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BANK SERVICES IN NIGERIA FINANCIAL INDUSTRY:
A CASE STUDY OF CUSTOMER'S PREFERENCE FOR BANKING SERVICES IN LAGOS AND ABUJA

BY

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CHAPTER ONE

1.1 INTRODUCTION

In this work study, I intend to trace the historical development of competition in the Nigeria banking sector by considering the services rendered by banks especially between the pre and the post consolidation era. There is a paradigms shift in the types of services rendered by the Nigeria banks shortly after consolidations. The competition witness among banks has been a factor in relation to the services delivery. The era of universal banking became operational and more visible after the ₦25billion minimum capital base for Nigerian banks. The banking reform which stipulated a minimum capital of ₦25billion in 2004 brought about merger and acquisition, raising capital from the capital market, as well as foreign direct investment into the banking sectors. This made them to be operating between ₦50 and ₦100 billion capital bases. A good number of them became diversified in their service delivery and move on to become a global player. However , some observers still believes that there are factors that influence bank customers' preferences.

This study would look critically at banking services delivery in the financial sector and the factors that influence customers patronage of a bank. in Nigeria. I would also consider the factors influencing bank consolidation on the services render by banks to their customers and how it has translated into success story to some of the banks.

The following points would be critically examined amongst others:

- Customer
- Banking services
- Features of banking services
- Marketing concept
- Demand

- Factor affecting demand for bank services.
- Type of Banking Services

It is essential to point out what a customer considers primary in his or her choice for Banker and the banking services; this should assist bank in their service delivery system and client management.

This study would look critically at various banking services in the Nigeria financial industry and factors affecting or influencing customer choice for banking service in Lagos State.

1.2 HISTORICAL BACKGROUND

THE DEVELOPMENT OF BANKING INDUSTRY IN NIGERIA

Banking services development in Nigeria as a sideline to other commercial activities of Elder Dempster Company. According to available information, the first real bank in Nigeria was the African Banking Corporation founded in 1892. In 1894, Bank of British West African Banking Corporation which called the bank of West African on Nigeria's Independence and later called the Standard Bank of Nigeria Limited and subsequently changed its name to First Bank of Nigeria Ltd now Plc had complete monopoly of business in the banking industry until the establishment in 1917 of the colonial bank.

The Colonial Bank opened branches in Jos, Kano, Lagos and Port Harcourt. In 1952 the bank changed its name to Barclays Bank DCO and is now called Union Bank of Nigeria Plc.

Indigenous participation in the Banking Industry started in 1929 with the establishment of the Industrial and Commerce Bank by a group of Nigerian and Ghanaian Entrepreneurs. The Bank failed in 1930 due to inadequate capital, poor management, hostile and unfair competition from the foreign established banks.

Undaunted by the failure of the first attempt at establishing an indigenous bank, another group of entrepreneurs, this time all Nigerians among whom were the late Dr. A. Maja, Chief T. A. Doherty and Late H. A. Subair established the Nigerian Merchant Bank in 1933. The bank was more successful than its predecessor, but like it, also failed in 1936.

Meanwhile the same group of indigenous pioneers in field of banking had established in 1993 the National Bank of Nigerian Limited, which was to make history by being the first indigenous bank to survive though with some few problems to the 1952 Banking Ordinance. The success of National Bank Limited through careful management by the Western Regional Government inspired other Nigerians to go into banking business and in 1945, Chief Okupe established the Agbonmagbe bank. As a private enterprise it thrived. It thus became the fourth indigenous bank to be established. It also survived though it ran into difficulties in 1967, it was saved by the Western Nigerian Development Corporation (WNDC), later IICC and now Odua Investment Corporation who took over its operations and changed its name to Wema Bank Limited. The Nigerian Penny Bank was the fifth indigenous bank to be established but it packed up operations with disastrous consequences to depositors soon after registration in 1946.

In 1946, Dr. Azikiwe established the Tinubu Bank to serve the Zik Group of the Companies, which was established in 1941 called Tinubu Properties Ltd.

The name of the bank was changed to the African Continental Bank in 1947 with its first office in Yaba. In 1949, another foreign bank, British and French Bank was established. The bank was re-established in 1961 by a consortium of five foreign banks. Since then it has been known as the United Bank for African (UBA). In order to have further insight into the history and development of the

Banking industry in Nigeria, from the establishment of the first in 1892 to date, it will be convenient to drive the period into three distinct eras.

1. 1 ERA OF UNRESTRICTED BANKING 1892 - 1952

From 1892 when the first bank was established and 1952 when the first banking ordinance was passed, there was excessive and unbridled proliferation of banks in Nigeria. Almost all fizzled away before December 1953 because of:

i. Inadequate capital base
ii. Inexperienced staffing
iii. Ill – equipped offices
iv. Unskilled management
v. Inability to meet the demands of new government regulations.

All that was necessary were registration of business name like in any other trade, office accommodation, signboards and a handful of bank clerks. The experience of this period is now a subject of history. The country witnessed indiscriminate establishment of banks by all comers and consequently catastrophic failure of many. Regrettably 22 of 24 banks that failed were indigenous, while the other two were of mixed ownership, which is foreign and indigenous.

1.2 THE PERIOD OF REGULATED BANKING

The collapse, for example, of the Nigeria Penny Bank in 1946, where depositors lost their savings, brought public outcry and Government was forced to set up the Paton commission of Enquiry. The recommendations of the commission were made known in 1948, and the first banking ordinance was passed in May 1952. This ordinance and the Act that later replaces it tried to give a definition of "bank" as any person who carried on banking business, and banking business is further defined as the business of receiving money on current account and collecting cheques drawn by or paid in by customers and of making advances to customers.

The ordinance also stipulated, among other things a minimum paid up capital of £12,500 (₦25,000) if the bank head office is in Nigeria or £200,000 (₦400,000) if the head office is outside Nigeria. The 1958 ordinance stipulated a penalty of not less than £50 (₦ 100) for each day any contravention continued. The paid up capital was again raised in 1969 to £300,000 (₦ 600,000) for indigenous banks and £750,000 (₦1, 500,000) for foreign banks.

The next landmark in the history of banking business was the enactment on 15th May 1958, of the Central Bank of Nigeria Act which provided for the establishment of a bank to issue, the notes and coins of which should be legal tender throughout Nigeria. The act also provided that the Central Bank is the Banker to the government and was given certain powers over all the commercial banks and financial institutions.

Another major landmark in the banking industry was promulgation of the Companies Decree in 1968, which requires all companies, (including banks) operating in Nigeria to be locally incorporated as Nigerian companies irrespective of whether they were former branches of overseas companies or bankers with Headquarters abroad.

The fourth legislative landmark was the promulgation of the Nigerian Enterprises promotion Decree of 1972, which empowers the Federal Government to acquire (40) per cent of the equity shares in all banking companies not wholly owned by Nigerians.

The decree was later amended in 1977 to increase Government acquisition to sixty (60) per cent. Establishment of banks during this period was pursued with extreme caution. The First Bank to be established after the 1952 Ordinance was the Muslim Bank, which was established in 1958. It ceased operations in 1969 because it could not comply with the provisions of the banking Decree promulgated that year. The Co-operation Bank Limited and that of Co-op & Commerce were established, the Banque Internationale de L'Afrique Occidentale (now Afribank Nigeria Plc) was established in 1959.

The Bank of America was established in 1960. Chase Manhattan Bank (now merged with standard Bank) in 1961, Bank of India and Arab Bank in 1962. Three mixed Banks were also established during the period they are:

The Bank of Lagos a joint venture between some Swedish and Nigeria national, the Berini Beinut Riyad Bank Ltd, and the Bank of the North Ltd, were formed in partnership with certain Lebanese group of Banks. The first two of these three banks, which were all established in 1959, have ceased to operate and the Government of Northern States of Nigeria has covered the third, Bank of the North Ltd.

3. THE POST CIVIL WAR ERA

The end of the Civil War witnessed the implementation of massive reconstruction projects by the various State Governments, and the establishment of state-owned banks. In 1970, the mid-Western State now Edo and Delta States established the New Nigerian Bank. This was quickly followed by the establishment of the Pan African and Mercantile Banks by the Rivers State and South-Eastern (now Cross River State) respectively. Notwithstanding the open pessimistic opinions expressed by renowned academicians against the establishment of state banks, records to date show that they are making steady progress until of recent when some started rearing symptoms of distress in the Banking Industry. Other state banks have since been established and these are the Kaduna Co-operative Bank Ltd., known as Nigerian Universal Bank and Kano Co-operative Bank known as Tropical Commercial Bank both established by the Kaduna and Kano State

Governments respectively. Other banks established during this period are Continental Merchant Bank, First National City Bank of Chicago later became International Merchant Bank Ltd., ICON Limited (Merchant Bankers) and Societe Generale Bank (Nig.) Ltd, Inland Bank of Nigeria Plc.

4. FINANCIAL LIBERATION ERA

The financial liberation and deregulation policies adopted in the wake of the Structural Adjustment Programme (SAP) introduced in 1986 resulted in phenomenal growth in the number and variety of Financial Institutions, volume and complexity of operation also on the number of products offer as a result of innovation and increased competition. The financial sector within this regime of deregulation, re-regulation, and guided deregulation witnessed increased number of banks in the economy.

The explosion in the number and variety of Financial Institution between 1986 and 1991 resulted in over stretching of available managerial capacity, which manifested in financial distress and eventual demise for some financial institutions. In response to this unsavoury development the Regulatory/Supervisory Bodies had to withdraw two (2) Banks' Licenses in January 1994. One license had to be withdrawn in June 1995. The worst scenarios was in January, 1998 when twenty six (26) licenses were withdrawn, thus putting the total figure at thirty one (31) distressed banks in this era; a very sad event that has brought untold hardship to all stakeholders.

CONSOLIDATION ERA

This distress witnessed in the banking industry in the 90's brought about the loss of confidence in the sector. A number of measures were put in place to ensure adequate capital base for the banks. The minimum capital was increase to ₦2 billion in 2002. The reform agenda of the Federal Government led by Chief

Olusegun Obasanjo brought the banking reform of year 2004 which put the minimum paid up capital of a universal bank at ₦ 25billion.

The primary objective of the reforms is to guarantee an efficient and sound financial system. The reforms are designed to enable the banking system develop the required resilience to support the economic development of the nation by efficiently performing its functions as the fulcrum of financial intermediation (Lemo 2005). The reforms were to ensure the safety of depositor's money, position banks to play active developmental role in the Nigeria economy, and become major players in the sub-regional, regional and global financial markets.

Prior to the just concluded banking sector consolidation programme induced by the CBN 13-point reform agenda, which was announced on the 6th July, 2004, the Nigerian banking system was highly oligopolistic with remarkable features of market concentration and leadership. Lemo (2005) notes that the top ten (10) banks were found to control:

- more than 50% of the aggregate assets
- more than 51% of the aggregate deposit liabilities; and
- more than 45% of the aggregate credits.

Thus the system was characterized by:

- Generally small-sized fringe banks with very high overheads costs
- Low capital base averaging less than $10million or N1.4billion;
- Heavy reliance on government patronage (with 20% of industry deposits from government sources)

Furthermore, twenty-four out of the eighty-nine deposit-money banks that existed then exhibited one form of weakness or the other. Prominent among such weaknesses are under-capitalization and /or insolvency, illiquidity, poor asset quality, weak corporate governance, boardroom squabbles, dwindling earnings and in some cases, loss making.

The unhealthy competition that existed in the market, which was engendered by the relative ease of entry into the market as a result of the low capital base, necessitated some banks going into rent-seeking and non-banking businesses, which are not related to core banking functions. Some of the banks were preoccupied with trading in foreign exchange, government treasury bills and sometimes, indirect importation of goods through surrogate companies. From the foregoing it was apparent that a reform of the banking system in Nigeria was inevitable; it was only a question of time.

The CBN them made it mandatory for any bank to operate, it must have a minimum paid up capital of ₦25 billion. This pronouncement made banks to adopt the strategies such as:

- Right issues for existing shareholders and capitalization of profits
- Public offers through the capital market and/or private placement
- Mergers and acquisitions; and
- A combination of the above strategies.

The economy also witness Foreign Direct Inflow as well as boost in the Nigeria capital market. The consolidation era of the banking section has brought considerable innovations as Nigeria suddenly became Africa financial hub, with close to $3 billion coming in as FDI. The impact this has on the service delivery of banks shall be look into in the later chapters.

1.3 OBJECTIVE OF THE STUDY

The study is tailored towards the achievement of three main objectives, namely:

- Evaluate the services render by banks in Lagos metropolis and thereby determine the extent to which such elements are associated or related to the bank performances pre and post consolidation.
- Identify the possible reasons for increase in demand for banking services Lagos metropolis and high chase for the “new generation banking” services
- Recommend appropriate strategies for continue improvement of banking services in the Banking Industry.

- Assemblage of storage document authentic enough for scholars and researchers for reference for the ultimate aim of improvement of customer satisfaction in order to increase profitability.

1.4 SCOPE AND LIMITATION OF STUDY

This study is restricted to Lagos (Lagos Mainland and Lagos Island) banking business environment, and the Federal capital city, Abuja. The reasons for chosen these cities are as follows because:

i. The Head offices of about 95 percent of banks are in Lagos.

ii. The Bank that does not have their Head Office in Lagos; will probably have it in Abuja and a regional office or head office annexes in these cities.

iii. Lagos is the nation's most industrialized state. Over 70% of the industrial base of the nation is in Lagos and that has led to high demand for banking services.

However, due to economic and time constraints in terms of the huge amount involved in carrying out the study extensively, plus the time frame for submission, the study has been limited to Wema Bank Plc, First Bank Nig. Plc and Guaranty Trust Bank Plc, Diamond Bank Plc, and Oceanic International Bank.

The project was also limited by the constraint of servicing premium data from the public sector/conglomerates attitude of some respondents who had to be persuaded to complete and return questionnaires on time.

1.5 STATEMENT OF PROBLEMS

Customers are the "Ultimate Kings" of banking business without them there will be no banking; enterprises including banks have regard for customers anywhere for existence. As a result of this, it is understood that the purchase decision/patterns of these customers which are known to be difficult and complex in nature. Bankers will adopt strategies to ensure that they retain their customers. Poor customer services have become a thing of the past while customers are increasing demand for better services.

As more banks are established, competition becomes keen and tough coupled with multiple and different Banking Services which are technologically based.

Furthermore, with the recent banking consolidation brought about as result of reforms of 2004 by the CBN; the banks in Lagos are technologically driven, most are strategically located, coming up with special banking services or products that can be widely accepted in the region of Africa and the world at large.

Demand for banking services keep on growing in major cities as more and more Banks are opened, new products and varieties of services introduced to woo customers.

1.6 RESEARCH QUESTION

The purpose of this research is to analyze the demand for banking services: The factors affecting customer's preference. For the purpose of this research the following questions will have to be answered:

(a) What types of customers are common in Lagos and Abuja?
(b) Which are the most important preferences of customers in order of merit?
(c) Why are customers' preferences for banking services continuously increasing in Lagos and Abuja?
(d) Do modern technological changes in banks in these areas account for customers' demand for banking services?

(e) Do innovative services by various banks account no reasons for customer preference?

(f) Does accessibility to this bank branches influence customers' preference for their services in Lagos and Abuja. Is response time to customers' inquiries and transaction important factor?

(g) How important is new technology systems support and computers e.t.c to the customers in this city?

1.7 STATEMENT OF HYPOTHESIS

In order to approach the research questions empirically some hypothesis were formulated and tested to enable framed answers to the research questions earlier mentioned, and to provide a necessary sense of direction of study.

To investigate the demand for banking services, factors affecting customers' preference in Lagos, Abuja and Port Harcourt, the argument of the study will be summarized in the following hypotheses relationship.

1. Ho: Customers do not have services preference in major cities
   Ha: Customers have services preference

2. Ho: Customers preferences for services are not continuously increasing
   Ha: Customers preferences for services are continuously increasing

3. Ho: Banks lend more to their customers in Lagos and other cities
   Ha: Banks do not lend more to their customers in Lagos

4. Ho: Concentration of banks in Lagos and other cities does not count in customers' Preference in bank service(s).

Ha: Concentration of banks preferences in Lagos and other cities counts in customers' preference in bank service(s)

5. Ho: Accessibility to these branches does not influence customers' Preferences to their services

   Ha: Accessibility to these branches influences customers' preferences to their Services

6. Ho: Response time to customers' inquiries and transaction is not an Attraction.

   Ha: Response time to customers' inquiries and transaction is an Attraction.

7. Ho: Technology is not an important factor-affecting customers' Preference for service

   Ho: Technology is an important factor-affecting customers' preference for Service

1.8 SIGNIFICANCE OF STUDY

This research study is useful to the banks and banking scholars as a means of identifying and utilizing effectively the factors affecting bank services in relation to customers' preference in their demand for the services.

The research therefore aims at assisting management of banks in determining their product package, pricing, promotion and customer relation policies in order to attract and sustain customers that will ultimately lead to higher profitability.

CHAPTER TWO

LITERATURE REVIEW

2.1 INTRODUCTION

The importance and place of the customer in every business especially the banking industry and the growing competition in the industry has reaffirmed the saying that "Customer is always right"

The same trend follows the statement "The goodwill of the people is the only enduring legacy in any business – the sole substance while the rest is shadow" B.F. Johnson (The President of John Wax).

The above excerpts summarize the key place that customers occupy in any business organization. H.F. Johnson is the last made further exposition on the interaction that must exist between buyer and the seller. He opined "Business is a symbol . . . the product and services are sold because people have faith in the integrity of the man who make the product or provide the service … a business lives forever because of the human opinion.

Service delivery is product of the banks; the quality of bank services therefore cannot be over-emphasized.

2.2 WHAT IS BANK SERVICES?

Banks as financial intermediaries have two basic traditional functions: deposit collection and lending. All services rendered by banks are more or less incidental to these two functions. For instances when banks collect deposits from customers for safe-keeping, they go ahead and pay interest to these customers. This is a way of encouraging the customers to save more.

Other bank services either help to retain the deposit of customers by providing them with a one-shop facility where they can have access to other services or help to create an outlet for lending.

2.2.1 REASONS WHY PEOPLE USE A BANK'S SERVICES.

1. To keep their funds safe and secure. There can be little doubt that this is the most fundamental and important reason of all. Cash kept at home will always represent a serious security hazard, and the greater the amount of cash kept there, the greater the hazard.
2. To obtain interest payments and other return on investment. In many respects this reasons goes hand-in-hand with the first one: people rightly regard interest payments and other returns as the reward for putting their money in a safe place.
3. To obtain convenient access to cash. Once the customer's funds are in safe hands and interest is being earned on them, the next most important reason for using bank's services is to give the customers access to cash. the majority of counter transaction undertaken at a bank branch involved the cashing of a cheques or
4. To obtain convenient access to payment facilities. After the need to obtain access to cash, obtaining access to payment facilities is clearly the customer's next big priorities. The new banking reform has brought about revolution in banking by proving customers with a remarkable range of payment facilities, mainly based around the plastic bank card.

5. To obtain access to loan facilities. Most customers -even very wealthy ones need access at some point in their lives to facilities to borrow money especially in order to buy especially in order to buy expensive items like machinery, vehicles or property. Facilities could also be in form of overdraft, which allows a customer to withdraw funds from his account or make payments from it over and above what his has in the account. Overdraft limits will

typically be marked in advance and the customer is expected to adhere to them. The principal difference between loan and overdraft is that the loan is regarded as drawn as soon as it is made, with interest being levied on the whole amount of the loan, and whereas with the overdraft, interest is only levied on funds withdraw as part of the overdraft facility.

6. To obtain status and equality with peer groups. This is an increasingly important customer motivation for using a bank's services. Typical examples of products that seek to exploit the status-seeking desire of some customers are gold and platinum credit cards which usually come with certain special privileges, as well as access to a range of banking services.

   Products that confer equality with peer groups are mainly important to the young. Most banks have some products designed to be targeted at younger customers, and usually marketed and advertised according to a youthful theme.

   Status seeking on the part of well-paid professional is an increasingly important motive for using and buying banking services, and likely to become even more important in the recent times. Banks are keen to increase their customer base of hard-working people with high incomes and will take all sorts of steps to win customers over using products that convey status.

2.2.2 THE FACTORS AFFECTING DEMAND FOR BANK SERVICES.

Theses are the factors that can cause a customer to buy or not to buy a particular service. These are:

1. The Price of the service
2. The Technology
3. Changes in Taste & Preference
4. The Price of other commodities (services)
5. Population (i.e. number of people demanding for the service)
7. Changes in income and wealth of customer.

2.2.3 SETTING THE RIGHT PACE

Many commercial banks will say that price or interest rate is the most important factor in winning or losing business. If this is so, it implies that in all other respects of the bank relationship there is no difference between offerings in the market place. That is to say, banking services are no more or less than the sale of commodities which is solely a function of price. Clearly, this is not so and no self-respecting banker would deny his skills as a businessman able to solve business problems for his customers. Consequently, we need to consider what exactly is meant by price and what its role is in selling banking service. To find the answer it is important to look at the question from the customer's point of view. In deed, think back to when you last made a purchase of a significant item. Were you guided solely by considerations of price or was it a more subtle decision? If one considers the purchase of a portable television set, the reality is that you will consider the following points:

1. The quality of the picture
2. The record of reliability for this type of set
3. Whether a guarantee is provided for what period of time
4. The general image of the manufacturer
5. Availability of set/delivery time
6. Maintenance facilities
7. Credit Facilities

Price is not mentioned above although, of course, it is an important factor. In deed it is likely that in reviewing the range of sets available, you will have had as much if not greater influence on decision. Taking this into the banking field, the reality is that whilst price, plays its part, other factors are also important. So, in looking at a mortgage facility, the prospective customer is very interested to know the following:

1. How much can be borrowed?
2. How long the repayment period will be?
3. How quickly a mortgage can be arranged?
4. Whether any assistance can be given on bridging a sale to purchase a transaction.
5. If the bank can introduce a solicitor, surveyor and other professionals.
6. If the provision of a mortgage will have any effect on obtaining a loan to improve the property.

These are dominant factors and only after they have been resolved satisfactorily will the question of price come into play. In fact, price in this case is defined in interest rate terms and yet the customer is generally more interested in how much it will cost each month.

As an example in the corporate sector, let us consider a long term loan for buying plant and property to assist in the expansion of a company. Here, it must be remembered that the decision maker is not as straight forward as in personal sector and indeed may include more than one person. Consequently, a decision will be taken after careful appraisal of:

1. How much will be lent?
2. Duration to return the borrowed sum
3. What security will be needed
4. Is there a repayment holiday on the phase of the loan?
5. Is it necessary to supply large amount of data/information to the bank to get agreement?
6. As the finance director, does it make my life easier?
7. As the owner of the business, does this have any adverse effect on getting my capital out of the company when I sell or retire?

Of course, ‘price’ also has its impact but it will come at a later stage in the research. Indeed, it is very often the last factor to discuss and resolve. It will therefore be seen that price does not figure as large in the customer’s assessment as others thought it to be the case.

What is price and its role?

Pricing is the act or action of determining the relative worth, value or cost of a commodity or service in terms of money or money’s equivalent. (Okonkwo onuigbo 2005). Price should essentially be seen as the factor that brings the customer and bank together in a transaction. It is in effect, the equal sign in an equation. On the one side we have the customer’s benefit and on the other side the value of the business to the bank, i.e. (Price)

Customer’s benefit = Value of business to bank.

Thus, from a customer's point of view he has decided that the value to him is worth the money it will cost. Consequently, price can be restated as the point at which value for money is at an optimum position. Another, way of looking at price is that it represents the point of exchange, i.e. the bank has sold its services for the satisfaction of a customer need at an agreed price.

Although price is not a dominant factor, other than in selling commodities and should be seen as only one of the four Ps, it can be used in a highly effective way both tactically and strategically.

What does price mean for a bank?

Price for a bank comes in a variety of forms, including the following:

Interest rates

When agreeing an interest rate on an overdraft for a business or individual, the price quoted is a percentage sum over and above base rate. The base rate for a bank is essentially set by the Central Bank of Nigeria. In Nigeria and whilst there are occasions when individual bank have different base rate these are exceptional periods and usual exist for a very short time. The individual bank, therefore, has very little control over this aspect of pricing. However, the percentage sum above base rate is entirely in the hands of the bank and will be determined by factors such as risk assessment, length of facility, capacity to meet payment and view of what the customer will pay.

When setting this rate, careful review of the other elements of the marketing mix should be made. So for example, if you are able to meet more clearly the needs of the customer by lending for a long period of time, have a repayment holiday, and negotiate at the business address and if the facility is agreed quickly, it will then be possible to charge a higher rate than a competitor. Do not automatically assume you have to match or reduce the interest rate compared with other banks. Indeed, in examining car dealer-based finance schemes, these are often the most expensive forms of personal finance.

Their attraction to the car buyer lies essentially in the ease, simplicity and convenience when compared with having to raise finance separately from the bank. Similarly, the building societies were able to increase their market share for savings significantly during a period when the best rate was always available from Government schemes. This was because of promotional activity which positioned the building society in a superior way.

Transaction costs

Charges are levied for items passing through an ordinary current account. Progressively, the most banks have found it difficult to raise the charges on current accounts due to competition of other finance institutions supplying similar services. This was predominant during the financial liberalisation era where upsurge of finance houses. This particular too was used by the smaller banks to gain increased market share and demonstrates how effectively price can be use tactically to win business.

Fees

As the revenue from transaction charges has declined and competitive pressure on the large scale loans/overdraft facilities has moved margins lower, so the need for fresh, more controllable sources of income has arisen. Fees have therefore become more important and have been introduced for a range of personal and commercial operations.

How can price be used?

As its very simplest, price is a means of recovering costs and making profit. However, price can also be used to affect behaviour and attitudes, which can position the bank in a desirable competitive position. Let us look at some of the possibilities available.

Building Volume and Market Share

As a bank with only a small share of a profitable and worthwhile market, it may make sense to price the product in a very attractive manner so that new customers will be interested in buying the product. So, for example, in offering new current accounts, the bank may agree to waive all charges and to pay interest on all credit balances. In another situation, a bank wanting to build a big agricultural share from a small base may attempt to buy business by charging a fine interest rate at 1% above base rate. This trend was witnessed shortly after consolidation as banks came up with current account with zero C.O.T to attract the retail customers and to increase the number of customer's patronage.

In both of these cases, the bank is likely to see an increase in its share of the market with a rising number of customers. Achieving a bigger customer base provides an opportunity for the bank to cross sell other products. This approach will therefore mean that on the low-cost items they will be sold at reduced profit margins, although the total profitability can be maintained of the volume increase is sufficiently large. In addition, the overall profitability may increase more than the present figure due to the subsequent cross selling.

There is a danger in pursuing this strategy, which occurs when the competition responds to the low pricing policy with a similar price. This will then eliminate the competitive edge at a reduced profit for all participants in the market.

Preventing Competition Entering

As a large bank, you may not wish to see other competitors enter your market until your volume has reached a certain size. Tactically, pricing the product at a low level may prevent a new player from attempting to copy your product.

Companies who have built up a customer base over the years will have generated significant efficiencies in the way the business is run.

Economies of scale will have been achieved, sophisticated systems may exist and heavy investment in image/positioning made.

Against this background a new competitor will have to make substantial investment just to compete. If the unit profit margin is so low due to your low pricing, then the barriers to entry for this low competitor will be too high. A good example of this today is in the running of the ordinary current account with certain amount of minimum balance to enjoy the zero C.O.T

A danger in following this tactic is in reducing profitability and forcing the new entrant to concentrate on ways of making their product more attractive though changing other aspect of product, place or promotion.

2.3 **BANKING SERVICES**

2.3.1 INTRODUCTION

We have come to realize that providing outstanding service is incredibly difficult, a far greater challenge than achieving leadership in technology, cost, or quality. You cannot begin tackling the problem until your business is doing everything else right from R & D through delivery. Becoming a service leader takes more than good general management. It calls for making profound changes in the way you operate. It often requires building a new, service oriented culture.

Services can be defined as any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of any thing. Its production may or may not be tied to physical product.

Commercial Banks today offer services from one location than the majority of other financial institutions.

A partial list of services provided by most banks is shown below; the most important of these services are fully discussed thereafter.

A PARTIAL LIST OF SERVICES PROVIDED BY MANY COMMERCIAL BANKS TODAY

- Regular checking of accounts
- Interest-bearing draftable accounts (such as call accounts)
- Saving deposit
- Interest bearing time accounts
- Money market deposit
- Wire transfer funds
- Cash management services
- Automatic transfer of funds between accounts
- Checking and saving accounts
- Safekeeping of valuables
- Payroll accounting services
- Discount brokerage services
- Financial planning and advisory services
- Auto finance schemes /consumer loans to support the purchase of durable goods (such as automobiles and household items).
- Direct cash loans to customer

- Sales of credit life insurance
- Real estate credit to support the construction and purchase of homes, apartments, stores and shopping centers, office buildings etc.
- Commercial credit to finance business needs for working capital such as purchase of inventory.
- Terms of loans to finance purchases of business equipment and permanent working capital.
- Extension of leases to support the purchase and use of business equipment.
- Standby credit guarantees to help customers obtain credit elsewhere.
- Trust services to assist individuals, businesses, and non-profit institutions in property management.
- Accepting financing and letter of credit to support the export and import of goods and services in international trade.
- Underwriting of new security issues for corporation and government. Expanding the money supply.

LOANS INVESTMENT

Commercial banks display all the characteristics of financial intermediaries. Similar to insurance companies, mutual funds and other intermediaries, they attract funds from savings – surplus units by issuing attractive financial assets (secondary securities) and lend those funds to borrowers or savings deficit units, accepting I.O.U'S (primary securities) in return. Still banks are especially important financial intermediaries in one key respect; commercial banks have the capacity to create money in the guise of new deposits by granting credit to borrowers.

PROVIDING AN OUTLET FOR SAVINGS OR BUSINESS HOUSEHOLDS, AND GOVERNMENTAL UNITS

Commercial banks provide an outlet for savings set aside by public out of a current income by offering financial assets with attractive rates of return. Time and savings deposit and money market accounts of commercial banks represent more than half of all thrift deposits held at depository institutions. As with the thrift deposits offered by credit unions, savings and loans banks, commercial banks, money market and time and savings deposits of relatively small denominative are regarded as a nearly riskless outlet for the public's saving, which can be cashed in almost immediately if funds are needed to meet an emergency.

OFFERING AS A MEANS OF PAYMENTS FOR PURCHASE OF GOODS AND SERVICES

Demand deposit (checking account) offered by banks serves as the principal medium of exchange with which to purchase goods and services. Until the 1970s and 1980s, banks had a clear field in the competition for demand deposits. No other financial institution offered an instrument with the unrestricted capacity to make payments to third parties on demand. Only in building for time and saving deposits did banks face stiff competition from non-bank financial institutions. However, deregulation of financial sector in United States and similar reductions in the regulatory banks facing financial institutions in other nations such as Japan, Canada, and Great Britain significantly expanded the power of credit unions, savings banking, savings and loans and other financial service institutions to offer payment service as well. Similarly in Nigeria, the deregulation of the financial industry during the Structural Adjustment Programme in the late 80's brought about emergence of finance house as well as primary mortgage institution which offered similar services, and some of them are still in operational till today, offering similar services like the banks.

PROVIDING FIDUCIARY (TRUST) SERVICES TO CUSTOMERS

A banking role of growing importance is providing fiduciary (trust) services to businesses, individuals and community organization. In fact U.S. Bank trust department administer the largest pool of investment funds of any financial institution in the United State. The trust function consists of managing the accumulated assets and financial affairs of an individual or institution for the benefit of that particular customer. It requires careful administration of the customer's financial affairs and protection of the customer's property. Although this services is not common among the Nigerian bank in the pre- consolidation era, few banks such as UBA, First Bank, and Union offered these services. However in Nigeria today many banks have started offering trust services to their high networth customers.

SUPPLYING INTERNATIONAL FINANCIAL SERVICES

Commercial banks provide essential services for their customers involved in international trade and finance. For example, they guarantee the Credit, provide with foreign exchange for the international business. They also provide credit lines for importing firm so that these businesses can purchase goods overseas on credit and have time needed to transport and market the goods.

OTHER SERVICE BANKS OFFER THROUGH THEIR SUBSIDIARIES.

The Nigerian banking sector is undergoing a fundamental reforms, especially post the 2005 industry consolidation, which reduced the number of deposit-money banks from 89to 24. Confidence in the sector has clearly improved, and Nigeria banks have attracted increased attention, as market structure and practices inch gradually towards international norms.

In order to meet the demand of various services of their customers and also to expand the operation base, Nigerian banks established subsidiaries fully owned and manage by the banks. Hardly would you see a Nigeria bank after consolidation without subsidiary to manage area such as Insurance, Mortgage, Securities, Asset Management Company, Registrar function and so on, thus forming group of companies with Banks being the parent company. A good example is seen in Wema Bank with the following subsidiaries.

- Wema Securities and Finance Ltd
- Wema Asset Management Ltd
- Wema Registrars Ltd
- Wema Homes (Savings and Loans) Ltd
- Wema Insurance Brokers
- GNI Insurance Plc

2.3.2 THE MAJOR CHARACTERISTICS OF BANK SERVICES

The banking services have the following characteristics

1. Intangibility – Banking services, except in particular instance, meets a general rather than a specific need. Particular benefits are not readily apparent and therefore banks are dependent on getting their message across to the public effectively and ensuring that their image and services are attractive.

   In deed, a service such as bank credit that cannot appeal to a buyer's sense of touch, smell, sight or hearing, places a burden on the bank's marketing organization. The credit a bank offers is represented by its acceptance of demand and time deposits, and by making loans. Since a bank is often selling an intangible or an idea, and not necessarily a physical product, it must tell the buyer what the services will do. It is not always able to illustrate, demonstrate or display the services in use. Therefore, since banks market intangible products, the concern with storage, transportation and inventory control are not relevant for the bank market. This is partially attributable to the absence of middlemen. As a result, it severely limits the alternatives available to the bank marketer and often necessitates the use of direct channels of distribution.

2. Inseparability – Because of the simultaneous production and distribution of bank services, the main concern of the marketer is usually the creation of time and place utility, which is to have the services available at the right place and at the right time. This implies that direct sale is almost the only feasible channel of distribution. But as can be seen later, one way of overcoming the inseparability factor is the use of bank credit cards, whereby the service is transferable.

3. Highly individualized marketing system. When selecting channels of distribution, the goods marketer will usually have a marketing system containing several established middlemen. More often than not, such systems are the most efficient. Unfortunately, this is not the case for the banker, who has few traditional channels of distribution. Hence, the banker is induced to locate branches of the outlets as conveniently as possible. In many bank transactions, a client relationship exists between the buyer and seller, as distinguished from a customer relationship. This would be especially true in the case of many corporate and trust accounts. Where such a close personal, professional client relationship must exist, direct channels may be the only feasible choice.

4. Lack of special identity – To the public, one bank's service is very much like another. The reason a particular bank or branch is used is often due to convenience. Each bank must find a way of establishing its identity and in planning this in the mind of the public. As the competing producer similar, the emphasis is on the package rather than the product. The package consists of branch location, staff, services, reputation, and advertising and

from time to time, new services. As the major competitors offer similar services, the emphasis will be on the promotional aspect, rather than on the inherent uniqueness of a particular bank's services. This is one of the reasons why banks do very little positive selling but mainly rely on indirect methods.

5. Wide range of products/services – Banks have to offer a very wide range of products and services to meet a variety of financial and related needs from different customers in different areas. On the one hand it provides a special one-off management services for an industrial customer and on the other hand, retail services covering money receipt, storage, supply and transmission.

6. Geographical dispersion – There has to be a branch network in any bank of size and scope, in order to provide benefits of convenience and to meet both national and local needs. Therefore, all services or promotions must have and appeal and wide applications. The Nigerian banking reforms has made this achievable by way of mergers and acquisitions which resulted into have more than one branch of a bank in a particular location.

7. Growth must be balanced with risk. When selling loans, the bank is buying risk. There has to be well-controlled balance between expansion and prudence. The rising importance of marketing in the banking sector is underlined by four major factors:

(h) Increased competition for customers
(ii) Increased sophistication of those customers
(iii) Increased technology
(iv) The increased cost of meeting customer needs profitably

2.4 CUSTOMER

Customer in this regard is a bank's customer. A bank's customer is a person that holds an account with a bank; especially current account. It can be defined as a person that transacts business with a bank.

Bank customers can be classified as:

- Individual (household) customers
- Corporate customers
- Public sector (Government) customers

Customers act in their own best interest as they see fit. They buy because a product meets their needs and is available when, where, and how they want it at a price they are willing to pay.

Every bank attempt is to satisfy the needs of these customers, to provide financial services to their delight such that they remind loyal to the banks. It is as a result of this that marketing has taking a prominent place in today's banking in Nigeria. In fact marketing has constantly being the life wire of banking services today. Banker seems to give more priority to marketer than even the professional bankers because they are saddled with the responsibility of selling these services and win more customers.

In the post -consolidation era, huge resources are deployed to high technology to ensure that customer expectations are met and improve quality of service.

2.5 THE MARKETING CONCEPT

In the early 1960s marketing in the banking industry generally meant advertising and public relations. However, a number of interrelated forces in the business environment have contributed to the impetus of rapid changes in banking. These include: lowered margins of profit, increased competition both within and outside the banking industry, demographic development (i.e. expanding population with increasing affluence), bank holding company movement, technology making new products possible, quest for new consumer markets, national and international expansion, crumbing barriers to branching, and increasing demand for corporate social responsibility etc.

The major components within the banking industry are:

(a) Public and quasi-public sector: National Saving Movement; trustee savings bank; national and local government authorities; Post office Giro and

(b) Private Sector: finance houses; discount markets; inter-company market; stock exchange.

Competition takes several forms:

(i) Deposits, and

(ii) The provision of financial and other services (e.g. leasing, factoring, finance broking, hire purchase, second mortgage lending, trustee).

2.6 MARKETING FOR BANKING

According to the official definition of American Marketing Association, marketing is “the performance of business activities that direct the flow of goods and services from the producer to the consumer or user”.

Various bank marketers have defined the concept of bank marketing as that part of management activity that seeks to direct the flow of banking services profitably to selected customers. Marketing is a banking activity of relatively recent origin and this is not surprising since the marketing concept itself is, as opposed to the sales concept, also relatively new. Kotler defines the marketing concept as a management orientation that holds the key task of organization is to determine the needs and wants of target markets and to adapt the organization to delivering the desired satisfactions more effectively and efficiently than its competitors’, while it is not an exaggeration to suggest that the banks have totally encompassed the implications of this definition, it might be argued that the banking institutions now reorganize the need for a more positive marketing approach and are moving towards the development of marketing in their organizations.

The seeds of the applications of the marketing concept to banking can be related to the American Banking Association Conference of 1958. In the USA, the 1960s was the growth period of retail bank marketing. In Europe, the development of the marketing concept in banking probably came later; Reekie suggests that it was not until the 1970s that the conventions of a century or more were questioned and marketing for banks became a widely discussed topic in British banking circles. Reekie considered that even as at late 1960s, the marketing concept was not considered relevant to the banking environment. There is no doubt that overall the last ten years have brought about remarkable changes in high street banking. A much greater interest in the development of the marketing approach implies a change of attitude among the banks. In Nigeria, banks do little or no marketing before consolidation of the industry. The customers will usually come to banks to transact business. But this has change since 2005 where marketing has taken a new dimension in the industry, with bank coming up with different strategy to woo customers. Some come with slogan such as ‘happy bank, happy customers’ …, ‘We Yes to your needs’ ‘In your own interest’…., ‘we are a customer- oriented service institution’….. These and many more are commonplace slogans by Nigeria banks. These slogans imply that the customer is at the heart of their businesses.

The marketing concept basically requires that all activities that have any relation with the customer should be entirely coordinated by the marketing element in the bank. In other words, that the way of thinking along marketing lines is permeated into all areas of banking so as to enable the establishment of marketing-oriented operation.

R. Brien and J. Stafford in their article “The Myth of Marketing in Banking” offer a twofold role for marketing in bank management. One is at the level of formulation of the marketing mix for the development of market segments which seem – according to market research – to hold the best opportunities for profitable exploitation. While the second is of a philosophical nature – that all bank activities should be so geared as to focus on the needs and wants of the customer – which is a reiteration of the total marketing concept of Wasem.

The first act of market-oriented bank is consequently to learn about the market it operates in, unless the characteristics of the market are known, the bank will be unable to provide the range of services necessary for different customer types. Segmentation of the market allows the bank to tailor its approach to the customers’ requirements. Segmentation can be based on private individual behaviour that will be affected by social class, age, sex, income group, geographic location, etc. The more characteristics the market is segmented, the more precise the managers’ knowledge of the customer is. The manager needs to know how big the segment is in volume terms, in order to decide whether to continue to operate in the present market or to look elsewhere where profits may be higher. For example, would it be worthwhile branch managers’ time soliciting deposits from small accounts and simultaneously offering cash-handling facilities and interest to do so, would the bank be better off lending bigger loans, by attracting larger deposits from the short-term loan market? The manager will also need to know who his clients are and what they use the bank services for.

The marketing concept applies to a service industry like banking for the primary reasons that is applies to all business – that is, to serve the customer at a profit. If the bank adopts the marketing concept properly, it will be committed to the organization as a whole rather than a department or/ and a narrow interest.

Banking management is renowned for its caution and resists very strongly attempts to change ‘traditional’ approaches. To a bank manager marketing is a function and course of action to be judged by its contribution to the bank’s objectives. It has already been outlined that sufficient coordination between banking and marketing executives should be enough to eliminate divergence of results.

The adoption of the marketing concept will recognize that bank customers are changing in terms of their wants, needs desires, expectations and problems. Banks must define these in explicit terms and then evaluate the offering in customers’ terms that is satisfying customers need at a profit to the bank.

2.7 THE COMPARATIVE DEVELOPMENT OF MARKETING FOR BANKS USA

One can put down the earlier marketing approach to banking in the USA to a number of factors. Perhaps the most important of these has been the greater restrictions on branch expansion, the nature of business and even the interest rates payable and chargeable. Historically this had led to a different attitude from the UK banking system. For the US banks have been unable to rely on branch expansion to increase their profits. This meant that in the USA banks had to sell their services to the customer. After a screening process, any seemingly viable proposition will be tested by market research to establish whether the combination of expected demand and projected price justifies launching the service.

Research is of prime importance in the USA. Recently, certain banks are moving towards more detailed investigations into motivation, market segmentation by sex, age and income attitudes. This leads to more effective service designed, advertising and marketing. Bank computers are used for numerous marketing purposes, from detailing existing market shares to listing persons suited to new service offers. In the USA a good deal of computer-generated material is shared by the banks, and they pool together in external market surveys.

Advertising is used to great effect in the USA. The spending of the US banks far exceeds that of UK banks. The main areas they advertise in are the media, concentrating on Television, radio and the newspapers. Commercial banks are now abandoning free gifts and moving to premium offers. Even these are less frequent now, following a premium war a few years back.

Staff participation in branch marketing is well developed and cross-selling is undertaken at every opportunity, especially when customers open new accounts. Owing to the greater competition in service, they make greater efforts to maintain high standards of service efficiency and competitiveness. They do this by paying greater attention to factors such as the actual bank premises. Here the public areas are spacious with an open-plan layout. The decorations are bright and modern, with paintings, plants and flowers. The furnishings are soft with fitted carpets. The bank staff generally sits at desks to one side of the public area and counter screens are now very rare. Alternative methods of security are used, such as circuit television and security guards. The rest of the public area is used, for exhibitions of art. This creates extra traffic and hopefully new customers; for example, the branch opening of the Hibernia National Bank in New Orleans was linked with an exhibition of bronzes depicting the American west. Car parking facilities are essential in the USA and are placed adjacent to, or in, the basement of the bank. The objectives are to produce a relaxing and comfortable atmosphere to operate. In commuter areas the banks open at 7.00am and by means of shifts and part-time working, starting and finishing times are achieved. Some banks open from 8.00am to 5.00pm, other 10.00am to 8.00pm, the variations are endless. Saturday opening is now common in suburban areas and Sunday banking is currently being introduced.

In time all banks will provide twenty-four hour banking. Cash dispensers are used and some are also available to credit card holders. The use of automatic tellers is particularly used in large cities. These machines can accept deposits and effect transfers between any of the customer's accounts – the amount being determined by the customer. Some few years ago the first National Bank of Seattle started off "In Touch Service" which meant that for 56.50 percent per month all your banking could be done over the telephone.

US banks are strongly committed to community service and feel it a duty to be involved in the life of the society on whose well-being their progress depends. Slum area communities are helped by donations and financial assistance, as well as expertise and involvement of the bank employees.

Owing to this new era in banking, the banks have sought sales and marketing talent to go with their new image. The San Francisco Wells Fargo Bank and the Continental of Illinois both use product management systems. The men who work in these systems have been attracted out of consumer marketing. Even the higher education system is responding. In 1972 the Bank Marketing Association started a school at the University of Colorado, its students, mostly mature, study by correspondence or full-time. Summer classes are also available.

2.7.1 **UK AND WESTERN EUROPE**

Until the 1960s, UK banks acted merely as institutions where cash could be deposited or loans procured. The cheque book was the sole means of transacting business through an account. The appearance of the so-called personal loan in the acquisition by a Scottish bank a hire-purchase company signaled the beginning of new era in banking. The large banks in the UK formed marketing departments only in the early 1970s. Their task was to 'sell' the ever-increasing number of customer services that are familiar today, such as safe deposit, credited and cheque cards, executorships services, and even insurance and travel. The diversification of the bank's activities and services have been excellent marketing opportunity since the audience the services are aimed is captive – that is they are already customers of the bank.

The abolition by the government of credit control regulations and bank rate control in 1971sharpened the competitiveness between banks, once they became free to set their own base rates on which to base the interest offered to depositors and charges on loans. The big four UK banks (National Westminster, Barclays, Midland and Lloyds) declared total profits of £1,000 million for the financial year 1980/81. The presence of such large profits in the industry is attracting.

The situation in the UK is slightly different than in Europe owing to banking structure in this country. Also, the banks are far more concentrated as in Europe there are no legal holds on bank expansion. It seems that a point of saturation has been reached, which may be to the closing down of unproductive branches. There is still a general deal of scope of growth in the UK as 20 percent of the populations have no account (1983) the 10 percent tend to be mainly manual workers.

To sum up, the reasons for the recent changes in marketing for banks are as follows:

1. Prior to 1971, the UK clearing banks obliged, by convention and statute, to hold 30 percent of total deposit liabilities, with the abandonment of both in that year, the ceiling on competition between the banks in the marketing of loans.

2. Also in 1971, the clearing banks ended the formal carrel agreements, on interest rates to lenders and borrowers. They were now free to compete with one another on deposit, lending and overdraft rates.
3. There was a growing tendency for big business to by pass clearing banks in the lending and borrowing processes. The result was the emergence of specialist bodies, both in USA and Europe, geared to the specific task of matching lending and borrowing capacity. This development was a matter of concern to the clearers affecting, as it did, their profitability.
4. Also with some concern in the 1950s and 1960s, the banks witnessed the huge expansion of hire-purchase lending by the finance houses. Partly this was at the expense of existing banks lending, however, it also disclosed a gap in traditional banking activities in what was seen to be growth area. The outcome was the acquisition by banks of existing finance house and the setting up of their own hire-purchase subsidiaries.
5. As a consequence of the cartel arrangements previously referred to. The banks found themselves out maneuvered by the finance houses in offering sufficiently competitive interest rates to attract large-scale depositors with funds to lend for seven days and upwards. This business, and the increased lending capacity that went with it, was obtained by the finance houses.
6. Foreign banks, particularly, from USA, began to locate major branches in London to the detriment of the clearing banks. Their total deposit and number of banks reset as follows

1957	80 foreign banks with 139 million pounds
1965	100 foreign banks with 2,215 million pounds
1970	150 foreign banks with 9,759 million pounds
1976	200 foreign banks with 30,000 million pounds
1982	400 foreign banks (approximate).

7. Other financial institutions were seen to be making preparation to enter a market that banks historically had always regarded as their reserve. For

example, the Guardian Royal Exchange Insurance Group in 1971 widened its objectives to include all normal aspect of the business of banking; around the same time Abbey National Building Society began a planned increase in second mortgage business and dropped a board hint that in the future they would be interested in the general concept of lending money.

The recent debates in banking circles were how far they should go in pushing for new business and how much to improve existing services.
Most UK bankers still want an air of respectability in banking, stressing big profit that will give the investors confidence, while more modern entrant in the industry want to move towards a more market oriented approach. The British Trustee Savings Bank has shown an example of positive marketing and attracted lower-paid workers. The new talents point to money shops with a customer-banking approach with attractive shop windows, and shop hours appealed to the unbanked.

The US invasion has been another driving force behind new development in retail banking in the UK and new vigour in the marketing of bank loans. This is at last percolating through to UK bankers, used to less aggressive climes. Many banking executives are visiting the US banks to see how they operate.

During the 1975, the big four banks were preoccupied trying to improve bank images; midland has tried extremely hard to put its images across to industry and the farmers in recent years. At present, the copy-content of its advertising is the Midland banks symbol as a Cog in a machine. Stressing it will aid UK industry in the present recovery. Lloyd's banks have stressed successfully its symbol, the black horse, in its television advertising, hiring black beauty to perform various action shots.

Beneath the surface, UK banking is in the same situation as European banking. Marketing has still some way to g o before it becomes an essential part of UK banking. In areas of standards of service and opening hours, the UK banks have to follow the US lead, and already are doing so. Changes must be made, both on the surface and in the organization beneath, if the US challenges are to be averted and resources tapped of the 20 percent unbaked.

2.8 MARKETING SERVICES

INTRODUCTION

There is an apocryphal and rather foolish story about a banker who was riding across the desert on his camel when he saw a group of three men explained to discussion. He stopped and asked if he could help. One of the men explained to him that their father had died recently, leaving £100 and 19 camels which had to be divided between three sons in the proportions one-half, one-quarter, and one-fifth, according to their respective ages. Their problem was that they could not decide how to divide the camels fairly. The banker thought for a moment, said he was sure he could help them, and that his fees would be £100 if his solution was successful. Agreement was reached on this basis. The banker put his camel into the pool, thereby making 20 camels in all. He then proceeded to divide the stock in accordance with the deceased father’s wishes, passing camels 10 to the eldest son, 5 camels to the second son, 4 camels to the youngest son, thereafter recovering his own amount. The three sons, delighted with the services provided by the banker, willingly paid the fee of £100 out of the estate and promised to use his services again. The banker rode away followed by words of thanks.

An ideal banking situation, a banker recognized an opportunity; he took full advantage of it by using both his brains and capital; in due course, he recovered his capital an adequate profit, and last, but by no means least, he left behind him a group of new and satisfied customers. In marketing terms, however, it unfortunately lacks that relationship between the entrepreneurial spirit, and a planned approach to business development, which is the hallmark of the successful marketer. George Ree gave expression to a very similar point of view when he wrote: 'Above all things, in the regulation of your finances, place no reliance on the chapter of accidents for seeing you through. He digs in sand and lays his beams in water, says Felltham, who builds upon events which no man can be master of.

No branch bank, no area and no bank operating in a capitalist society has increased its share of the market, created a larger demand for existing or new services and built up its earnings per share without attending to these basis marketing concepts, either consciously or unconsciously. Marketing techniques, by bringing a greater degree of organized thought, approach and method, can play a part in establishing those facts which are helpful to senior management in deciding consciously what is the right market, the right time, the right service and the right place. Critics may say that this merely illustrates management's increasing devotion to trying to predict the unpredictable, and in support of this they can point to many dramatic and for the companies concerned, traumatic-failures of products, which on the basis of information produced by such techniques, should have been successful.

Unfortunately, some managers believe that, if enough information is collected, the right solution will present itself. Placing the emphasis on the quantity rather than the quality of the information can mislead, whilst it also encourages managers to ignore the fact that these techniques are in no way a substitute for, on one hand, sound commercial judgment and, on the other, that entrepreneurial flair which recognizes and researches an opportunity ahead of the market, and has the courage, the material and the human resources to act upon this assessment. Identifying potential changes in the market either before they happen, or whilst they are happening, is one of the most difficult tasks facing bank management, and merely to plan on the basis that future demand for banking services will be an extension of the past is a very chancy business. Simple extrapolation is, however, the basis of many so-called marketing plans. Similarly, past achievements and current earnings are not necessarily a satisfactory basis for assessing the competitiveness of a bank in the market place of the future.

2.9 WHAT IS BANKING MARKETING

2.9.1 INTRODUCTION

As the role of the financial services sector-banking, insurance, building societies, hire purchase, franchising, consumers' credit and general household financial services etc continues to grow in the economies of most of the western nations; pressures are mounting for a more effective marketing management of the financial services offered by the bank. This applies especially to the banking sector, as it represents probably the most important financial sector, not just in terms of turn over, profits and employment, but also in its paramount impact on the other sphere of the economy. For these reasons, in the last few years there has been a growing interest in applying marketing techniques and tools in the field of banking. This growing interest has generated a relatively large number of publications, mostly descriptive mainly in the last four to five years. Along with this change in the bank services, training, attitude and images, marketing strategies, and patterns of organization and control are taking into consideration

Marketing is becoming increasingly necessary in today's banks competitive environment. Intensified rivalry from other institutions has caused the banks to think seriously about how they can compete effectively. This has led them to pay increasing attention to marketing techniques. Obviously owing to the very nature of banking, it cannot be treated in exactly the same way as, for example, a manufacturing firm. It is important to recognize the two fundamentally different functions that bank marketing must perform. It must attract deposit on the one hand, and attract borrowers and the users of services on the other. This double-side nature of banking business brings marketing problems that are more complex than those that normally face commercial concerns. If one adds to this very special place that banks hold in society and in monetary policy, one begins to see that a simple transfer of techniques and concepts from other areas of business is hardly likely to be appropriate. Faced with this situation there is a noticeable (justifiable) tendency on the part of the major banks to move with caution. Bank marketing has been defined as “that part of management activity which seems to direct the flow of banking services profitably to selected customers”. The need for marketing in banks stem from intense competition, not just from other banks, but also financial corporations, insurance companies, building societies, etc. The banks service divided into two markets, corporate and retail ultimate consumer markets. These two markets can be subdivided into five sectors: the government/public sector, the private sector, the commercial sector, industrial and lastly the international markets.

The main functions of a commercial bank are:

(a) The safekeeping functions, whereby firms and individuals store their funds with banks for safekeeping and for interest they can earn on funds (often called deposit taking function).

(b) Lending funds; and

(c) Providing a variety of financial and related services that are indirectly related to the previous two main banking functions (above). This would include transmission services. All these have been previously discussed in this chapter.

2.9.2 THE ELEMENT OF BANKING

The marketing approach refers basically to four steps;

(i) Research to determine customer financial requirements

(ii) Design new services or innovate old loans according to the findings.

(iii) Market services to the customers for whom they were researched and designed (and this includes pricing promotion and distribution) at a profit and

(iv) In doing so satisfy the customers' financial needs. The objective of marketing process is profitable sales of services that satisfy customers' financial requirement and needs. It puts emphasis on customers' needs satisfaction at a profit to the bank. Competing successfully means doing it on a profitable basis. A bank can do this by stressing profit growth ahead of volume growth and by focusing on maintaining the margin by pricing for profits.

2.10 PRODUCTS AND SERVICES OF SELECTED BANKS IN NIGERIA

GUARANTY TRUST BANK PLC

GTCONNECT: Nigeria's first interactive contact centre.

GTConnect is a total banking solution that provides you with instant service via a telephone. It is accessible from any where in the world and open for a business 24 hours a day seven days a week even on public. The interactive contact allows you to perform 90% of a transaction via the telephone. Customers can check account(s) balance, request electronic cards, request cheque books, stop cheques, make third party transfer and get up to date information on every aspect of the bank's operations.

MAX ADVANCE: this is a flexible loan products designed to cater for the funding needs of staff of corporate organization that have salary account with the bank. This product provides salary earners with access to flexible termed facilities which can be repaid over a defined period of time.

GTMAX: GTMAX is a zero COT, current account that allows you earn interest on your account balances and combines the unique attributes of the Guaranty Trust

Bank current and savings accounts. This service enables customer conducts own and third party transactions from any branch of the bank still earn interest on their balance. They have three variants; Platinum, Gold and Silver.

GUARANTY TRUST BANK MASTERCARD: The Guaranty Trust Bank plc MasterCard is issued in partnership with MasterCard international and accepted as a means of payment in over 210 countries worldwide. This card is available in 3 variants: MasterCard Standard, MasterCard debit and MasterCard prepaid.

CASH PLUS (DEBIT CARD): This is a debit card that is connected to customers' accounts and it gives access to all the banks electronic channels. CashPlus can be used to pay goods and services, and withdraw cash from over 4,400 InterSwicth powered by Automated Teller Machines (ATMs).

CashPlus provides quick, safe, and convenient access to basic banking transactions outside the banking halls. It can be used to withdraw cash from your accounts, change PIN, print statement(s), and transfer money between accounts.

GTAUTO: GTAuto is a vehicle financing products designed to make it easier for customers to purchase automobiles. Customers can enjoy this product providing a minimum equity contribution of 20% of the price of the vehicle being purchased.

GTAuto offers competitive rates and quick turn around time.

GTMAGIN: this is a credit products designed to allow individuals and sole proprietors take advantage of opportunities in the stock market. The products enables customers access credit quickly and conveniently for investment and trading purposes.

GeNS Electronic Notification Service: this is Electronic Notification system (GeNS) which provides instant details of transactions on customer's account. This service is designed to generate and send out notification prompts to via electronic mail and SMS messages whenever there is a transaction on their account(s). GeNS ensure customers have real time knowledge of transactions on their accounts.

BOOK-PAY-FLY-EASY: this product in collaboration with British airways, makes traveling abroad a convenient and easy process.

Book Easy, Pay Easy and Fly Easy is a 3 step process that is easy and hassle free.

Book Easy- reserve/book your flight online or via the phone.

Pay Easy- pay for your ticket online with your debit card or at any GT bank branch.

Fly Easy- have your e-ticket sent to you via e-mail, pick it up at the airport enroute departure or pick it up at any British Airways office.

VISA CARD: the Guaranty trust bank visa card is an international payment card issued in partnership with Visa international, which is accepted as a means of payment in over 200 countries world wide.

The Visa cards come in tree variants: Visa Standard, Visa Debit and Visa Prepaid.

GTMORTGAGE:: this service offers customers mortgage facilities to part finance the acquisition of residential properties at very attractive rates. Customers can access this facility by providing a minimum equity contribution of 20% of property cost and enjoy a repayment plan spanning 20 years.

GTCREA8: GTCrea8 is a unique savings account for undergraduates that can be accessed from any of the bank's 154 branches nationwide. This flexible account allows undergraduates 'create' their own account features by choosing from a bouquet of available services.

The account comes with a free guaranty trust bank debit card which can double as identity card and account holder have opportunity of winning a scholarship during the annual GTCrea8 raffle draw.

WEMA BANK PLC

Commercial Banking Products: the commercial bank products of Wema bank are available to middle level companies, small businesses and trading clients. The products includes

- Key distributorship Schemes- Guinness Nigeria Plc, Nigeria Breweries Flour Mills Plc, etc.
- Agricultural Services
- SMEIS
- Manufacturing and Packaging
- Building and Construction
- Printing and Publishing
- General Commerce
- Oil and Gas

CAPOF: CURRENT ACCOUNT PLUS OVERDRAFT FACILITY

Designed for local government councils, to assist them in bridging the gap between payment of salaries and receipt of their monthly statutory allocation.

It allows the Local Government has access to 70% of its statutory allocation or a maximum of 10million Naira. The tenor of the facility is 180days after which the facility can be renewed. The interest rate is negotiable and competitive. The benefits are:

Ensure immediate access to funds

Unimpeded execution of project

Prompt payment of salaries

Other required expenditure

Facilitates smooth running of Administration

WEMA BOUNTY ACCOUNT: This is a special type of deposit account with special features. The features are

Certificate of deposits can be used as collateral for in-house short term borrowing.

Free ValuCard

Insurance cover (in case of accidental death or permanent disability) to a maximum of ₦100, 000.00

Withdrawal of proceeds from any Wema bank branch on the network

Certificate of deposit is discountable.

This product comes in 3 variants Medallion with minimum opening balance of ₦500, 000.00, Silver with minimum opening balance of ₦ 5million and Gold with minimum opening balance of N10million. The minimum tenor is 90days.

WEMA TARGET SAVINGS ACCOUNT (WETSA)

Wema Target Savings Account is a multi benefit savings account which enables you to save towards any personal projects e.g education, share acquisition, wedding, Christmas or pilgrimage.

They are in various forms ranging from

Xmas/Sallah Saving Account (XSSA)

Artisan/Apprentice Savings Account (AASA)

Pilgrimage Savings Account (PISA)

Wema Education Savings account (WESA)

Share Acquisition Savings Account (SASA)

House Rent Savings Account (HORSA)

WEMA VIRTUAL AIRTIME: This is an electronic means of purchasing GSM recharge vouchers. Electronic refill vouchers are purchased trough through the use of the facility on GSM phones of subscribers. The convenient of anytime, anywhere 24/7, 365 days is an attraction anybody cannot ignore as it eliminates emergency, and it is equally cheaper

WEMA TREASURE ACCOUNT: this is a savings account with features of a current account. Such features include:

* Cheque can be pay into the account
* Prompt and convenient settlement of third parties on the account
* Free insurance cover of up to N100,000.00 in case of accidental death or permanent disability.
* Additional interest of 0.5% per annum for non-withdrawal of deposit within one month.
* Commission on turnover is free.
* Minimum interest rate of 3% per annum and a maximum of 15% plus others.

ONLINE BANKING: the online banking is usually referred to as internet PC Banking. The online banking service allows you to check your current or saving account, make payments, change or cancel standing orders and view direct debits as well as transfer money between eligible accounts. With mobile phone you can register for the online banking service. It is save and secure and employee industry standard security measures to safeguard customer's information.

WEMA ASSET ACQUISITION SCHEME (WAAS): this product was introduced to ease the financial burden of its customers and non customers alike wanting to acquire various assets and household equipments. The products is targeted primarily at salary earners who which to acquire personal assets like cars, satellite dish, personal computers, refrigerator, generating sets, electronics etc. for the purchase of any asset, the customer is expected to have minimum equity contribution of 30% of the cost of the asset(s) while the bank will contribute 70% of the cost. The customer will benefit from the products because it creates opportunity to acquire essential household items now and pay later. It hedges against inflation and convenient term of repayment is guaranteed.

OCEANIC BANK INTERNATIONAL:

Discretionary Accounts: we recognize that that each individual is unique and likewise risk profiles differ. The bank offers discretionary managed accounts through our partners at oceanic capital. We will work with you to create and manage a well customized portfolio. With this service you will be able to respond more quickly to market trends, and perform a reallocation of your financial assets based on when necessary. Our investments counselors will always ensure that the investment decisions made on you're your behalf are clearly consistence with your mandate.

DIRECT PASS: Pass is an abbreviation for pay advance salary scheme. Direct pass is our special overdraft for individual who earns at least N4.9million per annum and which you can overdraw your current account even when you don't have a credit balance. Your limit revolve to its maximum immediately your salary comes in, ready for you to utilized it again and again, whenever and wherever you need it without your having to apply again.

HOME EQUITY LINE OF CREDIT: A stand by line of credit provided to a home owner against the value of his unencumbered house. It allows the customer gets financial support to acquire a property now in order to avoid the effect of inflation if he tries to save up to acquire the property. Interest on this facility is calculated on the reducing balance method which makes repayment less expensive for the borrower. The repayment on it is flexible and convenient, while it could be monthly, quarterly, semi-annually or annually

QUALITY EDUCATION PLAN: this products helps customers save conveniently for their children or wards. This product has universal appeal because it is not restricted to any age group or educational level. It covers primary, secondary undergraduate, graduate expenses. It is outstanding for its unique benefits which include scholarship scheme, insurance benefits, loan facility e.t.c. Customers can

access student Education loan up to 200% of account balance. The monthly interest payment is higher than normal savings rate while there is loyalty bonus for customers with no withdrawals within one year. Free insurance cover against accidental death or permanent disability of holders up to a maximum of
N3, 000,000. (Three million naira).

PREMIUM THRIFT ACCOUNT (PTA): The oceanic PTA is a target savings account for small scale savers that enable customer save towards a dream project. It can be operated with a minimum opening balance of N500. Benefits of this account will accrued to a holder with minimum account balance of N5,000. It has a flexible deposit option of daily, weekly, monthly, or quarterly. Provided the minimum savings of N60,000 is met, free cash pick-up services is offered.
Benefits base interest rate is 1% above savings rate. Free customized cheque books and 1% bonus interest for customers who maintained balances above N100,000 over a 12-month period.

QSL- NEW AUTOMOBILE: The Quality Life Scheme is a loan facility product. This is the loan for your new car, jeep station wagon or space bus for your personal use with ease. It proffers you with the opportunity to own your own brand new automobile without having to save endlessly. It has easy and convenient repayment plan, and it can be access from any oceanic bank nationwide.

MOBILE BANKING PRODUCTS: The oceanic mobile banking product allows customers (who are already subscribers to Mobile phones in Nigeria) access their bank accounts from their mobile phones through an interactive menu based application installed on their phones.
The following banking transactions can be securely and conveniently perform with this product

Balance Enquiry: you can check your account balance(s) at any point in time
Mini Statement: you can view the last five transactions on your account
Intra-Bank Funds Transfer: You can transfer money form your account in the bank to a beneficiary in another bank.
Airtime Recharge: You can buy mobile phone (GSM and PTO) airtime
Change PIN: you can change the PIN code of your debit card.
This product was designed to cater for and facilitate real time banking transaction using a mobile device. The product is currently available for GSM subscribers.

VPAY CARD: The oceanic VPay card is a chip enabled debit card on the valuecard/Visa platform linked to the card holder's current or savings account and facilitates payment of transactions via several VPay enabled devices, including Automated Teller Machine (ATMs) and point of sale (POS) terminal at merchants locations displaying the Visa logos in Nigeria only and can be used to facilitate payments on the internet. The VPay card also provides the platform for the v-Money Transfer service thus it used to facilitate transfers between two Visa or VPay cardholders locally within Nigeria or internationally

E-TICKETING SOLUTION: Oceanic bank pioneer e-ticketing development in Nigeria in 2005 by successfully, implementing the solution for Aero Contractors Company. To succeed in today's airline business; an airline must implement a model that allows optimum maximization of every passenger. Oceanic Bank seeks to partner airlines in converting every passenger to a customer. This customized e-ticketing solution will harmonized the flow of passenger information from booking to ticketing, thus giving every passenger an exciting experience. This transaction can be done across banks depending on switching platform enabled. It also reduces lost or stolen tickets occurrence.

MASTERCARD: The Oceanic Bank MasterCard is a cash backed internationally established card product that is globally accepted as a means of payment for goods and services in over 210 countries at over 30 million locations and more than 900,000 paypoints (ATMs, International Mail/Telephone Order and point of sale Terminal). It is a US Dollar denominated card that comes in two variants: Standard and Corporate.

The various services which almost all banks offer their customers were as a result of the banking consolidation. It has engendered healthy competition among banks and making them to be more creative and innovative, most of these services are accompanying with give items to encourage customers for continue patronage. It has also accelerated the rate of economic growth and development of the country. Investment in the economy has been boosted drastically and this has had positive influence on the Nigeria financial industry.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 INTRODUCTION

Research design emphasizes basically on the method adopted in carrying out the survey. It covers the framework that guides the collection and analysis of data for a study. It is a proof that allows the researcher to draw inference concerning casual relationship among the variables under study. According to Nachius and Nachnias (1976:29) "Research design is a model of proof that allows the investigator draw conclusion from his investigation.

Kerlinger (1977) described research design as the plan, structure and strategy of investigation. It involves the validity objectivity, accuracy and economy of the scope of study.

3.2 RESEARCH DESIGN

The design of this study is ex-post facto. According to Kellinger (1973) ex-post facto research is defined as a systematic empirical inquiry in which the scientist or researcher does not have a direct control of dependent variable because their manifestation end has already occurred or because they are inherently not manipulatable.

3.3 CHARACTERISTICS OF THE STUDY POPULATION

Target Population: The target population to be covered in the research work will consist of the corporate, public sector, individual, current account and savings account customers.

3.4 RESEARCH SAMPLE

The sample frame for the study shall be customers of Guaranty Trust Bank (Nig.) Plc, First Bank (Nig.) Plc, Diamond Bank Plc, Oceanic Bank International Plc, and Wema Bank Plc.

3.5 SAMPLING PROCEDURE

The instrument to be adopted for this study would be structured questionnaire and personal interview. The questionnaire would be designed to obtain information from the respondents about the study.

3.6 PILOT STUDY, VALIDITY AND RELIABILITY

For the purpose of protecting the study schedule for validity and reliability, a pilot study will be conducted. In carrying out this study, a sample of the entire population will be selected and data collection instrument would be administered on two hundred (200) respondents.

3.7 DESCRIPTION OF SAMPLE METHOD

The criteria for classification of sample would be on the population group to get the required representatives; a simple random sampling technique would be used. The people that would be selected out of each population would be done using random sampling.

3.8 DATA COLLECTION

Primary data would be the main sources of data for hypothesis. Data for the research would be collected using questionnaire and interviews. Some of the respondents would be asked questions in form of interviews and their responses would be briefly noted. The respondents and interviews were all customers of the banks under study.

3.9 DATA ANALYSIS METHOD

In analyzing the data to be collected, tables and simple percentages, means and standard deviation would be used and supplemented with descriptive method where necessary.

3.10 LIMITATIONS OF METHODOLOGY

Efforts would be geared up to get the best; it is however worthy of note to mention that some circumstances may create some imperfection in the methodology that would be adopted.

The limitations of the methodology include those that would normally be associated with survey techniques such as sampling errors, personal bias of the interviewer which may affect results, and response rate which may be affected by lack of cooperation and trust of respondents.

CHAPTER FOUR

4.1 INTRODUCTION

This chapter is geared toward presenting and analysing the data from the primary sources. Emphasis will be laid on the questionnaire analysis. The reason is because of the nature of the research work and the kind of variables present in the topic.

4.2 ANALYSIS AND INTERPRETATION OF STUDY

The questionnaire instrument used for this purpose was divided into four sections see appendices. Section A deals with the respondents personal data, section B deals with the respondents personal opinion of the bankers rate of performance. Section C deals with the respondents of his/her banker. Total 0f 200 copies of the questionnaire were administered, out of which 120 were received. This number is deemed sufficient for the purpose of data analysis with a generalizing the outcome. The total respondents to a particular question represent a hundred percent (100%).

The analysis were done using the questions in the questionnaire of which method of analysis is the simple percentages collected based on the number of respondents, the highest percentage represents the majority opinion in all cases. In the analysis, a table showing the summary of the responses to the objective question would be presented before the proper analysis. The procedure for the analysis will be as follows:

(a) The question

(b) The aim of the question

(c) The responses presented in a table

(d) The analysis and interpretation of the responses.

4.3 ANALYSIS DATA

The findings of the research are now presented.

SECTION A: QUESTION 1

What type of account do you maintain?

AIM:

This question was intended to know the type of customer the respondent is

RESPONSES:

TABLE 4.3.01

TYPE OF ACCOUNT	NUMBER	PERCENTAGE (%)
Corporate Current A/C	35	29
Public Sector A/C	20	17
Fixed Deposit A/C	10	8
Personal Current A/C	40	33
Savings A/C	15	13
TOTAL	120	100

ANALYSIS/INTERPRETATION:

From the above table 29% of the respondents are corporate (Companies) current account holders, 17% of the respondents are public sector (Government) account, 8% are deposit accounts holders, 33% are personal current accounts holders, 13% of the respondents are savings account holders.

Questions 2

How long have you been dealing with your bank?

AIM:

This question was intended to know whether the respondents are not fresh customers but have been experienced customers who can effectively express their preferences with the bank services.

TABLE 4.3.02

TYPE OF ACCOUNT	**NUMBER**	**PERCENTAGE (%)**
Less than 1 year	16	13
1 – 3 years	21	18
3 – 5 years	34	28
Above 5 years	49	41
TOTAL	120	100

Analysis/Interpretation:

From the above table 16% of the respondents are less than one year, representing 16 customers respondents, 18% representing 21 respondents have been their bankers, customers between 1 – 3 years, 34 respondents representing 28% of the respondents have been customers 3 – 5 years while 49 respondents representing 41% of the respondents are customers above five years.

Although we have 13% of the respondents as customer with less than one year, those that have customers for over 5 years form the majority, 21 would be voiced that the respondents have adequate experience in expressing their preference for banking services of their bankers and whatever result is derived could be used in supporting a general statement.

For the purpose of brevity, the questionnaire will be analysised section by section from section B – D.

Section B

This section of the questionnaire contains the performance ratings of the bank of the respondents. The questions are as in the appendix.

AIM

The aim is to discover how the questions (performance ratings) constitute factors that affect customers’ preference to banking service.

TABLE 4.2.3

OPTION	NO OF RESPONDENTS	PERCENTAGE (%)
Strongly Disagree	-	-
Disagree	23	19.20
Agree	57	47.50
Strongly agree	40	33.30
TOTAL	120	100

ANALYSIS AND INTERPRETATION

From the above table 19.20% representing 23 of the respondents strongly disagree on the questions the performance rating of the banks. 47.50% representing 57 of the respondents agree while 33.30% representing 40 of the respondents strongly agree. This therefore implies that the performances of the banks, within the context of section B of the question, are factors affecting customers' preference in of respect demand for banking service. This is so because 57 of the respondents (i.e. 47.50%) agree and 40 of the respondents (i.e. 33.30%) strongly agree.

SECTION C

AIM

This section deals with the customer value analysis. It considers the factor that the customer values and that are very important to him or her in his or her analysis of preference to banking services.

TABLE 4.2.4

OPTIONS	NO. OF RESPONDENTS	PERCENTAGE (%)
Poor	-	-
Fair	15	12.5%
Good	35	29.17%
Very good	75	58.33%
TOTAL	120	100

ANALYSIS AND INTERPRETATION

From table 4.2.4, 12.5% representing 15 of the respondents accepted factor that customer value and also regarded as important is fair in the banks understudy. 27.17% representing 35 of the respondents indicating that they are good, while 58.33% representing 70 of the respondents show that the customers value analysis factor is very good.

SECTION D

AIM

This section contains the corporate image assessment factors. It aims at discovering how the customer perceives his or her banker.

TABLE 4.2.5

OPTIONS	**NO. OF RESPONDENTS**	**PERCENTAGE (%)**
Yes	80	66.67%
No	40	33.33%
TOTAL	120	100

ANALYSIS AND INTERPRETATION

Table 4.2.4 shows that 66.67% representing 80 of the respondents accepted that the corporate image of the banks is 9 factors affecting their preference in their demand for their services. While 33.33% representing 40 of the respondents said No so it can be concluded that the corporate image of the bank is a vital factor affecting the customer's preference in demand for their services.

HYPOTHESES

The option in section C AND D is ranked and weight assigned to them. For example

SECTION C

OPTIONS	**WEIGHT**
Strongly disagree	1
Disagree	2

Agree	3
Strongly agree	4

VARIABLE	NO. OF RESPONDENTS X	F	FX	X-X	$(X-X)^2$	$F(X-X)^2$
Strongly disagree	1	-	0	-	-	O
Disagree	2	23	46	1	1	23
Agree	3	57	171	2	4	228
Strongly agree	4	40	160	3	9	360
TOTAL	120		377			611

MEANS (X) $\frac{\sum FX}{\sum F}$

WHERE X = MEAN

F = FREQUENCY

X= VALUE OF VARIABLES

n = SAMPLE SIZE

∑= SUMMATION

$$X = \frac{377}{120} = 3.14 = 3$$

Standard deviation S.D =

$$\frac{\sqrt{\sum F (X-X)^2}}{\sum F} = \frac{\sqrt{\sum F (X-X)^2}}{n}$$

$$= \frac{\sqrt{611}}{120} = 0.21$$

Conclusion: with mean as 3.14 of 3 approximately, the Respondents agree that the performance rating of the Bank is a factor affecting the preference in their demand for their Banking Services.

SECTION C

OPTIONS	**WEIGHT**
Poor	1
Fair	2
Good	3
Very good	4

VARIABLE	NO. OF RESPONDENTS X	F	FX	X-X	$(X-X)^2$	$F(X-X)^2$
Poor	1	-	0	-	-	0
Fair	2	15	30	1	1	15
Good	3	35	105	2	4	140
Very good	4	70	280	3	9	630
TOTAL	120		415			785

MEANS (X) $= \frac{\sum FX}{\sum F}$

$$= \frac{415}{120} = 3.45 = 4$$

STANDARD DEVIATION

$$\frac{\sqrt{\sum F (X-X)^2}}{\sum F} = \frac{\sqrt{\sum F (X-X)^2}}{n}$$

$$= \frac{\sqrt{785}}{120} = 0.23$$

Respond

Conclusion: with mean as 3.45 or approximately 4 it implies that customer value analysis is an important factor that affects customers' preference in their demand for banking services.

SECTION D

CUSTOMER	OBSERVATION YES	VALUE NO	TOTAL
Corporate current A/C	30	-	39
Public sector A/C	-	-	-
Deposit A/C	-	-	5
Personal Current	50	11	61

Savings A/C	-	15	15
TOTAL	80	40	120

In section D; CHI – SQUARE (X^2)
Test will be used.

The use of CHI – SQUARE Test is appropriate for testing validity and reliability of hypothesis. The formula to use for ‘a YES OR NO’
Question is

$$X^2 = \frac{(0\text{-}E)}{E}$$

Where 0 = the observed frequency of a value
E = the expected frequency of value
The level of significance used is usually 0.95 and the degree of freedom is calculated by using the former.

(R – I) (C – I)
Where R = Row
C = Column
(5-1) (2-1)
(4) (1) = 4

CALCULATION OF EXPECTED VALUE

A (i) $$\frac{39 \times 80}{120} = 26$$

(ii) $$\frac{0 \times 80}{120} = 0$$

(iii) $$\frac{5 \times 80}{120} = 3.33$$

Multiply each customer
By the observed 'yes' and
divide by the summation of
yes and No responses in
this sections.

(iv) $$\frac{61 \times 80}{120} = 40.67$$

(v) $$\frac{15 \times 80}{120} = 10$$

B (i) $$\frac{39 \times 40}{120} = 13$$

(ii) $$\frac{0 \times 40}{120} = 0$$

(iii) $$\frac{5 \times 40}{120} = 1.67$$

(iv) $$\frac{61 \times 40}{120} = 20.33$$

(v) $$\frac{15 \times 40}{120} = 5$$

multiply each type of customer by observed 'No' total and divide by the summation responses

The expected value then be tabulated for yes and No

CUSTOMER	**OBSERVATION YES**	**VALUE NO**	**TOTAL**
Corporate current A/C	26	13	39
Public sector A/C	-	0	0
Deposit A/C	3.33	1.67	5
Personal Current	40.67	20.33	61

Savings A/C	10	5	15
TOTAL	80	40	120

Thus, turning to the above formula i.e.

$X^2 = (O – E)^2$ can be calculate as follows:

O	E	O – E	$(O – E)^2$	$(O – E)^2/E$
30	26	4	16	0.615
0	0	0	0	0
0	3.33	-3.37	11.09	3.33
50	40.67	9.33	87.05	2.140
0	10	-10	100	10
9	13	-4	16	1.230
0	0	0	0	0
5	1.67	3.33	11.09	6.641
11	20.33	9.33	87.05	4.282
15	5	10	100	20

TOTAL $(O – E)^2/E = 48.24$

Hence, the value of $X^2 = 48.24$

This value is higher than the degree of freedom 3 using 0.95 level of significance i.e. 48.24 is higher than 40.

Therefore it could be concluded that the corporate image of banks constitutes a factor affecting customers' preference. From the above hypotheses testing, a conclusion can be drawn using the hypotheses (Ha) are valid.

CHAPTER FIVE

SUMMARY OF FINDING, CONCLUSIONS AND RECOMMENDATION

5.1 SUMMARY OF FINDINGS

With the help of various literatures effectively reviewed and research findings through the use of questionnaire and personal interviews, it had been established that there is effective demand for banking services in major city like Lagos and Abuja. Through this research, it has been established that obtaining of facility, business advice, and accessibility of Banks (i.e. convenient location of bank branches), conducive Banking environment, branch Network, the usage of modern Technology, highly innovative Banking, asset base and prompt and courteous services are some of the basic factors affecting customers' preference for banking service in Lagos and Abuja.

Moreso, through personal interview it was discovered that apart from the conventional services of accepting deposit, honouring customers' cheque and safe keeping, the banking service that are highly in demand are:

1 Credit facility (ie. Overdraft for working capital purposes)

2 Locally trade finances

3 Fund transfer (locally and internationally)

4 Purchase of foreign exchange

5 International trade finance

6 Leasing

7. Consumers loan (for purchase of household items)

However, some of the interviewees complained of the difficulties experienced getting some of these services easily and promptly; even when they are got, the cost of obtaining them is high.

5.2 CONCLUSION

In conclusion, banks exist for the purpose of providing services to its customers. These customers are the boss- they are the reason for the existence of any bank. As a result, banking services of any type must be packaged putting the customers into consideration in terms of the springing up; it becomes paramount for banks to understand what their customers' needs are and provide them.

Banks should understand their customers; provide them with conducive banking environment and staff who demonstrate a true desire to satisfy them.
It is necessary for banks to listen to complain and suggestion of their customers; for them to know the factors affecting their (customers) preference in this competitive banking environment.

Management should also leave no stone unturned to ensure that the legitimate needs and aspirations of their staff are met to the best of their ability and without undue friction. It is only when the staff are contended that they can be relied upon to attain a high level of efficiency and effectiveness. Improved and contended workforce will enhance good service delivery and eliminate poor counter service. For other measures which are capable of generating improvements, let us examine recent developments in the industry elsewhere in the world.

Those who are familiar with bank services in developed countries will testify to continuing improvements in banking practices. The cash point facility for instance, which enables customers to slot in a micro-sensitive disc into a computer or cash dispenser and obtain virgin currency notes. Most of the banking transactions can be done without visiting the banking hall. British banking transaction can be referred to as 24/7. Internet banking is widely used by almost all cadres of customers unlike Nigeria where it is exclusively for the elite and the rich.

It is a fairly widespread practice in the United Kingdom that cheques of certain customers are not referred before they are paid over the counter, while the market is virtually becoming cashless with the use of various credit cards. British banks are also agents of one another for purpose of cash withdrawals (made possible by the cheque – cards facility) and cash lodgments are made into one bank for credit on an account in another bank (through the bank giro system) but these are still foreign to us.

To the vast majority of bank customers the most important single reason for patronizing the bank is the hope of receiving financial assistance from the bank to take care of their difficulties and promote their business. Banks on the other hand, thrive on the interests and charges derived from loans and facilities granted to their customers. It is to their mutual benefit, therefore, the process of obtaining and granting loans and credits should be smooth and prompt. Businessmen are in competition with another and many good deals could be lost to competitors if banks are unable to give prompt attention to their customers needs.

Admittedly banks are subject to many controls and constraints through Central Bank guidelines and the banking Decree. Whatever the problem is, the customer is entitled to prompt attention, and if for any reason his request is to be declined, this should be done as tactfully as possible to leave him in no doubt the his bank has done the best for him

5.3 RECOMMENDATION

In attempt to make my recommendation, it will be essential to quote Mr. Sola Salako CEO of Purples consult, he said' Consumers are usually wary of financial products because they are not always what they seem. Almost all these products are perceived to have hidden clauses that make it more difficult to buy than its communication lets on. Though the interest rate was reasonable to me, when I considered buying, I was immediately put off by use of conditions and 'extra cost' I had to meet. I was required to find a vendor for the generator I wanted to finance, secure a one year guarantee from that vendor, take out an insurance policy at my own expenses on the generator which the bank as the beneficiary and of course, not to forget the legal fees. All of these conditions translated to extra cost, time wasting and of bureaucracy to me. So where is the convenience of buying this product when I could easily raise N160k by over draft at the same conditions (with collateral of course)?

The experience of Mr Salako is similar to the responses of some people interviewed. As a result, I recommend that banking services should be convenient for the customer to patronize, affordable in terms of cost, must be well communicated to the customers. Bank must Endeavour to live up to their promises to their customers. Customers get disappointed when they spend more time than necessary when cashing a cheque drawn on a sister branch of the same bank either as a result of V-sat not working or on-line processing not fully in place or faulty.

Furthermore, banks should improve to be more innovative, e.g, opening an account with a bank in the web site and withdrawing cash via internet without necessary going to the Bank.

The management of the bank has to be more customers focused. Branches should be fully staffed to avoid congestion of customers questing and sitting and waiting to be attended to.

Banks in order to sustain and gain more customers should imbibe human relation culture. Customers should be treated as kings and not as people seeking for assistance.

I should hasten to add that the customers themselves sometimes contribute to some of their difficulties by submitting hastily prepared and ill-digested proposal for support. Nevertheless, it is the bank's duty to be patient with its customers and give them all the necessary advice and guidance. As much as possible, banks should support viable proposals subject only to lay down guidelines, the customer record, and the availability of resources.

It is pertinent to emphasize here that the processing of loans and advances is an aspect of bank's operation that demands the highest level of integrity. Banks are therefore advised to ensure that in the interest of their image, staff charged with responsibility for this vital function is seen to demonstrate the highest degree of integrity and professionalism.

Banks must make reference to the complaint of their customers, such as failure to issue statements of accounts to customers on regular basis. They should also endeavour to review the procedures for opening accounts, which are in some cases cumbersome. The minimum amount fixed for opening accounts may also need to be reviewed if prospective customers with limited resources are to be encouraged to inculcate good banking habits.

The bank's marketing plan should include proper identification of what really motivates the customer. A survey was carried out in 1971 by Mark Alpert of USA tagged 'identity' and compare attributes that features conspicuously which include bank's reputation, location, availability of credit, friendliness, service charged, full service, offering of special service, parking space, premium or gift, convenience of services, influence of friend & etc. An overall market plan should take all these into account. Marketing efforts should take due cognizance of the need to improve the quality of service that people get.. the delayed in affecting simple bank transactions, poor counter service, poor skill, skill and attitude of staff and tendency of most bank employees to feel that they are doing the long delayed and neglected customer some favour must be greatly discouraged.

Also the marketing efforts call for the need to adopt modern techniques to assist in services delivery. Advancement in technology has reached a stage where there is no area of banking operation where computer cannot be helpful.

The Central Bank of Nigeria (CBN) and the Nigeria Deposit Insurance Co-operation (NDIC) should initiate and review laws and regulation to

1 Enhancing payment mechanism
2 Improve on monitory technique. CBN and NDIC should ensure regular and close monitor of banks to see that customers' deposits are safe at all times.
3 They should also educate the banks on their services, services innovation and delivery. Their corrections should be corrective most times instead of punitive to be able to create good mutual atmospheres for consultation between the banks and the regulatory bodies. The banks regulatory bodies should encourage improve inter bank relationship in bodies exchanging instrument and obtaining value. The customers should be able to suggest to their banker's areas they need improvement

and motivations. They should also be educated in what it takes to enjoy any bank's services especially when if come to credit facility

Furthermore, I recommend that while care must be taken in some areas of decision taking in dealing with customers, banks should eliminate bureaucratic approaches in order to encourage promptly and rapid responses to customers' inquires. Few banks are moving towards this in the area of account opening, cash withdrawals, and overdraft facilities are becoming less cumbersome and quickly perfected.
A good example is the ability of customers who is an executive director of a reputable organization to secure credit facility to the tune of N1million from Ecobank Nigeria within 48 hours.

Although a lot have been covered in this work, the topic under research still has room for researchers to carrying on further research; especially as a result of rapid advancement in technology, kin competition among banks (Foreign Banks inclusive) and various innovations of banks. I would also recommend that research to carry on how banks can create niche for themselves in terms of service delivery.

APPENDIX

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6th February , 2009

Dear Sir,

I am an MBA Student of the above school.
I am carrying out a research on Banking Services in Nigeria Financial Industry (a case study of customer's preference for demanding banking services in Lagos and Abuja)
Every information supplied by you will be treated in a great confidence.
Any confirmation can be made from my school.
I would be grateful if you could sincerely fill this questionnaires and return to me.
Thank you and God bless.

Yours faithfully,

Leye-Isola Atinuke Esther

CUSTOMER SURVEY QUESTIONNAIRE

SECTION A

ABOUT THE RESPONDENT

Please do NOT write your name as your responses will be completely anonymous. However, please give us the following general information about you (If you have a Personal Account) or your company (if you have a corporate account).

1. What type of account do you maintain with your bank? (Please tick)

☐ Corporate Account A/C ☐ Public Sector ☐

Deposit A/C ☐ Personal Current A/C ☐

2. What How long have you been dealing with your bank? (Please tick)

☐ Less than 1 year ☐ 1 to 3 year ☐ 3 to 5 years

☐ Above 5 years

SECTION B:

INSTRUTIONS: Please state below your main bank.

My main bank:

………………………………………………………………………………

Then, rate the performance of your Bank on each of the following factors. Please TICK ( )

In the appropriate circle:

1. Do you easily obtain facility when you need it

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

2 Does your bank visit you

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

3 Does the bank encourage you to make suggestions for improvements or complain when you're dissatisfied?

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

4 How often does the bank give you business advice on how to grow your business

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agr☐

5 Bank demonstrates a true desire to satisfy you.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

6 Does the bank notify you of any changes in policy and rate that will affect

☐ ☐ ☐ ☐

You?

Strongly Disagree Disagree Agree Strongly Agree

7 Do the staff at the branch treat you with respect and courtesy?

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

8 The bank send you corporate gift items (e.g Calendar, Mugs, Pen e.t.c).

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

9 The bank takes into consideration how long you have been operating your account in dealing with you? (e.g in granting overdrafts/COT charges).

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

10 The branch Manager has the power to take quick decisions on your account. (e.g in granting overdrafts/COT charges).

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

11 The location of your branch is convenient for you?

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

12 Your branch supply prompt and accurate statements of account monthly.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

13 The external building and internal environment of your branch is conducive.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

14 Usage of computer in the bank's operation is satisfactory.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

15 The bank's interest rate is minimal.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

16 The inter branch fund transfer is instant and encouraging.

Strongly Disagree ☐ Disagree ☐ Agree ☐ Strongly Agree ☐

SECTION C

Please tick ( ) in the box as it applies to you and your business.

How do you value bankers?

1 Asset Base: Poor ☐ Fair ☐ Good ☐ Very Good ☐

2 Prompt and courteous service:

Poor ☐ Fair ☐ Good ☐ Very Good ☐

3 Provision of facilities:

Poor ☐ Fair ☐ Good ☐ Very Good ☐

4 Branch Network:

Poor ☐ Fair ☐ Good ☐ Very Good ☐

5 Management team:

Poor ☐ Fair ☐ Good ☐ Very Good ☐

6 Interest rate and charges:

Poor ☐ Fair ☐ Good ☐ Very Good ☐

7 Corporate outlook of branch buildings:

Poor ☐ Fair ☐ Good ☐ Very Good ☐

SECTION D

CORPORATE IMAGE ASSESSMENT

Kindly tick ( ) the appropriate responses to each of the following questions regarding how you perceive your banker: your responses will go a long way in the bank's improvement efforts.

Please be Frank:

1 What is your perception of your banker? (Mark Yes or No)

☐ Highly innovative ☐ Customer intimate bank

☐ Customer Focused bank ☐ Balanced board membership

☐ Non-regional bank

2 What is your perception of the strength and stability of your banker? (Mark Yes or No)

☐ Weak and Unstable bank

☐ Strong growing bank

☐ Very strong and solid bank

3 Have you ever noticed any of your bank advertisement in the advert media?

☐ YES ☐ NO

4 Have you ever received a corporate gift item from your bank (e.g calendar, pen, etc.)?

☐ YES ☐ NO

5 Has this affected your relationship with your banker in any way?

☐ YES ☐ NO SOMEHOW ☐