Chapter

Bank Service Delivery in Nigeria

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Abstract

Nigeria as a country has recorded significant efficiency in bank service delivery considering her history of banking services. This assertion reflects in the views of banking sector stakeholders in the country and foreign assessors. One milestone was the introduction and effective use of electronic banking system in the last two decades which eliminated hurdles overt with the conventional banking era. Today, banking activities in Nigeria are possible at any time of the day and anywhere without any stress. This is not to say that it has fully complied with global best practices as there are still pockets of complaints from stakeholders especially customers which have expressed dissatisfaction in the quality of banking services rendered to them. In spite of the level of customers' dissatisfaction, bank service delivery is better than what it was, and the Nigerian banking sector is presently at the front burner in terms of banking service delivery in Africa. Although challenges of employees' knowledge gaps, technology, inadequate legal framework, incompetent manpower and staff improper attitude remain contentious in the Nigerian banking system, efforts from stakeholders especially the regulator to eliminate these challenges would bring about improved banking service delivery in Nigeria and make it close to global best practices, if not achieve it.

Keywords: bank, banking sector, Nigeria, service delivery

1. Introduction

Nigeria is the most populous black nation with about 190 million people on an approximate area of 923,769 square kilometres situated between 40 and 140 north latitude and 30 and 140 east longitude in sub-Saharan Africa. It is currently the second biggest economy and the tenth oil producer in the world. In spite of this record, Nigeria Economic Outlook of 2019 described her economy not to be among the fastest growing economies in sub-Saharan Africa. The economic institution of the country, in which the banking sector plays the intermediation role between the surplus and deficit sectors of the economy, drives growth and development.

Historically, the country's banking sector like others is meant to allocate savings to improve productivity and promote economic growth. However, this has not been possible through economic changes of the country whether during the pre-independence epoch or post-independence epoch. During these epochs, the Nigerian economy has undergone a series of economic reforms and policies to address banking failures such as undercapitalisation, delays of transaction, congestion and long queues in and outside of the banking hall, among others. This made the Nigerian economy beclouded with many problems such as weak industrial base, and that is why the economic narrative of the country has been epileptic.

It is remarkable to note that in the last two decades, policies of government through the Central Bank of Nigeria have made bank services to have increased tremendously. For instance, the cashless policy of the Central Bank of Nigeria has eliminated some of the early challenges of banking services in Nigeria [1]. This brought about service availability, promoted service capacity in general and specific terms, and service delivery. But to observers, banking service delivery which is the extent to which the bank is able to meet with the banking service requests of customers (individuals or organisations) in the most efficient manner is below what is expected by customers. This chapter discuses salient issues to provide background knowledge on the subject before taking positions.

2. Structure of banks in Nigeria

The banking system in Nigeria is structured along six layers, namely, central bank, deposit money banks, merchant banks, development finance institutions, microfinance bank, and mortgage banks.

2.1 Central Bank of Nigeria

This is the apex monetary authority in Nigeria established by 1958 Act of CBN and started operations on July 1, 1959. At that time it was saddled with the responsibilities of enhancing the quality of banking operations in the country. To achieve this mandate, the bank has evolved different programmes such as industry remedial programmes, risk-based supervision, establishment of regulatory framework, customer protection and internal transformation of the bank activities. Among the functions of the bank are to serve as the banker to the government, act as a banker to all other types of banks, hold foreign reserve of the country, manage the national debt of the country, serve as a lender of last resort and control deposit money banks.

2.2 Deposit money banks

This is a financial institution that is registered to render financial services to the general public such as accepting deposit, providing loans, keeping valuables and serving as financial advisers to customers, among others. Banks in this category are older than the emergence of the Nigerian State. Foremost was the Bank of British West Africa which was founded in 1894. It is on record that indigenous banking started in 1929 with the establishment of the industrial and deposit money bank by a group of Nigerian and Ghanaian entrepreneurs. After independence in 1960, the Bank of British West Africa became the first Nigeria-based bank which is now known as First Bank of Nigeria. Presently, there are 25 deposit money banks in Nigeria as of October 2019 (www.cbn.gov.ng).

2.3 Merchant banks

A merchant bank is a specialist financial bank that provides wholesale banking, medium- and long-term finance, equipment leasing, debt factoring investments management and so on. This type of bank evolves in Nigeria back in the 1960 with the establishment of NAL Merchant Bank Plc. Over the years, a number of merchant banks have been registered by the government.

2.4 Development finance institutions

This is a government bank established to perform itemised developmental functions in the economy. These functions include but are not limited to infrastructural developments in industry, agriculture, and commerce. These development banks' names project their function. In Nigeria, there is the Nigerian Industrial Development Bank and Bank of Industry for industrial development and the Nigerian Agricultural and Cooperative Bank for agricultural issues, among others.

2.5 Microfinance bank

The Central Bank of Nigeria described microfinance bank as a financial institution at the grassroots level to perform basic banking services to the poor. This bank is different from conventional deposit money bank because of its ease of operations, absence of asset-based collateral and smallness of loans advanced and/or savings. The roles of microfinance bank are not limited to address banking shortfall at the grassroots and provide timely, reasonable, varied and reliable banking services to the poor. It is meant to provide financial service intervention for the low-income earners at lower echelon of the society.

2.6 Mortgage bank

This type of bank in Nigeria is floated to coordinate housing development in the country. To achieve this mandate, individuals and corporate bodies are granted loans for this purpose, while repayment of loans is in instalments over the years. Like deposit money banks or microfinance banks, mortgage banks receive deposit from individuals and corporate bodies at a rate of interest, while such fund is lent out at a higher rate of interest. In Nigeria, the Federal Mortgage Bank is saddled with this responsibility.

3. Bank services in Nigeria

Based on the structure of banks discussed above, bank service is centred on financial intermediaries, that is, deposit collection and lending. However, in the Nigerian banking industry, different types of services have emerged but can be categorised into three major arms, namely, general banking covers account opening, deposit management and cash handling, credit such as loan disbursement and loan management and foreign exchange such as foreign currency and remittance management [2].

An overview of these services in Nigeria by the banks is provided below:

The Central Bank of Nigeria coordinates with other banks, and this has been efficiently delivered over the years. For deposit money banks, some banking services such as account openings, deposit mobilisation, advancing of loans, agency services such as making payments and collecting receipts, among others, and general utility services such as issuing letters of credit and safe custody of valuables, among others, are offered. In the case of merchant banking, services offered include but are not limited to corporate finance services such as management of private and public equity shares to corporate debt securities and provide expertise on investment advisory services, finance of large-scale industrial projects, advice on portfolio management, company floatation, financial planning as well as mergers and acquisitions. Basic services rendered by the merchant bank in Nigeria are the provision of medium- and long-term credits, arrangement of syndicated loans, provision of acceptance of credit facilities to their clients, equipment leasing, issuing house function, acceptance of deposits, provision of foreign exchange services, management/advice on portfolio of investment and unit trust management.

4. Legal and institutional framework of banks in Nigeria

There are laws and institutional framework in Nigeria that govern the banking industry and services therein. First of such laws are the Central Bank of Nigeria Act 1958 and the Banking Act 1969 to guide the operations of the Central Bank of Nigeria. These laws stipulate paid up capital for indigenous banks as N250,000, while in the 1962 amendment, banks were allowed to buy real estate for expansion purposes, and the bank was empowered to regulate the interest rate structure of the commercial banks. In 1969, another amendment was effected on the 1962 Act as it broadens the sphere of monetary control to include other banks than commercial banks. A significant hallmark in the banking legal history in Nigeria was the enactment of the Banks and Other Financial Institutions Act (BOFIA) in 1991.

BOFIA granted limited autonomy to banks in some areas of operations. The Act gave operational autonomy to CBN to carry out its traditional functions as listed above to enhance its flexibility. In the Act, CBN Governor was mandated to chair the board of directors of the bank with other members of the board being the deputy governors, the permanent secretary, Ministry of Finance, and five part-time directors, from the Security and Exchange Commission, Commissioner for Insurance and Registrar General of Corporate Affairs Commission, and a representative of the Federal Ministry of Finance not below the rank of director.

Also, the regulatory power of the CBN was strengthened by the Banks and Other Financial Institutions (Amendment) Decree no. 4 of 1997. Through the amendments, CBN was empowered to vary or revoke any condition subject to which a licence was granted or may impose fresh or additional condition to the granting of a licence to transact banking business in the country. It was also stated that books of these banks and other financial institutions such as development banks, mortgage institutions and microfinance banks can be examined by the apex bank from time to time. With the decree, the bank has the power to withdraw licences of distressed banks and appointment of liquidators of these banks.

5. Efficiency of banking services in Nigeria

There has been poor and inconsistent bank service delivery in Nigerian banking sector over the years, and that was why a series of reforms had evolved in the sector [3, 4]. However, there are variations in the quality of these banks' service delivery over the years, and this varied with the categories of banks in the country and who the assessor is (local regulator such as the Central Bank of Nigeria, Customers, and International raters such as International Monetary Fund (IMF), and World Bank [5]. As reported by the International Monetary Fund in 2016, Nigeria has the lowest percentage (14%) in terms of the ratio of broad money supply to gross domestic product (GDP) among selected countries. Fitch ratings report of 2015 revealed a decline in the performance of Nigerian banks in terms of service delivery. Earlier studies conducted in the country by [6, 7] also suggest this.

Scenarios in the Nigerian banking industry portrayed divergent opinion. From the customers' perspective, customers of banks in Nigeria have also expressed great displeasure with the quality of services offered to them over the years in spite of the policies of the government through CBN. For instance, the study of [8] found extreme level of Nigerian bank customers' dissatisfaction. The study revealed long queues in the banking halls, ATM locations, needless delays in resolving complaints and interbank cheques issues as major problems of the sector. Seven years after, the study of [9] admitted poor service quality in the Nigerian banking sector. This means the trend of Nigerian bank customers' dissatisfaction remained unresolved. On the contrary, [10] study on customer service delivery and customer satisfaction in the banking industry found out that an increase in the number of working days and number of bank branches led to better levels of service delivery but can be improved upon as he subsequently recommends that the Nigeria banking industry should improve the quality of service delivery.

Electronic banking introduction in the last two decades brought in another twist to banking services in Nigeria. This has made banking services more convenient due to the associated benefits such as efficiency and accessibility. [11] in Nigeria revealed that customers enjoying electronic banking services are still not satisfied with the quality and efficiency of the services. This is expressed in the number of times customers physically visit banks and length of time spent before such services are received. Furthermore, [12] study on mobile banking and banks' service delivery reveals that it has improved transactional convenience and quick transaction alert. Similarly, [13] studied technological innovation and service delivery in Nigeria and found positive relationship between the variables.

However, like any other banking services around the world, cases of insecurity and hacking of accounts remain a problem [14, 15]. For instance, the study of [16] on customer service and banking business in Nigeria found that customers are dissatisfied with long waiting times. The study of [14] identified users' network failure as a major problem to service delivery in the country, while [17] study examined how adoption of information technology impacted the banking industry in Nigeria. The authors found that IT adoption fundamentally transformed the content and quality of banking services delivery, thereby strengthening the competitiveness of Nigerian banks.

In the study of other banks like microfinance bank, [18] identified diversion of funds, inadequate finance and frequent changes in government policies, heavy transaction costs, huge loan losses, low capacity and low technical skill in the industry as impediments to the growth of this subsector.

6. Challenges undermining bank service delivery in Nigeria

1. **Knowledge gaps of bank personnel:** As established in the work of [19], representatives of the bank which are "frontline employees" have not been adequately trained to provide and exceed service required by customers due to knowledge gap in the areas of banking services and regulatory rules that guide the provision of the services.

2. **Technological challenge:** In spite of the level at which electronic banking is presently adopted in the Nigerian banking industry, the ease and use of modern technological innovations is still not at its best. Developed world banking system is far beyond the use of ATM, mobile banking and other forms that Nigeria currently uses because of fraud and hackers. It is also on record that the technological infrastructure to support modern banking system in the country is still lacking. Aside from this, imbalance in the availability of ICT infrastructure remains a challenge.

3. **Inadequate legal framework:** Existing legal banking provisions in the country have loopholes. Criminals and fraudsters have taken this opportunity in the past to perpetrate cybercrimes on bank customers in the country.

4. The shortage of competent manpower attributable to high labour mobility is also a core challenge which has impaired the capabilities of these banks to execute their corporate objectives. In the Nigerian banking sector, employees with poor and inappropriate academic/professional backgrounds are common, while the engagement of contract staffing and employment of unqualified personnel into the sector have caused the sector a lot of harm.

5. **Staff attitude:** The emotional intelligence of personnel in the sector is another factor. Handling of difficult customers and reacting to requests of customers have generated a lot of dissatisfaction to customers. This is because most of the bank employees are not emotionally intelligent to deal with customers and their issues.

7. Conclusion

Historically, Nigerian banks' service delivery has no doubt improved when compared with that in the last two decades but can be improved when compared with what her contemporaries in the developed climes have achieved. Hiccups in the areas of employees' knowledge gap of banking services and regulatory rules, technology and weak legal framework are no doubt obvious. In spite of these, the Nigerian banking industry remains vibrant among her peers in Africa. Today, banking business in Nigeria is waxing stronger as customers can transact banking request at the comfort of their rooms and offices and in transit. This is not to say that all is well with the banking service delivery in Nigeria as much is still desired to achieve global best practices in service delivery.

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