

# **COMMUNITY BANK SERVICES AND ECONOMIC DEVELOPMENT A SURVEY OF IGBEAGU IZZI COMMUNITY BANK, IZZI LOCAL GOVERNMENT AREA OF EBONYI STATE.**

**ETSELI JACOB NNANNA**

Department of Economics  
School of Arts and Social Sciences  
Ebonyi State College of Education Ikwo  
E-mail: [etselijacob@gmail.com](mailto:etselijacob@gmail.com)  
Phone Number: 08038726669

## **INTRODUCTION**

### **Background to the Study:**

In the recent past, efforts have been on the use of modern banking credit facilities by people at the grassroots especially in the sub-urban and rural areas of Nigeria. Commercial and merchant banks created focusing on agriculture and industrial production, co-operative activities and other specific areas.

Beyond, this, the establishment of rural branches were made mandatory for commercial banks so that in the interest of the rural people could not fit into the conventional banking system. In order to secure even the modest of loans, they were required to fill several forms, obey certain rules and provide some form of guarantee or collateral. All in all, rural people and small-scale producer were generally marginalized in the modern banking environment in the country.

This problem persisted over the years. It eventually led government and some of its agencies to look for other possible solutions. The central bank's injunction that specific number of branches of commercial banks be opened in rural areas was the first major step. Today, there are 756 such rural bank branches across the country. Their presence, however, has not been able to make banking attractive to the people for whom they created. Banking operations have continued to be complicated sophisticated and often times cumbersome to the extent that the low-level of education and the outright illiteracy of the rural people have made participation difficult. In consequence, the rural

people have had to continue to depend for their credit. In various part of Nigeria, the system is known as ‘ajo’ ‘turu nuu’, ‘esusu’ ‘bam’ and ‘adashi’. The main characteristics of these local systems are voluntary contributes from members on daily, weekly or monthly basis. Such monies collected to agreed rules. Only nominal interest rates are charged on the loans. Where any member defaults, appropriate and mutually accepted sanctions and imposed.

This situation has greatly impeded development at the grassroots since it meant the absence of a robust credit system that could fuel economic growth. This was the rationale behind the central banks continued search for a solution to monetize the rural economy through the planned establishment of rural cooperative banks. These however, did not take off properly because of low capital base and poor management. Since then, the directorate of food, roads and rural infrastructures by virtue of its grassroots- oriented programme came up with the idea of community banks which would aid the programme of rural development, encourage local self-reliance and enhance economic well-being of the majority of people in sub-urban and rural areas. The community banking system was launched with the opening of Alheri Community Bank, Kaduna by the President, General Ibrahim Badamasi Babangida on Monday, 31<sup>st</sup> December, 1990.

### **Statement of the problem**

Community banking was one of the fear- reaching and important measures taken by the federal government to revitalize grass root participation in the economic development of Nigeria. Through it, the advantages of banks and banking have been brought to the door steps of a good proportion or rural dwellers and the lower strata of society, who otherwise, could never have dreamt of using bank facilities for deposit and loan purposes for the furtherance of their economic and social pursuits. Eze (1977).

In the past, before the establishment of the community banking system, the rural dwellers who have no access to banking services kept their money under pillow, mattresses, hole, roofs or tied it around the waist. Moreover, the beneficiaries who could have been getting loans and advances suffered. In silence since the conventional

banks would not give them attention. Also men and women who could have been employed were idles in some cases turn into social misfits which is detrimental to the economy.

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### **Purpose of the study**

The purpose of the study was to investigate the roles of community bank in economic development.

### **Significance of the study**

This study will immensely help to eradicate the barriers and obstructions in community banking system from the tap root. The value of this study will make it mandatory for government or money market operators to amend certain things where deemed necessary. The rural dwellers will find it necessary and will be encouraged to invest in their community banks for easy development.

Socio-economic problems will be solved through the opening of more community banks. It will create means for the indigenes trade associations or even the community as a whole the opportunity to invest on physical capital investment which will at the long-run filed a good economy.

### **Research Question**

The researcher in order to carry out effective research work, tried to find out the role of community bank in economic development.

1. Has community banks helped in the development of rural areas?
2. Has community bank introduced industries to the rural dwellers as to measure modern record technician?
3. Has the community banking system provided job opportunities in the economy?
4. How has community banks promoted small-scale operation?
5. Has community bank increased savings and deposits in the rural areas?

## **Hypotheses**

In a recent study of community bank services, Ocho (1992) described the operational dimensions of their impact on the grassroots economic development. Ocho also found that without doubt, community banks have been a potent force in the grassroots economy both directly and indirectly. They have directly provided finance and other support services to promote and assist small-scale operator. Indirectly they have helped to expose such operators to modern record keeping and improved financial management practices. Thus the role of community banks on the grassroots economy has brought quantitatively by reference to a number of operational activities of the banks. Five operational dimensions of their impact can be easily identified. They are:

- i. Increased accessibility to banking services
- ii. Savings and deposit mobilization, particularly in the rural economy.
- iii. Credit delivery to vulnerable economic group
- iv. Employment generation, and
- v. Enhanced earnings and income.

## **METHODOLOGY**

### **Design**

This research is a very survey research and it is basically designed to elicit information from the questionnaires distributed and received from the respondents.

### **Area of Study**

The purpose of the study was to investigate the roles of community bank in economic development.

### **Population of Study**

The study comprises of all the people in the people in the community which is about 2, 500 of which only 10% which represents 250 people were randomly selected as the

sample population of the study. The researcher did this by selecting 50 people both male and female from each village.

From these people selected, 40 people were uneducated while 210 were literate. The researcher conducted oral interview with these 40 people numbering 27 farmers, 8 petty traders and 5 small-scale operators while 210 questionnaire were distributed to the bank officials and educated elites of the community to answer.

### **Sample and Sampling**

The researcher made use of simple random sampling technique in the selection of his subjects for the study.

### **Instrument for Data Collection**

The sources of the data collection for the accomplishment of this work include questionnaires and personal observations.

### **Validation of Instrument**

In administering the questionnaires, the researcher first of all contacted the bank manager, the village heads and the traditional ruler of the community for the introduction of the questionnaires to the bank officials and some literate people in the community.

### **Reliability of the Instrument**

The total number of 210 questionnaires were distributed and the researcher collected 204 after giving them to fill the questionnaires at their own convenient time. The 200 questionnaires, were useful for the research work while 4 were discarded because of being wrongly filled by the respondents.

### **Method of Data Collection**

The researcher used both primary and secondary source of instruments as a means of gathering information needed in this work such as:

1. Oral interview which conducted on 27 farmers, 8 petty traders and 5 small-scale operators among others.
  2. Questionnaires were designed by the researcher and it contained 15 items to obtain information from bank officials and some educated elites of the community
- The researcher also used t-distribution statistical tool to present and analyse the data.

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