria to ensure that even the government operates within the approved/budgeted credit guidelines. Following this observation, we demonstrated empirically, the inefficiencies of Central Bank of Nigeria in terms of its inability to ensure that government credit dealings remain within its budgeted borrowing limits. This regulatory infraction the study argued, has been significantly responsible for irresponsible competition for bank credits between the private sector and public sector in Nigeria. It led to overcrowding of the private sector by the government/public sector in Nigeria and constitutes a serious threat to the survival of private enterprises and the high priest (Banking sector) in Nigeria. Surprisingly, the Nigerian government has consequently in recent periods, been observed to be raising required funds from long-term capital market sources as well as treasury bills from the money market. These recent measures are saving the private as well as banking sector (High Priest) from collapse (Osiegbu, and **Nnamdi**, 2008).

v. As an aftermath of the regulatorily-induced 2004/2005 banking sector consolidation in Nigeria, we evaluated the validity of the assertions of Nigeria’s banking sector regulators that the 2004/2005 banking sector consolidation was an appropriate measure to save Nigeria's banking sector (the high priest) from collapse, as well as fortify its operations for long-term survival. We found that post-consolidation, Nigeria's banking sector significantly improved in all performance indices and achieved greater capacity to absorb shocks. It also, attained improved capacity to fund business enterprises in Nigeria. We therefore, recommended that the regulators should henceforth, encourage viable private-sector led banking consolidation efforts, in order to make the high priest more robust. Following this, we are glad that market-led banking institutions consolidations have continued to occur. These include mergers like Access bank/Intercontinental bank, Access bank/Diamond bank, Eco bank/Oceanic bank and First city monument bank/Fin bank. (**Nnamdi**, Ogunbiyi & Ebirim, 2016).

vi. A lot of Economics and Finance literature contend that a deregulated economic framework functions better and guarantees improved banking sector and national economic performance. Consequently, we evaluated whether Nigeria's banking sector (High Priest) enjoyed a more robust operating capacity in terms of its ability to significantly cope with the credit needs of the economy under the regulated (Pre-1986) regime, compared with the de-regulated (Post-1986) framework. The results showed that the market-led period (deregulated and post-1986) provided a more robust framework for Nigeria's banking sector to meet the credit needs of both enterprises and government. The study therefore advocated for extension of market-led principles to all sectors of Nigeria's economy to enable the banking sector (High Priest) survive and contribute more to Nigeria’s economic growth (**Nnamdi**, Akinpelumi, & Eniekezimene, 2018).

7. Conclusion, Recommendations, Directions for Future Discourse, Closing Remarks.

Conclusion:

Vice Chancellor Sir, I have in this lecture tried as much as possible to demonstrate that the banking sector (High priest and sacrificial lamb) is a principal propellant and catalyst for Nigeria's economic progress. Generally, an efficient and strong banking system is a desideratum for the survival of any economy, as well as her relationships with other countries in the current global environment.

Along this line, it is concluded that;

Nigeria's banking sector has significantly functioned as a high priest for the overall benefit of Nigeria's economy by mobilizing deposits and consistently, allocated minimum of 80% as loans and advances to needy economic enterprises and projects for the benefit of the economy at any point in time.

In spite of all the benefits derived from the services of the banking sector by all economic parties, the treacherous tendencies of man evidenced by loan repayment defaults and frauds, constitute the key banes of banking sector thereby rendering it as a ceaseless sacrificial lamb.

Nigeria's banking sector is neck-deep into the practice of paper emoluments and salaries. These are unfortunately, subject to unachievable targets, as well as post-dated promotions. All these dampen staff morale and constitute significant propellants of fraud thereby threatening the growth potentials of the high priest and sacrificial lamb.

VC Sir, deposit and credit product development as well as timely on-line real time audit training techniques in the operations of Nigeria's banking sector constitute significant part of my current research interests. They are aimed at strengthening the operations and protection of our celebrated high priest and sacrificial lamb – Nigeria's banking sector.

Recommendations:

Constructive recommendations on **sustenance of** the banking sector must start with attempts to curtail the unwarranted actions of several parties operating within the banking environment as follows:

i. Existing laws need to be strengthened to **strictly enforce credit contracts** in order to minimize willful loan repayment defaults, as well as diversion of borrowed funds from one bank to the other.

ii. The provisions of Dud Cheques Act need to be strictly enforced. This is to curtail the reckless manner in which Nigerians issue Dud Cheques regardless of the legal consequences.

iii. Subscription to very efficient credit bureau/platforms should be made mandatory for all Nigerian banks. This is necessary in order to trace and link credit defaulters not only to their bank verification numbers (BVN) as prevails presently, but also, to their surrogates and cronies in order to improve on credit appraisals and recovery processes.

iv. The government and the regulators (Central Bank of Nigeria and Nigeria Deposit Insurance Corporation) as a matter of urgency, should stop banks from recruiting staff on contract and casual basis. Employments in such a sensitive industry must be on career basis with prospects of appropriate retirement benefits. This will raise staff morale, even when the salary is not that high, but there appears to be a career prospect.

v. Banks must desist from issuing unrealistic targets to staff. Targets must be agreed, mutual, realistic and achievable in order to maximize staff confidence and career growth. It will also, assist to minimize the tendency for some staff to take advantage of opportunities to commit fraud, thus compounding the problems of Nigeria's high priest and sacrificial lamb.

vi. Robbery cases against banks should be viewed as crimes against the State and legislated as such. Minimum punishment should be life imprisonment where no death is involved and death by hanging where there is loss of life.

Directions for Future Discourse:

The Nigerian banking industry has continued to be competitive. This competition is fortunately or unfortunately viewed as the only motivation for improved customer services as well as contribution of the banking industry to Nigeria's economic growth. Given this background, suggested future discourse should be focused on the following;

i. Intensified research in product development, especially hybrid deposit and credit products. This will constitute the desideratum for enhanced deposit mobilization and sustained financial intermediation by the banking sector in Nigeria's growing and competitive environment.

ii. Greater research in the areas of internal control and compliance techniques within an internet related environment with capacity to provide online, real time audit trails of banking transactions before closure of work. This is to facilitate timely detection and track faster, fraudulent actions initiated by staff, in order to minimize the pains suffered by Nigeria's high priest and sacrificial lamb.

Closing Remarks:

Vice- Chancellor Sir, I have tried as much as possible to present my perception of the contribution, sacrifices and pains undergone by Nigerian banking sector in the course of Nigeria's development as a nation. I have done so, in accordance with the assertions of Eric Roll, one of the greatest authorities in History of Economic Thought. Roll (1950) observed that the history of ideas is by nature, quite selective and imperative. By virtue of what an author puts down in his writings and by his manner of excluding that which he intends to avoid, the author definitely creates rooms for his own interests, prejudices and predilections.

In doing so Sir, like other academics, I have succeeded in raising more questions than answers. It is my candid appeal to this respected audience to;

i. Do all within their reach to protect and salvage the banking sector from fraudsters and loan repayment defaulters by appreciating that the stolen or diverted funds all belong to depositors as it tends to worsen public trust on the high priest and sacrificial lamb.

ii. Participate as much as possible, in encouraging and educating members of the public to desist from glorifying those who procure illegitimate funds by looting banking institutions through frauds and loan defaults, thereby, compounding the sacrifices made by the high priest and sacrificial lamb.

iii. However, in doing what I have presented above, I believe that like every other scholar, I have only succeeded in raising more questions than answers. My candid hope is that future scholars will continue to add to the solutions.

REFERENCES

Agene, C.A. (2011). Microfinance banking: Principles and practice. *Ibadan: Daily Graphics* 1-2 .

Bhole, L.M.(2006). Financial institutions and markets. *New Delhi: Tata McGraw- Hill Publishing Company*, 8.32-8.33

Central Bank of Nigeria: *Statistical bulletin.* (Various Issues).

Church of Nigeria (Anglican Communion) (2018). The Church of Nigeria hymnal: Hymns, canticles and spiritual songs. *Abuja: Episcopal House.*

Ebong, E. B. (2005). The banking industry and the Nigerian economy: Post- consolidation. *Union Digest*. **9 (3&4), 32.**

Goldsmith, R.W. (1969). Financial structure and economic development. *New Haven: Yale University press.*

Grellet, S. (undated) 12 Collections and good quotes. HC MC-967. Haverford College Quaker & Special Collections of Stephen Greellet Papers.

Gunderson, G. (1976). A new economic history of America. *New York: McGraw- Hill Book Coy*.

Jongchul, K. (2011). How modern banks originated: The London goldsmith banker's institutionalization of trust. i53(6), 939-959.

Kemp, T. (1978). Historical patterns of industrialization. *New York: Longman,* 8.

Lot, J.Y. (1981). Credit liberalization: The role of commercial banks. *Nigeria Institutes of Bankers Annual Seminar Series 1980 (Domestic and International Banking*

Services). London Nigeria institute of Bankers/McMillan: Publishers 104- 155.

McKinnon, R.I. (1973). Money and capital in economic development. *Washington D.C: The Brooking Institute.* 69-83.

Nigeria Deposit Insurance Corporation: *Annual report and accounts* (Various Issues).

Nnamdi, I .S. (2015 a). Financial market funds and economic growth nexus in Nigeria: A co-integration perspective with lessons. *European Journal of Business and Management*. 7 (2), 191-202 .

Nnamdi, I .S. and Akinkpelumi, F. O. (2016). How far do sectorial entrepreneurship contributions to Nigeria's economic growth influence disbursement of microcredits: An Evaluation. *Hezekiah University Journal of Management and Social Sciences. 4 (1), 13-26.*

Nnamdi, I .S. and Nwiyordee, A. N. (2014). Private sector microcredit programmes, financial inclusion and sectorial entrepreneurship: Evidence and insights from Nigeria. *European Journal of Business and Management.* 6(35), 204-214.

Nnamdi, I.S. Eniekezimene, D .E. (2018). Microcredit operations and human development nexus in Nigeria: A multi-sectorial analysis. ***Journal of Poverty, Investment and Development. 42, 51-61.***

Nnamdi, I. S. (2008). Savings Interest sensitivity in Nigeria: Implications for Policy and Marketing of Financial Services. *Nigerian Journal of Financial research 5* (1),31-40

Nnamdi, I. S. and Penu, S.L. (2018). How far do banks' intermediation functions influence economic growth in Nigeria? *Research Journal of Finance and Accounting.* *9 (4), 155-165.*

Nnamdi, I. S. and Torbira, L .L. (2015). Microcredits in Nigeria's economic growth process: A multi-sectorial analysis. Nigeria Journal of Financial Research. 10 (1), 1-13.

Nnamdi, I.S, Ogunbiyi, S.S & Ebirim, M. (2016). Transition to a consolidated banking framework in Nigeria: A comparative analysis of predictive potentials. *Nigeria Journal of Financial Research. 11 (1), 26 -38.*

Nnamdi, I.S. (2007). Deposit structure, Lending rates and risk asset creation in the Nigerian Banking system. *Nigerian Journal of Economic and Financial research 1 (2), 50-60*

Nnamdi, I.S. (2015 b) Stock market performance, bank credits and economic growth in Nigeria: A Granger causality perspective. *Research Journal of Finance and Accounting*. 6 (22) 171- 181.

Nnamdi, I.S. (2015c). Private VS public sector bank credits and economic growth nexus in Nigeria: Where does efficacy rest? *Research Journal of Finance and Accounting*. 6 (3), 226-237.

Nnamdi, I.S. (2015d). Bank deposits and demand for credits in Nigeria: What lessons are available? *Journal of Accounting and Finance Management.*1(8), 11-22.

Nnamdi, I.S. and Nwakanma, P.C. (2013). Marketing of financial services in Nigeria: Theory and developments. *Owerri: Starmark Communication Consult.* 18-30 ;39-42; 82-103; 121-125.

Nnamdi, I.S. and Penu S. L. (2017). Money market investments in Nigeria dynamic economy: lessons and implications. *FUO Quarterly Journal of Contemporary Research*. 5 (1), 121-134.

Nnamdi, I.S. and Torbira, L.L. (2016). Leveraging Nigeria's economic growth: Conventional or microcredits? *African Social and Educational Journal. 5 (1), 284-299.*

Nnamdi, I.S., Akinpelumi, F. O. and Eniekezimene, D.E. (2018). Bank credits and Nigeria's economy under alternative sectorial allocation policy regimes. *Reiko International Journal of Business Management and Economy*. 5 (1), 16-34.

Nnamdi, I.S., Mahmud, E.U. and Akinkpelumi F.O. (2017). Financial market funds in Nigeria's economic Progress: Evidence and insights from the manufacturing sectors. *Journal of Economic and Sustainable Developmen*t. 8 (15), 1-1.

Nwakanma , P. C. and **Nnamdi, I.S. (2012)**. Corporate sectorial investments and economic mrowth in Nigeria: Evidence from the capital market. Journal of Business Administration Research. 1 (2), 99-109.

Nwakanma, P. C., **Nnamdi, I. S.** and Omojefe, G .O. (2014), From rural to microfinance banking: Contributions of micro credits to Nigeria's economic growth -An ARDL approach. International Journal of Financial Research 5. (3), 73-85.

Nwakanma, P.C. and **Nnamdi, I.S. (2011 b)** Frauds and destabilization of financial services industry: The case of the Nigeria banking sector. *Trend Journal of Management and Social Sciences. 4 (4), 17-27.*

Nwakanma, P.C.**, Nnamdi, I. S**. and Omojefe, G. O. (2014 a). Bank credits to the private sector: Potency and relevance in Nigeria's economic growth process. *Accounting and Finance Research. 3* (2), 23-35.

Nwankwo, G.O. (2004). Bank management: principles and practice. *Oxford: Malthouse Press. 163- 188.*

Okafor, F. O. (2011). 50 years of banking sector reforms in Nigeria (1960- 2010) past lessons: Future imperatives**.** *Enugu: Ezu Books, Xviii-xxiii***.**

Osiegbu, P.I. and **Nnamdi, I.S. (2008).** Efficacy of central bank's credit regulations in the banking system of a developing economy: Evidence from Nigeria. *Nigerian Journal of Financial research. 6 (1), 66-86.*

Patrick, H.T. (1966). Demand following or Supply- leading finance, in Meier, G.M. (ed), Leading Issues in Economic Development. *New York: Oxford University Press*, 296-299.

Roll, E. (1950). A history of economic thought. *London: Faber and Faber.*

Sacred Songs and Solos, (Complied under the direction of Sankey, I.D): Twelve Hundred Hym*ns: London: Marshall Pickerin*g.

Schumpeter, J.A. (1934). The theory of economic development. Cambridge*:Harvard University Press.*

Shaw, S.E. (1976). Financial repression and liberalization, in Meier G.M. (ed), Leading Issues in Economic

Development. *New York: Oxford University Press*, 305-310.

Soludo, C.C. (2004). Consolidating the Nigerian banking industry to meet the development challenges of the 21st century. Being an address delivered at the special meeting of the bankers' committee. Abuja, (July).

The Amplified Bible (2015). *Michigan: Zondervan Publishing House*.

Weston, J. F. & Brigham, E. F. (1984). Managerial Finance. Illinois: The Dryden Press, 2-3, 9-11.

Zachriah, L. Nwinee B.F. and **Nnamdi, I.S. (2021 a)** Sectorial microcredit allocations and economic growth in Nigeria: A Granger causality approach. *IMSU Business and Finance Journal. 12 (1), 1-17.*

Zachriah, L., Nwinee, B.F. and **Nnamdi, I.S (2021 b).** Sectorial microcredit- allocations and economic growth in Nigeria: An error correction approach. *IMSU Business and finance Journal 12 (1), 49-69.*

Appendix 1:

Gross domestic product, Number of bank branches, Value of deposits mobilized, Number of persons employed, Value of risk assets disbursed, Contribution to gross domestic product, percentage contribution to gross domestic product, Bank deposits as percentage of gross domestic product, Bank credits as a percentage of deposits generated and Bank credits as percentage of gross domestic product in Nigeria, 1981-2022.

Year	Gross domestic product (Nominal) (₦ B)	Number of bank branches	No of persons employed	Value of deposits mobilized (₦ B)	Values of risk assets disbursed (N'B)	Contribution of banking sector services to gross domestic product (₦ B)	Ratio of banking sectors contribution to gross domestic product. %	Bank deposits as percentage of gross domestic product. %	Bank credits as percentage of deposits generated. %	Bank credits as percentage of gross domestic product. %
1981	102.69	869	31521	10.97	8.58	28.2	27.46	10.68	78.21	8.35
1982	110.03	991	31840	12.9	10.28	37.2	33.73	11.69	79.69	9.34
1983	119.12	1108	32489	13.94	11.094	33.60	28.21	11.7	79.58	9.31
1984	125.07	1249	32984	15.73	11.50	26.7	21.34	12.57	73.11	9.19
1985	144.72	1297	33657	17.59	12.11	25.5	17.62	12.15	68.84	8.37
1986	143.63	1367	34,344	18.38	15.73	30.3	21.1	12.8	85.58	11.68
1987	203.04	1483	35045	23.1	17.60	32.9	16.20	11.37	76.19	8.67
1988	275.20	1665	36129	29.65	19.58	39.8	14.46	10.77	66.03	7.11
1989	403.76	1855	36866	27.16	22.00	53.96	13.36	6.73	81.00	5.45
1990	497	1939	38,007	38.78	26.00	78.5	15.8	7.8	67.04	5.23
1991	574.28	2023	37,736	53.21	31.34	81.6	14.21	9.26	58.89	5.45
1992	909.75	2275	38,304	75.5	42.73	84.8	9.3	8.3	56.60	4.70
1993	1132.20	2358	39,105	110.4	65.66	88	7.7	9.75	59.47	5.80
1994	1457.13	2403	38,337	140.8	94.20	90.5	6.2	9.66	66.90	6.46
1995	2991.94	2368	38,975	171.57	144.60	94.2	3.1	5.73	84.28	4.83
1996	4135.81	2407	40,031	208.70	169.44	97.8	2.36	5.04	71.18	4.09
1997	4300.21	2407	39,572	270	215.60	1011.1	23.51	6.3	79.85	5.01

1998	4101.03	2185	40031	3 14	272.9	1068	26.04	7.65	86.91	6.65
1999	4799.97	2185	39572	476	322.76	1106	23.04	9.91	67.81	6.72
2000	6850.23	2193	40462	702	508.3	1152	16.82	10.25	72.41	7.42
2001	7055.30	2193	39639	947	796.2	1203	17.06	13.42	84.1	11.28
2002	7984.40	3010	40,264	1157	954.6	1557	19.50	14.50	82.5	11.95
2003	10,136.4	3247	42653	1337	1210.03	1397	13.78	13.20	90.50	11.93
2004	11673.60	3492	43364	1661	1519.3	1443	12.36	14.20	91.46	13.01
2005	14735.32	3201	44716	2036	1976.71	1491	10.12	13.82	97.08	13.41
2006	18709.80	3233	45633	3245	2524.3	1573	8.41	17.34	77.80	13.49
2007	20940.91	4200	46259	5001	4813.5	1660	7.92	23.88	96.25	22.98
2008	24665.24	4952	47539	7960	7799.4	1749	7.10	32.27	97.98	31.62
2009	25225.14	5436	47568	9150	8912.14	1828	7.24	36.27	97.40	35.33
2010	29498.16	5809	48071	9784	7706.4	1908	6.45	33.17	78.76	26.12
2011	30872.70	5454	48917	11452	7312.73	1395	4.51	37.09	63.85	23.68
2012	54204	5606	49922	13132	8150.03	1688	3.11	24.23	62.06	15.03
2013	63258	5618	50509	13767	10005.00	1834	2.89	21.7	72.67	15.82
2014	67153	5639	51237	17158	14216	1983	2.9	25.50	82.85	21.1
2015	69024	5675	51507	18253	15751	2124	3.10	26.44	86.29	22.82
2016	67932	5703	51629	20661	17131.4	2027	2.98	30.41	82.91	25.21
2017	68491	5720	51830	22489	18675.5	2053	2.99	32.8	83.04	27.27
2018	69810	5743	52066	21730	15290	2094	2.99	31.12	70.36	21.90
2019	71388	5772	52278	24090	16540	2156.8	3.02	33.74	68.66	23.17
2020	75166	5795	52332	32110	20373	2243.1	2.98	42.72	63.44	27.10
2021	76125	5816	52490	34116	23251	2315.8	3.04	44.81	68.15	30.54

Sources(s) (1) Central Bank of Nigeria: Statistical l Bulletin (various issues).

(2) Nigeria Deposit Insurance Corporation: Annual Report and Accounts (various issues).

(3) Cols 7 to 10, computed from cols. 1 to 6

CITATION ON

PROFESSOR IKECHUKWU SAMUEL NNAMDI

B.Sc, MBA (UPH); Ph.D (ABSU), FCILRM, FCIFIA, MAMN (Nig.), KSC.

(Professor of Finance and Banking)

Professor Ikechukwu Samuel Nnamdi was born into the family of George and Caroline Nnamdi as the seventh and last child in Nando, Anambra State. His journey to the College of the Immaculate Conception (CIC) Enugu, commenced in January, 1973.

He passed his West African School Certificate Examinations in 1977 in the First division. Prof I. S. Nnamdi was admitted into the University of Port Harcourt in 1978 and passed out in 1983 with Second Class Honours (Upper Division) in Economics. He served his NYSC posting at Ramat Polytechnic Maiduguri, Borno State. He was admitted for M.Sc programme in Agricultural Economics at University of Nigeria, Nsukka and Ahmadu Bello University Zaria, while University of Port Harcourt offered him MBA in Finance.

Because of the influence of his late cousin, Mr. Chuma Ivenso, who was then serving as Assistant General Manager in African Continental Bank Ltd, Prof I.S. Nnamdi opted for the MBA (Finance) Programme and returned to the University of Port Harcourt in October, 1984. With good academic records, Prof I.S. Nnamdi won the 1984/1985 University for Port Harcourt full scholarship for graduate studies. He defended his MBA thesis in November, 1986. Armed with a sound MBA (Finance) degree, he secured a lecturing position as lecturer II at the Institute of Management and Technology (IMT), Enugu, in early 1987 and left for the banking industry after a semester of teaching. He worked for four Nigerian banks and rose from the position of Management Trainee in 1988 to Senior Manager in 2003, having managed several bank branches, as well as a regional office.

Professor I.S. Nnamdi got married to Lady Nneka Juliet Nnamdi in 1991. The union has produced two sons (a medical doctor and a Ph.D holder in engineering), as well as a lovely set of identical twin daughters (a pharmacist and a 6th year medical student). After 17 years in the banking industry, Prof. I.S. Nnamdi returned to the class room as Lecturer II in the University of Port Harcourt in November, 2005. Subsequently, he was admitted in 2006 for M.Sc/Ph.D. Programme in Finance at Abia State University, Uturu. He completed the programme in record time, and defended his Ph.D. thesis in November, 2011. In the University of Port Harcourt, Prof I. S. Nnamdi rose from Lecturer 11 in November, 2005 to Professor with effect from 1st October, 2019.

Further, he has served the University of Port Harcourt in various capacities including; Departmental Examinations Officer for B.Sc Porgramme, Departmental Graduate Studies Co-Ordinator, Co-Ordinator, ACIB/B.Sc. Linkage Programme, Acting Head of Dept (Finance and Banking), Two- time Associate Dean (Faculty of Management Sciences), Departmental Co-Ordinator for NUC Accreditation (B.Sc to Ph.D), Faculty Co-Ordinator for NUC

Accreditation (PGD-PhD) and Acting Dean (Faculty of Management Sciences, April 2020 to October, 2020). Professor I. S. Nnamdi serves as External Examiner for B.Sc., M.Sc and Ph.D programmes in other Nigerian Universities. He serves as External Assessor for Professorial appointments in several Nigerian universities and also, a member of NUC Accreditation team to other universities in Nigeria. Prof. I.S. Nnamdi has supervised twenty-five (25) Doctoral degree theses, fifty-two (52) Master's degree theses and several B.Sc projects.

A fellow of Chartered Institute of Loans and Risk Management, Chartered Institute of Financial and Investment Analysts, as well as member, Academy of Management Nigeria, Prof. I. S. Nnamdi has published seventy (70) journal articles and three (3) textbooks in different areas of Finance and Banking. He is keenly interested in the areas of bank management, corporate finance, investments and portfolio theory, as well as marketing of financial services. On the whole, his religious life is not dull. He is a committed member of the Anglican Church and was knighted of the Order of Saint Christopher in December 2013. Prof. I.S. Nnamdi presently serves as the first Vice- President, Council of Knights, in the Diocese of Niger West (Anglican Communion), Anambra State, Nigeria.

Vice- Chancellor Sir, I have the honor to present to you, a teacher, banker, gentleman, family man, scholar and our Inaugural Lecturer for today, Prof. Ikechukwu Samuel Nnamdi, to speak on his subject of interest.

Professor Owunari A. Georgewill
Vice- Chancellor