

themselves to giving credit on long term basis. Also the allocation to Agriculture and Forestry increased from ₦11.769 million in October to ₦14.539 million in November and rose to ₦29.502 million in December. The allocation in December to Agriculture represents 19.02% of the total loans given. From the above, it has been observed that loans and advances to agricultural sectors are increasing monthly. This is mainly because of the increase in the rural based community banks that are being licenced. Besides, the community banks will hopefully correct the tilt of buy and sell economy to that of product development and even agricultural production.

Total Assets of the Community Banks

A strong asset base makes any business strong, safe and also determines its earning capacity. The total assets of the Community Banks shows a tremendous growth in 1992. As at the end of the first quarter (March 1992) the total assets stood at ₦204.4 million. This rose to ₦397.3 million and ₦616 million in the second (June) and third (September) quarters respectively. By December 31st 1992, the total assets value have risen to ₦995.7 million (an increase of about 387% from the March 1992 level). The quality of assets depends on the reliability of payment, liquidity, and maturity of the assets.

What is interesting about the community banks assets structure is that they are in current form. This means that they are in form of cash, bank balances, placements with other banks and short-term loans and advances. The fixed assets form a small proportion of their total assets and are mostly in form of office equipment, furniture and fittings, motor vehicles, rents prepayments etc. This is a healthy development as the banks have not been using depositors' funds in the accumulation of fixed assets. However, there is need for the community banks to exercise great restraint in placing their funds. The higher the interest that would be paid the higher the risk particularly the mouth watering rates being offered by the new generation banks and the finance houses. It is not possible for the present trade in FOREX to continue for ever - one day the banks would have to go back to doing banking as it ought to be done. Community banks should be the stabilising factor in the sector.

Table X

**COMPONENTS OF ASSETS AND LIABILITIES OF COMMUNITY
BANKS AS AT 31ST DECEMBER 1992**

	Assets N'000		Liabilities N'000
Cash in hand	67,756	Paid up Capital	199,916
Balance in held with other banks	248,870	Reserve Fund	29,131
Money at call	199,731	Balance held for other banks	39,522
Bills Discounted	23,281	Deposit: Demand	210,970
Loans & Advances	155,139	Savings	312,733
Investment	118,434	Time	131,586
Fixed Assets	125,920	Loans from Government	36,796
Other Assets	52,526	(Marching Loans)	35,003
		Other Liabilities	
TOTAL	995,657	TOTAL	995,657

Table XI

ASSET: BY SIZE IN COMMUNITY BANKS AT THE END OF 1992

ASSET SIZE	NO. OF BANKS	% OF BANKS
Belox N1m	101	29.88
N1m - 5m	188	55.62
5m - 10m	34	10.06
10m - 15m	8	2.37
15m - 20m	4	1.18
Over 20m	3	0.89
TOTAL	338	100

Table X shows the components of assets and liabilities of community banks as at 31st December, 1992. Table XI gives the assets size of community banks for the same period.

The number of banks with assets size of less than N1 million is 101. This represents 29.88% of the banks under consideration while banks with assets size of N1 million to N5 million are 188 which is 55.62% of the 338 reporting banks as at 31st December, 1992.

The ratio of total asset turnover measure the efficiency in the utilization of assets of business organisations. This is shown on Table XII. This ratio is obtained by dividing the Gross Earnings by the Total Assets (Gross Earnings/Total Assets). This Table reveals the number of times that the community banks as a whole was able to generate income per naira of its asset profile.

However, the table reveals that the Community Banking System has not been able to turn its asset over as a result of:

- (a) The relative short period of majority of the Community Banks in operation;
- (b) Non-utilization of funds in generating income. The funds are lodged in a current account with their correspondent banks, thus earning rather low or no interest especially the Community Banks in the rural areas, and
- (c) The Community Banks having some non-earning or low earning assets in their asset profile. These include excess cars, airconditioners, computers, furniture and fittings.

Profitability

The Community Banks shown clear indications of being very profitable. Within a period of 12-19 months of operations, 50 Community Banks have had their 1 year accounts audited. Of this number, 33 (%) have broken even. Some of them posted profits as high as ₦732,000.00 (Idimu Community Bank, Lagos), ₦449,000.00 (Ilaje Eseodo) and ₦443,000.00 (Somolu) see Table XIII. In addition 4 other Community Banks make profit before depreciation leaving only 17 yet to break even. Most of the Community Banks that have not broken even must have incurred very high expenses on assets. With greater supervision, better management and enhanced training, many more Community Banks at the completion of 1 year operation would make reasonable profits.

Table XII

MONTHLY ASSET TURNOVER RATIOS FOR THE
COMMUNITY BANKS IN 1992

	GROSS EARNINGS	TOTAL ASSET	GROSS EARNINGS/ TOTAL ASSETS
MONTH	₱000	₱000	%
JANUARY	4,944	140,365	3.52
FEBRUARY	6,061	195,200	3.11
MARCH	8,823	204,398	4.32
APRIL	11,458	317,468	3.61
MAY	13,702	331,455	4.13
JUNE	21,020	398,004	5.06
JULY	30,356	443,871	6.84
AUGUST	43,600	528,236	8.25
SEPTEMBER	52,264	615,986	8.48
OCTOBER	71,051	720,641	9.86
NOVEMBER	83,938	860,339	9.76
DECEMBER	107,581	995,657	10.81

TABLE IIIA
NATIONAL BOARD FOR COMMUNITY BANKS
NIGERIA: QUARTERLY PERFORMANCE OF COMMUNITY BANKS, 1993

	MAR	JUN	SEP	DEC
NO. OF COMM. BANK	510	510	648	755
% OF CBs REPORTING	73.73	85.20	87.19	80.93

PERFORMANCE ('MILLION NAIRA)

CROSS EARNINGS	92.73	205.35	355.18	537.41
OVERHEADS	101.31	179.32	299.12	457.44
LOANS & ADVANCES	266.62	413.93	609.02	708.17
CASH & SHORT TERM	636.00	966.33	1,223.32	1,691.04
TOTAL ASSETS	1,416.94	1,952.10	2,710.49	3,252.54
SHAREHOLDERS' FUND	285.47	404.03	521.50	625.28
PAID UP CAPITAL		305.23	355.53	417.22
SHARE CAPITAL	316.76	392.83	591.32	703.22
CURRENT DEPOSITS	260.68	410.45	484.35	588.52
SAVINGS DEPOSITS	478.99	679.71	955.38	1,107.91
TIME DEPOSITS	197.74	271.39	376.13	491.82
TOTAL DEPOSITS	937.41	1,361.55	1,815.86	2,188.25

TABLE XIII
SUMMARY OF COMMUNITY BANKS AUDITED ACCOUNT FOR THE YEAR ENDED
31ST DECEMBER 1992

AMOUNT IN N'000

S/No.	Name of C/B	Period of Operation	Authorised Capital	paid up Capital	Share holders' funds	Total Asset	Total Deposit	Cash & Short Term Advance	Loan & Gross Earnings	Net Earnings	Operating Expenses	B/Dep. & Tax	Profit Bef. Tax
1.	Akabo Amata	18 mths	1000	411	451	5688	4811	3482	2043	1292	695	157	41
2.	Mbukpa Area	12 mths	500	500	529	9175	7066	7031	1361	712	365	72	19
3.	Awka	16 mths	5000	250	133	2365	2255	567	510	149	214	-103	-117
4.	Emekuku	12 mths	1000	960	1190	10356	8660	46	19	343	213	143	123
5.	Osina	12 mths	500	500	701	2902	2154	2651	23	370	222	39	25
6.	Osumeyin	16 mths	1000	923	958	5352	4352	4454	267	523	283	50	27
7.	Ogbe	15 mths	500	500	435	4945	3899	3184	1166	452	235	12	-25
8.	Ogbaku	12 mths	250	250	379	1734	1343	705	88	163	120	-12	19
9.	Umuchu	12 mths	1000	698	531	2818	2277	2303	230	165	235	-161	-167
10.	Ihima	12 mths	500	467	476	3212	2712	2258	516	313	166	11	8
11.	Inye	14 mths	500	420	420	2818	1331	1201	354	219	149	-72	-105
12.	Gwong	14 mths	250	250	542	2495	1485	352	587	350	144	60	60
13.	Igbotako	12 mths	1000	617	617	2878	2130	808	1061	483	255	74	44
14.	Mbayion	15 mths	500	394	275	3933	3249	1578	1585	886	582	91	54
15.	Ekamela	12 mths	250	250	240	688	436	126	255	145	118	9	-10
16.	Omuma	12 mths	500	500	438	2254	1781	474	312	245	184	-54	-63
17.	Owo	16 mths	1000	1000	489	5414	3900	3638	871	801	621	-74	-133
18.	Okeona Egba	13 mths	250	250	964	2834	1782	1237	15	514	347	68	4
19.	Ileje Eseodo	15 mths	250	250	290	5492	3186	1933	3039	1309	671	472	449
20.	Aiyeye	12 mths	250	250	452	2010	1320	341	244	228	211	154	174
21.	Alheri	12 mths	5000	988	1056	4705	3106	280	2196	554	284	101	67
22.	City	24 mths	250	250	498	4448	3437	1388	1814	1286	941	212	108
23.	Orodo	12 mths	250	250	579	3808	2760	583	550	480	295	59	29
24.	Home trust	16 mths	2100	1083	895	2045	887	806	457	158	112	-136	-188
25.	Ogba	15 mths	1000	1000	1048	11999	7190	2889	3176	1760	993	80	15

26.	Ogbomoshoh	16 mths	1250	649	624	2976	2036	280	1147	552	411	409	2	-25
27.	Unity	18 mths	250	250	454	2718	2201	427	1170	663	442	376	66	-46
28.	Bimin	14 mths	500	500	341	4204	3500	1151	63	501	307	354	47	-36
29.	Awe	17 mths	500	500	473	2954	1891	622	573	275	155	161	-15	-34
30.	Anthony Village	12 mths	3000	1435	1435	5105	3124	3802	154	917	717	579	133	60
31.	Iperu	12 mths	500	500	612	2741	1363	330	563	513	368	335	32	17
32.	Somolu	19 mths	2500	1110	1268	18204	9721	3954	5591	2194	1659	1226	562	443
33.	Idiru	19 mths	500	500	1516	10639	7213	4691	5114	2639	1745	1907	732	732
34.	Oduduwa	16 mths	20	250	869	6144	5196	4436	951	703	508	377	151	10
35.	Oshimili	15 mths	500	500	843	4451	3569	3032	729	588	355	506	(63)	(151)
36.	Ire Ekiti	16 mths	400	400	435	2174	1323	666	664	339	270	135	84	58
37.	Oro	16 mths	250	250	538	6861	6015	1514	4153	1104	850	777	123	72
38.	Ijeshaland	15 mths	1000	788	830	9725	7858	1929	520	1976	1315	1182	239	133
39.	Ijesa Iesu	15 mths	500	325	337	1941	655	855	410	226	165	154	27	12
40.	Umuaika	14 mths	1000	763	825	4136	2936	661	1612	887	204	509	157	133
41.	Mainagge	12 mths	3000	622	533	1532	843	1032	157	151	135	143	(17)	(38)
42.	Obia	13 mths	5000	2500	2500	4323	1914	1767	921	478	370	292	77	70
43.	Abriba	12 mths	1000	936	541	3378	2283	1338	637	205	50	385	(330)	(395)
44.	Dopemu	12 mths	1000	1000	1244	8330	6077	864	5745	1127	790	344	341	133
45.	Alimoso	13 mths	250	250	314	6955	7043	3755	1436	1836	1263	1155	275	58
46.	Isoko	13 mths	1000	925	1147	17946	12919	1175	5352	2349	1451	1733	342	301
47.	Iwaya	19 mths	5000	2213	2367	14365	10909	11252	1538	4145	2235	1697	337	154
48.	Ajose	13 mths	2000	1419	1345	1845	2075	723	832	490	367	470	(180)	(174)
49.	Independent	13 mths	1000	664	896	4998	3429	857	500	757	571	451	36	42
50.	Amagob	100	100	727	1046	3623	2543	3378	13	535	347	167	150	148

Notes

Of the 94 Community Banks that are one year and above as at December, 1992, only 50 have sent their audited accounts.

Out of the 50 Community Banks with one year and above as at December 31st 1992 53 broke even.

4 CBs with profit before tax and depreciation and tax.

17 CBs are yet to break even:

CHAPTER SIX

RECOMMENDATION AND CONCLUSION

Enterprises begin with people. Future development strategy should recognise that although governments can facilitate progress, people will make things happen

- *International Bank for Reconstruction and Development (1988)*

Conclusion

The transition from informal financial practices to modern banking in a sophisticated, complex and competitive market oriented economy is a herculean task. As appealing, and worthy as the community banking system is, it has not been easy for the various communities that have embarked on it. More often than not, the first taste of the implication of the responsibility they have chosen to bear dawns on the Directors and Managers when they attend the NBCB pre-commissioning induction course. The various agencies of government charged with bringing the programme to fruition such as the Central Bank of Nigeria, Nigeria Deposit Insurance Corporation (NDIC), have been cooperative in ensuring that the banks imbibe the right banking culture of prudence and good management. Indeed the Board of Directors are individually and severally liable for any offence committed in the bank. The present stage of the community banking system can be rightly referred to as its formative period. Nonetheless, some problems have been identified in the course of this study and possible solutions are being proffered as presented below.

Spread of Community Banks

In 2 years, the Community Banking system has been able to establish at least 1 bank in every State except the Federal Capital Territory. Thus, a lot efforts still need to be expended in enlightening and mobilising Nigerians to participate actively in the programme.

Closely linked to this problem is the difficulty most communities experience in raising the minimum share capital of ₦250,000.00 and putting the infrastructure in place. More ingenious and creative strategies of mobilising the people must be found to make them active participants in a programme that aims at changing the perpetual exclusion of the small producers in the economy for the better.

Correspondent Relationship

Institutional problems include the antagonism exhibited by the various rural branches of commercial banks which most times serve as their correspondent banks. It should be possible to make the commercial banks see the community banks as complimentary financial institutions rather than competitors. Indeed, there is enough room for each and every bank in Nigeria to operate profitably and creditably. The correspondent banks would do well to cultivate good relationship with the community banks in charging reasonably on commission-on-turnover and speedy clearance of their cheques for more effective services to the rural people. On the part of the NBCB, efforts should be made to effectively liaise with the apex banking authority and other financial regulatory bodies to persuade the commercial banks to cooperate with the the community banks so that they can make their services available to the rural and disadvantaged people if not directly then through the banks.

Lending

The orthodox commercial banks have not been able to render any appreciable service to the rural area over the years because of the inherent risks in lending to the poor such as communication problems, security of funds, high overheads, administrative costs and general low business flow. Although, these are problems for the commercial banks, these same issues are areas of strength for the unit and localised community banks. It is therefore natural that they would be able to render more and effective services to the people. They can lend to the poor farmers, traders and artisans because their loan requirements are generally low and they know them. The presence of social sanctions, character referrals and joint liability (for group lending) which are binding helps in retrieving the loans. A community bank that does not lend to its people would rapidly become irrelevant and will sooner go the way of the not too successful rural commercial bank branches. The loans are also given on time and to the appropriate people. As Nedler (1988) puts it ***"Banking still remains a people business - people still choose the bank that cares about them, knows them, and gives quick answers to their request, for a quick no on a loan application is better than a slow yes."***

Training

The Community Banks would however look further into the future in terms of how they would get and retain the services of qualified personnel to man the banks. The efforts of the NBCB at training their staff needs to be complemented by on-site training. Young talents have to be encouraged to stay within the system to ensure good performance in

an age of unending competition. A creative programme of training for young people wishing to make community banking a career should be developed. The various institutions of higher learning can boost the source of manpower for the Community Banking system by introducing relevant curriculum that would develop into full blown certificate and Diploma courses in the near future.

Location

At present there is a tremendous increase of Community Banks in urban areas particularly Lagos where as many as 39 exist of the total 43 in the State. While it may not be possible to say Lagos or any urban centre for that matter does not have communities and therefore should not have community banks, there are in fact several communities within the urban and sub-urban areas that need such services. Moreover, they have the advantage of understanding the concept faster than other areas in the country and of course they have the means. Having said this, there is a perceived effort in the work of the Board to encourage more community banks from rural areas and less urban areas of the country. Table 1 shows that 253 of the 402 Community Banks in December are in the rural areas while 149 are in the urban centres. This is being done through the insistence that a Community Bank must be promoted by the Community Development Association (CDA) of the intending communities. CDAs are not common in urban areas and where they exist, they are usually very weak. It is hoped that the insistence on CDA and Town Unions being the major sponsors of community bank would help ensure that it continues to be community based. Community Banks derive their strength and viability from the community it serves and when the community is not there, it would run into similar problems that now afflict the conventional banks such as bad debts, high overheads and administrative costs, fraud, high staff turnover and would sooner go under. Furthermore, decisive actions should be taken to avoid community banks being located too close to each other as they could easily kill each other. The map that community banks have been asked to produce showing their areas of operation may reduce incursions and poaching in future.

Supervision

The National Board for Community Banks (NBCB) is as young as the community banks. It is the agency that has been set up to establish, monitor, supervise and nurture the new banking system, howbeit in an intermediatory capacity for the nation's apex banking institution - the Central Bank of Nigeria. The NBCB would be expected to put in place lasting structures that would ensure that its personnel are well trained and

experienced particularly the core of Inspectors, Appraisal and Promotions, and Training Officers. If the experience of the CBN vis-a-vis its control and supervision of the conventional banks is anything to go by, then the NBCB has a big task to inspect each bank in the country at least once in twelve months. If this was difficult for the CBN with just 125 banks, one wonders what will happen with the hundreds of banks the system has produced. The inspection cadre of the NBCB staff is very critical and only bankers should be recruited to this department. They must constantly have training opportunities to refresh their knowledge as the banking sector becomes more complex and inundated with several cases of fraud and mismanagement which they are out to prevent. The Inspectors also have the duty to clear the banks for their final license. The success of the banks would then depend on regular audits, enforcement of prudential ratios and general overseeing of their credit and lending ceiling in order to avoid sharp practices that would undermine their profitability and survival. Their monthly returns have exhibited some lapses in some critical areas particularly their overheads and gross earnings. The banks are to be made to render returns as at when due notwithstanding the penalty to be imposed.

Enlightenment

Community banking is still very new and a lot more public enlightenment and educative programmes have to be put in place as many people are yet to understand the concept. The organisation may have rightly chosen to handle its enlightenment programmes with caution bearing in mind the technical and sensitive nature of banking. With the very rapid spread of the programme, appropriate machinery to push out publications, media messages are now necessary. People who could not trust their money with relations or the orthodox banks are now being asked to put them in the banks and more importantly become shareholders. The transformation expected is great and only proper, thorough and well packaged information targeted to the various audiences would do this. The modest effort of the Community Banks Newsletter has received salutary attention within and outside the system. However, the radio, television and newspapers are veritable media of communication that should be cultivated for a better understanding and exposure of the system. Coupled with this is the need to intensify the ongoing direct contact with the target audiences through their respected leaders.

Products Design

The Community Banks have shown tendencies to be very creative and enterprising in the various products and services they offer their clients. Most times, the products,

hours of operation have been chosen to fit the environment and their clientele. They have devised innovative customer - relation strategies that would bring in more funds like Customers Forum, Special Trade/Group Days etc. However, it is necessary for the Community banks by virtue of its smallness, newness, localness, limited capital base, delimited operational scope and inability to absorb financial shocks that are rampant in the banking industry to make haste slowly. By this, exotic products should not be adopted in a rush while all attempts to form associations and groupings can only be diversionary and unproductive at the moment. The challenges before the banks to develop the rural communities and uplift the economy should not be sacrificed for the usual struggle for power that may dominate such unwarranted groupings at this time. In the near future, the opportunity would naturally present itself and there would be definite roles for such bodies to perform.

Finally, the major achievement of the Community Banking System so far is the deftness and decisive manner in which it has been steered clear of political influences and interference. The working relationship between the NBCB and the Central Bank of Nigeria will guarantee the continuity of the programme and ensure its success in future. The newly promulgated NBCB Decree 46 of 1992 would make policy decisions on some of the issues raised above easy to follow through and so keep the novel scheme on track. In twenty-four months, the Community Banking system has effectively established itself as the "missing middle" in the country's financial system. It has begun the inevitable evolution of cohesive economic system that involves the entire citizenry from the grassroots level to the big league of conglomerates. The erstwhile frustration of the neglected majorities in the rural areas in a country of contrasts with **giant government, giant businesses, giant industries, giant banks** in the midst of several marginalised peasants, artisans and micro-entrepreneurs would gradually pave way for an enabling environment that would ensure an equitable and just society. **Community Banks promise to be an oasis of hope in a desert of economic hopelessness occasioned by indisciplined and poor management of an otherwise endowed nation.** Given the tempo of commitment, innovativeness, enthusiasm, goodwill and conducive environment being created for the Community Banks to flourish in the country, their contributions would be enormous in the years ahead when all the economic actors at the grassroots level are empowered and accessed to credits which hampered their productivity in the past.

UPDATE ON THE PERFORMANCE OF COMMUNITY BANKS IN 1993

The community banking system is an idea that its time has come. The response from the numerous communities in Nigeria has been stupendous. To date not less than 5,000 communities have indicated their intention of having their own local banks. There are 879 community banks in Nigeria at the end of 1993. Of this number however, only 755 were operational in December and ready for any assessment. The other 124 banks came on stream at the end of the year and would commence operations in January. Effectively, evaluation work on their performance would be from March 1994. This is so because the Board is determined to ensure that only those that are properly constituted and well orientated to the challenges of community banking are granted such permit. If the provisional licences were to be granted automatically, there would have been more than 3,000 banks in operation now.

This monograph is essentially a record of the first 2 years of operating the system. Nonetheless, the preparations for its publication and data gathering took some time within which the communities intensified their efforts such that 477 more community banks were licensed in 1993 alone. This represents 118.6% rise over the establishment of 402 community banks between 1990 and 1992. At that time, only the Federal Capital Territory (FCT) did not have any bank. Apart from many of the States doubling their numbers, the FCT now has 4 community banks. The late starters now have more banks such as Adamawa (16), Kebbi (15), Bauchi (16), Enugu (12), Jigawa (16), Kwara (19), Kogi (26), Katsina (19), Niger (9), Sokoto (17) and Yobe (6). Of course the go-getter States have not relented as Lagos has increased its tally from 43 to 77, Imo 34 to 48, Anambra 37 to 50, Ondo 33 to 43 and Oyo has shot up from 18 to 46.

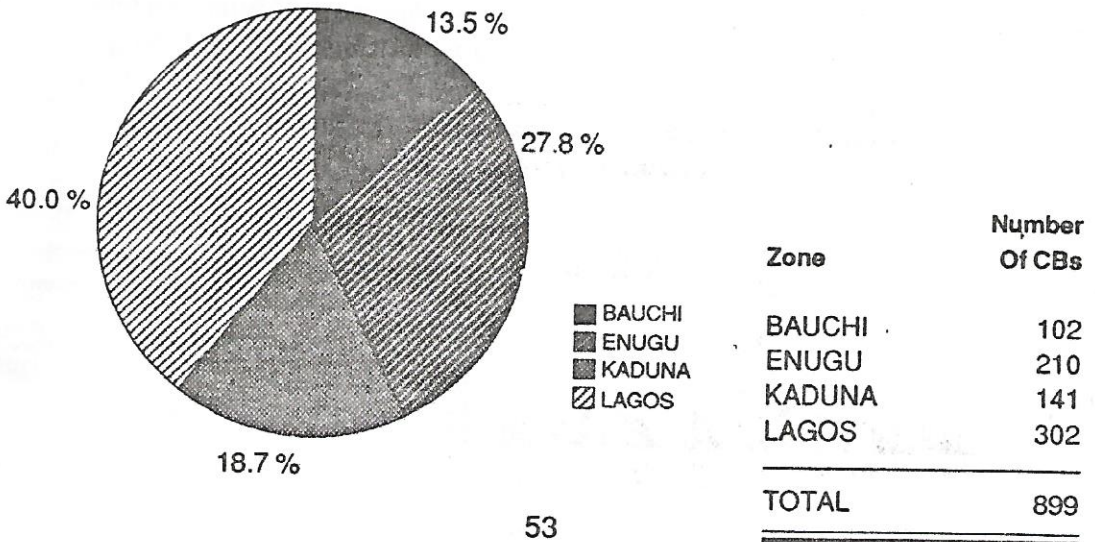
The number of banks in the rural areas have steadily increased. In 1992 there were 253 rural CBs to 149 urban. By 1993, the rural CBs were 557 to only 322 urban.

TABLE 1 A

NATIONAL BOARD FOR COMMUNITY BANKS HEADQUARTERS, ABUJA
STATE DISTRIBUTION OF OPERATIONAL COMMUNITY BANKS
AS AT DECEMBER 1993 AND LICENCED COMMUNITY BANKS AS AT DEC. 1993

STATE	OPR. DEC '93	STATE	OPR. DEC '93
ABIA	30	KATSINA	19
ADAMAWA	16	KEBBI	15
AKWA IBOM	36	KOGI	26
ANAMBRA	50	KWARA	19
BAUCHI	16	LAGOS	77
BENUE	28	NIGER	9
BORNO	6	OGUN	34
CROSS RIVER	13	ONDO	43
DELTA	30	OSUN	33
EDO	20	OYO	46
ENUGU	12	PLATEAU	20
FCT	4	RIVERS	21
IMO	48	SOKOTO	17
JIGAWA	6	TARABA	10
KADUNA	24	YOBE	6
KANO	21		
		TOTAL	755

ZONAL DISTRIBUTION OF LICENCED COMMUNITY BANKS
AS AT DECEMBER 1993



As the number increased, the performance of the banks improved to hit the billion mark in assets and deposit liabilities. The total assets now stand at 3.2 billion while the total deposits is N2.1 billion. The expression of this spectacular growth is best represented in Table II A and figures 1 and 2:

TABLE II A

CRITERIA	Dec. 1992 N'000	Dec. 1993 N'000	% Increase
Gross Earnings	107,581	537,400	79.98
Overheads	113,762	457,436	75.13
Loans and Advances	155,139	703,168	77.94
Cash and Short Term Funds	518,732	1,691,044	69.32
Total Assets	99,567	3,252,544	96.94
Shareholders Funds	229,047	625,277	63.37
Paid Up Capital	-	417,210	100
Share Capital	239,844	703,566	65.91
Current Deposits	210,970	588,521	64.15
Savings Deposits	312,733	1,107,912	71.77
Time Deposits	131,586	491,312	73.21
Total Deposits	655,289	2,188,250	70.05
No. of CBs Provisional Licensed	402	756	46.86
No. of CBs Operational	384	756	49.21
No. of CBs Reporting	358	611	41.41

**COMPARATIVE ANALYSIS OF DECEMBER 1992 AND DECEMBER 1993
COMMUNITY BANKS RETURNS**

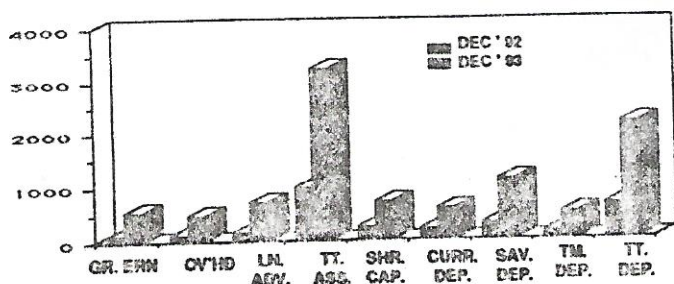


Fig. 2

	PER-CENTAGE		
	DEC '92	DEC '93	DIFFERENCE
NO. OF COMM. BANK	402	755	87.81%
NO. REPORTING	358	611	62.99%
% OF CBs REPORTING	89.04	80.93	

The foregoing report on the development of the community banking system is indicative of very rapid growth in the years ahead. The data could be better appreciated if the graph shown above is considered alongside the report. One of the graphs shown a comparative analysis of the performance of community banks in 1992 and 1993 and the pie chart shows the zonal distribution of the community banks thus licenced so far. The data continues to exhibit the peculiarity of the scheme whereby at any given evaluation period the number of operational banks and the number actually licenced may not be the same with those reporting. Notes of the varying figures should be taken for a proper understanding of the data.

The quarterly performance of the community banks in 1993 (Table III A) showed steady increase in all parameters from gross earnings through the total assets to the total deposits. For example, the gross earnings rose from ₦92.83 million in march to ₦537.4 million in December representing a 479.54% percentage increase. The total assets increased from ₦1.4 billion in march to ₦3.2 billion in December of the same year recording a 129.48% percentage increase. The total deposits exhibited the same characteristic of recording a 133.44% percentage increase having jumped from ₦937.4 million in the first quarter to ₦2.18 billion at the last quarter of the year.

The CB system has thus firmly situated itself in the billion naira class of the banking industry. By the time the community banking system is five years in operations, a definite statement of its effective funds mobilisation and the extent of its contributions to the economic growth of micro enterpreneuers would be quite discernible and salutary.

While the system grew in number, some of its teething problems were resolved and others arose. The Board has substantially resolved the issue of correspondence relationship through active dialogue with the commercial banks, the planned establishment of some bankers' banks for Community Banks. Monetary policy makers especially the Central Bank and the Nigerian Deposit Insurance Corporation are cooperating in this regard. Also the issue of adequate manpower supply for the system, 20 State Polytechnics nationwide have commenced the process of running Certificate and Diploma courses in community banking. The Kaduna Polytechnic has actually matriculated its first set of students and many more have advertised the courses they are offering in this new area of academic endeavour - Bauchi and Ogun States are good examples.

While these problems are being solved and progress made in many areas, the Board members in some CBs across the country are busy perpetrating devastating insider dealings and in extreme cases they have had to drag themselves to the court. For the Board, arrangements are on to strengthen its hands in dealing with such problems coupled with a special agreement with the Nigerian Police so as to handle all cases

NATIONAL BOARD FOR COMMUNITY BANKS
NIGERIA: QUARTERLY PERFORMANCE OF COMMUNITY BANKS, 1993

TABLE IIIA

	MAR.	JUN.	SEP.	DEC.
NO. OF COMM. BANK	510	510	648	755
% OF CBs REPORTING	73.73	85.20	87.19	80.93
PERFORMANCE ('MILLION NAIRA)				
GROSS EARNINGS	92.73	205.35	355.18	537.41
OVERHEADS	101.31	179.32	299.12	457.44
LOANS & ADVANCES	266.62	413.93	609.02	708.17
CASH & SHORT TERM	636.00	966.33	1,223.32	1,691.04
TOTAL ASSETS	1,416.94	1,952.10	2,710.49	3,252.54
SHAREHOLDERS' FUND	285.47	404.03	521.50	625.28
PAID UP CAPITAL		305.23	355.53	417.22
SHARE CAPITAL	316.76	392.83	591.32	703.22
CURRENT DEPOSITS	260.68	410.45	484.35	588.52
SAVINGS DEPOSITS	478.99	679.71	955.38	1,107.91
TIME DEPOSITS	197.74	271.39	376.13	491.82
TOTAL DEPOSITS	937.41	1,361.55	1,815.86	2,188.25

resulting in fraud just as is done for other financial institutions. Of more strategic and effective import is the recourse of the Board to handle such matters through a method it calls **community conference**. The community conference is the method whereby such recalcitrant Boards are taken back to their community in a conference or meeting forum to tell their people what they have done with their money and how they have retarded the progress of the community through such acts. The community would then decide if they still want such Board members or not. The result of this approach has served as a deterrent as nobody wants to face the peoples' court.

Almost all the problems being faced by the CBs are traceable to non-compliance with the Board's guidelines. The troubled banks are mainly those that commenced operations as between caucus of friends or business interests as against that of genuine community participation.

It thus becomes fashionable to do lazy banking by placing funds with the very risky finance houses and distressed banks. In addition, they recklessly misapply deposits which they mistaken for assets. In a few cases, the banks are in deep trouble but as often repeated, the community bank is built on a tested social fabric that can bend but will not break - the community. The Board has successfully played its supervisory role of prompt remedial action as soon as trouble begins to brew in any bank. Such banks are taken over and nursed back to good health. In a few cases, the community, shareholders have joined hands together to chase fraudulent directors away and turn the bank around by recapitalising and installing responsible management.

The Board has resolved that no Community Bank would receive the Central Bank's Final Licence unless the 30% shares to the Community Development Association is properly taken up by the community. Even then the CBs do not have till eternity to fulfil this important condition which ought to have been satisfied before commencing operation - their provisional license may be withdrawn after 2 years if there are signs of their not following the guidelines and inability to make the needed progress expected within the period. The years ahead promise to be most challenging as the young community banks struggle with a pseudo-regulated economy that has been readopted after barely 6 years of free and uncontrolled market economy with its attendant problems. They would be expected to now work towards export promotion at home and abroad to earn decent profits that can be relied on no matter how unsteady the policies may be. Indeed there is beauty in being small and the healthy development of the banks confirm that community banks do not die as easily as other contraptions called banks would, resilience and vigilance, dedication and honesty is needed to sustain the system now and in future.

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APPENDIX 1

The NBCB held its first Anniversary Conference on 28-30 April, 1992 at Abuja. The outcome of the conference can be summarised in the following recommendations of the four syndicate Groups thus:

1. RUNNING A SMALL COMMUNITY BANK

- (a) Involvement of Community Development Associations and Trade Associations in campaigns for deposits as well as in lending either as guarantors or the extension of bulk loans to the association.
- (b) Community Banks are attracting large deposits, therefore, the NBCB should enter into discussions with NDIC on the inclusion of community bank deposits under its insurance scheme.
- (c) Attracting knowledgeable and experienced personnel, is a problem for most Community Banks. The rural community banks can draw on the expertise of its correspondent banks via training of staff and secondment of managerial staff at take off till appropriate substitutes are found.
- (d) A rural community bank should maintain a simple structure to avoid over establishment and maximise the use of its resources.
- (e) The Board of Directors should delegate adequate authority to the management for day to day operations. Loans Disbursement and Recovery Committee (LDRC) should be set up to deal with lendings above the Manager's level and to act for the Board in emergency situations.
- (f) The use of Insurance policies as collateral for loans seems easier, faster and timely than real estate and it is recommended.

II MANAGING PROBLEM LOANS

- (a) There is the tendency for some community banks to move away from the prescribed structure by the NBCB. Adherence to rules and regulations of the Board is in the interest of the Community Banks.
- (b) We recognise the fact that by the peculiar location specific of the Community Banks, some have to embark on seasonal financing of agricultural products. Such banks are reminded of the risk involved in such financing particularly as it relates

to fluctuation in prices and quantity and the variety of products handled by each of the banks. It is recommended that the CBN Agricultural Guaranteed Scheme Fund (ACGSF) be extended to community banks.

- (c) In considering the principle of moratorium, we recognise the danger in grouping total relief of principal and interest payment simultaneously during the period, hence we are of the view that to sustain the level of loanable funds, relief must be recognised only in terms of principal while interest has to be paid right from the onset.
- (d) Monitoring of loans has to be according to the terms of the agreement reached when the loans were initially granted.
- (e) We observed that there were situations where some Community Bank Directors guarantee loans after the disapproval by the Board. This is contrary to laid down loan policy. A stop has to be put to this practice by Community Bank Directors.
- (f) Caution must be exercised in accepting long term deposits at above the current market rate as interest rate may eventually crash in the market.

III LIQUIDITY NEEDS OF COMMUNITY BANKS

- (a) Community Banks must use their daily cash position, that is the daily cash outflow and cash inflow, to manage their liquidity position. For now, the recommended minimum liquidity ratio of 50% of NBCB should be followed in view of the clientele of community banks that are likely to be withdrawing too frequently.
- (b) The percentage of cash in the strongroom/safe of a community bank varied from about 7% to 30% of their total deposit liabilities. While we recognise that the experience of each community bank would determine its cash in safe, a minimum ratio of 10% is recommended.
- (c) Community Banks should not indulge in over-trading, that is lending out more money than its deposits. The recommended prudential ratio of 70% for conventional banks was noted and deemed adequate for the present need of the Community Banks.
- (d) Problem of mismatch in liquidity management was recognised. Only core deposits, that is, long term funds should be used for long term lending while the volatile deposits should be in liquid assets.

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- (e) Each community bank should also watch its interest rate spread so as not to encounter interest rate risk.

IV PROMOTING LOCAL DEVELOPMENT WITHIN A COMMUNITY BANKING SYSTEM

- (a) That Community Banks should identify the available human material resources and harness them for local development.
- (b) That Community Banks should eschew religious and local politics. Appointment of staff should be liberal and should not be politicised.
- (c) That Community Banks should be involved in agro-allied financing industries, and other viable small scale businesses such as soap making, palm oil processing, starch production in conjunction with rural development agencies, DFRRRI and states ministries of commerce and industries.
- (d) That Community Banks should negotiate good working relationship with their correspondent Banks to reduce service charges and enhance the range of services rendered.
- (e) That Community Banks should encourage the development of basic requirements such as food, shelter, clothing and education within their community.
- (f) That Community Banks must have social responsibility functions in their own communities.
- (g) That Community Banks must simplify banking processes documentation and other administrative work to quicken services to their customers.
- (h) That Community Banks should explore the possibility of using the NYSC members for further mobilisation and education of the community.

APPENDIX II

1993 SECOND COMMUNITY BANKS ANNIVERSARY CONFERENCE SYNDICATE HIGHLIGHTS

The second community banks anniversary conference took place in Lagos in April 1993. Apart from the core lectures, syndicate discussions lead by Chairmen of community banks were held to articulate their field experiences. Following are summaries of three of such syndicate discussions.

The Board regards the syndicate statements as feedback from the operators of community banks which would assist it in knowing their problems and consequently find solutions to them. However, the Board is not obliged to bend over backwards to every demand they make which are not in the overall interest of the system. Two issues discussed by the syndicate groups on declaration of dividends while still repaying NBCB matching loans and opening of cash centres are areas the Board would not change its policy. On declaration of dividends, it is not in the interest of the fragile and relatively undercapitalised community banks to fritter its meagre resources away before it stabilises. Besides, the loans given by the NBCB is optional and the condition placed on it, non-declaration of dividends during the 5 years repayment period could very well enable the banks to operate more prudently. The banks are being taught how to be frugal and strict on loan matters through this example. Cash centres are antithetical to the concept of unit banking. The geographical delimitation and community definitions of the banks are real and cannot be compromised to avoid spreading too wide and become ineffective. Cash centres could also lead to poaching on other people's area of operations and unnecessary competition. Cash centres will put depositor's funds at risk as they are used for capital acquisition rather than being channelled towards productive efforts. The security of such funds and personnel are equally at risk. By law, no community bank is allowed to open cash centre as they risk having their provisional licence withdrawn among other disciplinary actions. Apart from these issues, most of the points raised are instructive for all community banks.

SYNDICATE GROUP A

"CREDIT DEVELOPMENT AS AN INTEGRAL PART OF GRASSROOT ECONOMIC GROWTH"

The following are the highlights of discussion:

1. The development of clear guidelines for lending is of vital importance. This includes areas such as accurate assessment of customer requests to minimise risks. A good loan monitoring machinery is thus crucial. Community banks must also encourage customer's loyalty. Prospective loan beneficiaries should first be good customers. Customers may need to sign agreements or have guarantor to act as surety whenever the amount to be lent is substantial.
2. Effective mobilisation of deposits is of paramount importance to the banks capacity to disburse loans. A community bank's income is determined by its volume of business.
3. Community Banks should curtail excessive overhead charges for financial prudence. Reckless spending must be discouraged.
4. The high risk of bad debts prompted further discussion on lending. The need to develop effective loan recovery schemes including moral suasion, legal action, police, and locally accepted sanctions are to be used where necessary. However, credit must be accessed to the community.

RECOMMENDATIONS TO NBCB

1. The need to review the current management structure to permit community banks that need more staff to employ them for effective loans administration should be considered
2. In view of the primary importance of credit and its access to the grassroots, community banks urged the Board to subsidise the cost of staff training.
3. The policy on sectorial allocations of loans and returns should be made more flexible to take into consideration the varying peculiarities of communities.
4. As a result of high risks in lending, a call for the formalisation of non conventional collaterals was made.
5. An appeal was made for a review of guidelines on limits for lending in terms of percentage of share capital. Some community banks claimed to have attracted deposits far in excess of their share capital and felt peeved that they could not lend more to "good" individual loanees/borrowers.

6. Community banks suggested an extension of the 6 months moratorium currently existing. Community banks that are making profit and wish to pay their shareholders appealed for permission to declare dividends while still repaying the matching loan granted. Community banks asking for speedy action on granting of loans were urged to ensure their returns were properly made, that their applications were properly filed and promptly submitted.
7. The wealthier community banks asked for relaxation of rules to permit the opening cash offices.

SYNDICATE GROUP B

MANAGING RURAL AND URBAN COMMUNITY BANKS: SOME FUNDAMENTAL CONSIDERATIONS

1. **On Share Capital:** The group felt that the minimum Share Capital of N250,000.00 should be left as it is. Individual community banks can raise theirs if they deem it fit.
2. **On Dividend:** The opinion is that the National Board for Community Banks should review the issue of not allowing community banks to pay dividend to shareholders while their matching loans are still outstanding either in part or in full.
3. **Matching Loans:** That all community banks should be given loans up to the maximum of N500,000.00 as at when the paid up capital is raised up to N500,000.00 provided such is done before the application for the loan is made.
4. **Tax Holiday:** NBCB should discuss with the Presidency with a view to amending the tax laws so as to give concession to community banks. If possible, a tax holiday of up to five years should be granted them in view of their community development activities.
5. **Training:** The group expressed appreciation of the efforts of NBCB in training community banks staff but felt that community banks themselves should look inwards and organise in-house training to supplement what the Board is doing.
6. **On Correspondent Banks Relationship:**
 - (a) The group agreed that community banks in each State should form their associations through which they will make representation to the Headquarters of their correspondent banks to improve the services offered community banks clearance of cheques.

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- (b) It was also agreed that NBCB should consider the issue of setting up central or zonal clearing houses for the community banks.
7. **Problem of Printing of Security Materials:** The group called on NBCB to inform community banks the appropriate time to apply for these materials to avoid the attendant delay of obtaining such materials after commissioning. Also the Board should assist and liaise with the printing company to facilitate the work.
8. The general consensus on the payment of allowance to Directors of Community Banks was that it should be left to the individual banks to fix, since some banks are more viable than others. And the Directors in some banks see the job as a service to the Community and make no demands.

SYNDICATE GROUP C SURVIVAL STRATEGIES FOR COMMUNITY BANKS

1. **On Management and Board of Community Banks**
- (a) It was agreed that the Chairman is the overall chief accounting officer to whom the manager has to render his financial and accounting reports. Each of them has his own schedule of duties — the Chairman should be able to give the Manager a free hand to run the bank, since a bank manager is expected to be a responsible person. The Board should institute some checks and balances in order to check and/or curtail the excesses of the manager.
- (b) Groups of communities may come together to own one community bank. In such a case the composition of the board of directors should not only reflect the share holdings of subscribers, but should also reflect a fair representation of all parts of the communities that own the bank. The board should not be composed of only wealthy people.
2. **On Staff Salaries**
- It was suggested that community banks should have a realistic operating budget showing sources of income and expenditure. Salaries in community banks cannot be uniform. Each community banks should pay what they can afford depending on its revenue base; and not pay a salary that is in competition with those of commercial and merchant banks. The community banks should also avoid over-staffing in order to avoid having to carry big overheads which could easily lead to constant losses.

On Qualified Staff

There is need to have qualified staff while making use of retired bankers - community banks could mount in-service training in their banks (where possible). Also the courses organised by NBCB is considered very useful to community banks and should be taken seriously.

3. On Increasing productivity

It is important that community banks should adopt an aggressive marketing strategy to generate funds, and also lend appropriately in order to ensure the survival of the community banks.

4. Accountability

Relates to proper maintenance of the books of accounts of community banks; the frequent and prompt balancing of books of accounts. Prompt rendition of all returns as required under NBCB guidelines. Also, copies of monthly returns should be forwarded to external auditors who would analyse returns and report to the Board of Community Banks. It will help to reveal to the Board of Community Banks if a fraud is being committed and also whether the accounts are balanced properly.

5. Vigilance

Overall attention should be paid to safety of the community banks especially as a result of the rampant incidence of frauds and physical stealing of cash from banks.

6. On Cash Centres

Opening of cash centres should be made optional, let only those who can afford it open one, bearing in mind the cost both in men and materials of setting up such centre. NBCB should encourage cash offices for those CBs that can afford it but adequate armed policemen should be sent to cash centres.

7. Community Education

Should be embarked upon in order to educate the community on the benefits of patronising CBs especially since some rural people are afraid of borrowing money from banks. Some communities have taboos associated with borrowing money, and such superstitious beliefs could be dispelled by mounting enlightenment programmes for the communities in order to increase patronage for community banks.

Appendix III

NATIONAL BOARD FOR COMMUNITY BANKS
PROFILE OF MATCHING LOANS IN 1992

S/N	NAME OF COMMUNITY BANK	AMOUNT -#	LOCAL GOVT	STATE AREA	DATE OF COLLECTION
1.	Ejigbo Community Bank	500,000	Isolo/Oshodi	Lagos	16/12/92
2.	Etulo Community Bank	257,000	Bukuru	Benue	22/12/92
3.	Ajose Community Bank	500,000	Ijebu Ode	Ogun	2/12/92
4.	Somolu Community Bank	343,000	Somolu	Lagos	3/3/92
5.	Alheri Community Bank	500,000	Kaduna	Kaduna	4/3/92
6.	Owo Community Bank	500,000	Owo	Ondo	21/4/92
7.	Ore Community Bank	250,000	Ore	Ondo	30/4/92
8.	Oraifite Community Bank	500,000	Nnewi	Anambra	30/4/92
9.	Mbayion Community Bank	398,000	Gboko	Benue	13/5/92
10.	Ogba Community Bank	500,000	Agege	Lagos	18/5/92
11.	Inye Community Bank	250,000	Ankpa	Kogi	22/5/92
12.	Ilaje Ese Odo Community Bank	250,000	Ilaje Ese Odo	Ondo	2/6/92
13.	City Community Bank	250,000	Ojo	Lagos	3/6/92
14.	Nnobi Community Bank	250,000	Idemili	Anambra	16/6/92
15.	Igbogbo Community Bank	284,000	Ikorodu	Lagos	23/6/92
16.	Obia Community Bank	500,000	Aba	Abia	24/6/92
17.	Gamakai Community Bank	500,000	Bauchi	Bauchi	29/6/92
18.	Umuaka Community Bank	250,000	Isu	Imo	9/7/92
19.	Orodo Community Bank	264,000	Mbaitolu	Imo	13/7/92
20.	Abiriba Community Bank	500,000	Ohafia	Abia	23/7/92
21.	Dopemu Community Bank	500,000	Agege	Lagos	30/7/92
22.	Himma Community Bank	500,000	Sabon Gari	Kaduna	2/7/92
23.	Idimu Community Bank	500,000	Alimoso	Lagos	2/8/92
24.	Emekuku Community Bank	467,000	Owerri	Imo	4/8/92
25.	Ira Community Bank	250,000	Ojo	Lagos	19/8/92
26.	Isoko Community Bank	500,000	Isoko	Delta	26/8/92
27.	Ogbomoso Community Bank	250,000	Ogbomoso	Oyo	27/8/92
28.	Ebenator Community Bank	260,000	Orlu	Imo	31/8/92
29.	Ire-Ekiti Community Bank	326,000	Oye	Ondo	1/9/92
30.	Ufuma Community Bank	250,000	Okumba North	Anambra	2/9/92
31.	Awe Community Bank	500,000	Afijio	Oyo	17/9/92
32.	Mutunchi Community Bank	300,000	Kaduna South	Kaduna	21/9/92
33.	Gombi Community Bank	250,000	Gombi	Adamawa	25/9/92

34.	Home Trust Community Bank	250,000	Nkwere	Imo	17/9/92
35.	Ogbe Community Bank	402,000	Ahiasu	Imo	17/9/92
36.	Iperu Community Bank	376,000	Odogbolu	Ogun	15/9/92
37.	Ifesowapo Community Bank	255,000	Alimoso	Lagos	23/9/92
38.	Mbukpa Area Comm. Bank	500,000	Calabar	C/River	5/10/92
39.	Ekulu Community Bank	500,000	Enugu	Enugu	6/10/92
40.	Akokwa Community Bank	500,000	Ideato	Imo	8/10/92
41.	Gwong Community Bank	250,000	Jama'a	Kaduna	9/10/92
42.	Ogugu Community Bank	500,000	Alamboro	Kogi	9/10/92
43.	Idav Community Bank	500,000	Gboko	Benue	9/10/92
44.	Akpor Community Bank	500,000	Obioaka	Rivers	12/10/92
45.	Gombe Community Bank	500,000	Gombe	Bauchi	15/10/92
46.	Mainagge Community Bank	500,000	Dala	Kano	28/10/92
47.	Ijesa Isu Community Bank	302,000	Ikole	Ondo	19/11/92
48.	Isuoffia Community Bank	250,000	Aguata	Anambra	13/11/92
49.	Odofin Community Bank	500,000	Ojoo	Lagos	10/11/92
50.	Ileogbo Community Bank	250,000	Ayedere	Osun	13/11/92
51.	Maryland Community Bank	500,000	Ikeja	Lagos	4/11/92
52.	Ilupeju Ekiti Comm. Bank	250,000	Oye	Ondo	18/11/92
53.	Ado Ekiti Comm. Bank	500,000	Ado Ekiti	Ondo	23/11/92
54.	Amurie Omanze Comm. Bank	250,000	Isu	Imo	25/11/92
55.	Otu Nkwo Comm. Bank	500,000	Onitsha	Anambra	22/12/92
56.	Mafoloku Comm. Bank	500,000	Osodi/Isolo	Lagos	22/12/92
57.	Ido Community Bank	500,000	Ido/Osi	Ondo	22/12/92
58.	Ogui-Urban Comm. Bank	250,000	Enugu	Enugu	22/12/92
59.	Marmara Comm. Bank	250,000	Wukari	Taraba	17/12/92

₦22,734,000

• **SEPTEMBER 1993:** 185 Community banks have received ₦68.56 million as matching loans - 79 Community banks have repaid ₦4.69 million leaving a balance of ₦2.753 million from 36 banks.