THE HISTORY OF COMMUNITY BANKING AND ITS ROLE IN NIGERIAN RURAL ECONOMIC DEVELOPMENT

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INTRODUCTION

The important class conflict in less developed nations today is that between the rural sector and the urban sector. The urban sector contains most of the wealth and power, while the rural sector contains most of the poverty. Fabayo (1990) points out that these Sub-Saharan economies are characteristically dualistic with pockets of sprawling urban centers that are the nerve centers of modernized occupations, concentrated affluence and development; at the same time, vast static rural areas exist where the economic and social conditions are not only stagnant but deteriorating. The imbalance is quite revealing when one considers the fact that more than 60 percent of the available socio-economic infrastructures like electricity, pipe-borne water, telephones, airports, schools, hospitals; 70 percent of trade and commerce, 95 percent of banking, 80 percent of industrial establishments and productions are located in urban areas, while over 80 percent of the population still live in rural areas (Fabayo, 1990). This lopsided development in favor of urban areas does not equip the rural areas for their proper role in the overall development process; it handicaps the rural areas and renders living conditions unattractive. Thus in response to the need to improve the situation, rural development has been a recurring theme in national development plans. Efforts to change the rural areas in Nigeria commenced with commodity promotion and went through community development and integrated rural development among others. But perhaps of equal importance, though less commonly appreciated, is the fact that the past interventions in rural development drew from paradigms anchored on either incomplete or wrong information about the rural areas.
This article examines the salient features of the rural economy that would tend to have a decisive influence on the outcomes of the actions rural-based Nigerian Community Banks (CBs) should take and are already taking to achieve their ultimate mandate which is rural development. Our stress is on the interdependencies that should exist between CBs and the rural economy. This relationship is to be viewed in the context of a dynamic rural environment responding to idiosyncratic shocks, socio-cultural changes and wider macro-economic policies. At the end, we give a policy guide for pursuing sustainable community banking under conditions of sustainable rural progress.

**FAILURE OF MAINSTREAM FINANCIAL INSTITUTIONS IN RURAL NIGERIA**

Some similarities could be drawn between the reasons for the launching of indigenous banks and those for establishment of community banks in Nigeria. In 1933 and 1948 when the National Bank of Nigeria (NBN) and African Continental Bank (ACB) came into existence, respectively, there was a strong desire by indigenous merchants to have financial institutions that would not discriminate against them as the then foreign-owned banks were doing. The then colonial government consented to the establishment of National Bank of Nigeria in line with its liberal policy of assisting indigenous banks, while the ACB's founders had a vision to build an African banking institution managed by Africans in order to demonstrate that such an institution could be successfully run on indigenous patronage.

Following independence in 1960, what used to be colonialist-indigenous dichotomy in the Nigerian financial market had transformed into a neocolonialist urban-rural dichotomy as most of the banks (foreign-owned, private indigenous and government indigenous) could neither locate nor have significant transactions with the rural areas. For more than two decades, despite a proliferation in the number of registered commercial, merchant and development banks and the number of their branches in Nigeria, the situation remained the same. For instance, there were the cooperative banks whose operations, being agriculture-related, were expected to catalyze rural development. Sadly, they have not fared well on this score. The case of the 'hijacking' of the Co-operative and Commerce Bank (CCB) by nonco-operative urban-based interests is instructive. Among the development banks such as the Nigerian Industrial Development Bank (NIDB), Nigerian Bank for Commerce and Industry (NBCI)