

CHAPTER ONE

1.0 INTRODUCTION

1.1 BACKGROUND OF THE STUDY

According to Adekanya F. (1984) Define Banking habit as the degree as which member of the public patronize banks. The regularity with which individual and corporate bodies in the society make use of banking faculties.

Aspalne (1978), Rural banking scheme is a programme managed by the central bank of Nigeria in the 1970 and it aims at bringing banking facilities to the door step of rural dwellers.

The first approach used by the commercial bank of Nigeria was mandating the commercial banks to open branches in the rural area, for example in 1977 the central bank of Nigeria mandated the commercial banks to open branches in the rural areas, for example to open 198 branches in the rural area within a period of three years July 1977 to June 1980 unfortunately the commercial banks of Nigeria guidelines.

To ensure compliance the central bank of Nigeria used the power it has under section 4 under the banking Act of 1969 tied the approval for the opening of urban branches but all to no avail.

Promulgated the microfinance Bank decree no 46 of 1992 which provide for the establishment of microfinance bank.

The microfinance banking system is owned and managed by community or a group of community for the purpose of providing deposit, credit and other banking facilities for the members of the community.

The number of microfinance banks has increased greatly from 1991 to date. By thenature, microfinance bank therefore are self sustaining financial institution owned and managed by the community or group of people for the purpose of providing credit facilities deposit banking and other financial services to its members at large on the basis of their self recreation and credit worthiness.

In Nigeria, like in many African countries successive government have implemented various agricultural and rural credit schemes as a means to address perceived shortage of rural credit to stimulate rural employment and productivity under the scheme institutional resources programme efforts and government energies were devoted, through parastatals based top button intervention interventions, to imperial mostly supply financial development funds to rural entrepreneur and small scale farmers (Graham 1992, Yaron 1992).

1.2 STATEMENT OF THE PROBLEM

In Nigeria, economy has revealed that about 75% of the people living in rural areas has been deprived access to banking facilities Ijera M.O (1986).

And so far, in Nigeria, the problem of rural under development and hence general economic stagnation of the overall economics of the developing countries is inadequate flow of financial resources to the rural areas as well as the channeling of the available resources from the rural to the banking habit of the rural dwellers.

Mobilization and the utilization of owning financial resources are the most important preconditions for the modernizing the rural areas and improving the living standard of many.

Also, there is a total neglect of the rural community in the scheme of banking expansion and the inadequacy of banking expansion and the inadequacy of banking facilities generally. The government establishment of rural banking scheme of diffused branch network of bank to all in part of the country the develop banking habit among the people and could build up a banking system that could sustain rapid contribution and balanced development of the economy.

In Nigeria, the rural economy encompasses a substantial proportion of the country's human and natural resources and therefore require large amount of financial resources too in order to develop it.

In spite of the effects with less than expected achievement, rural borrower still encounter difficulties in accessing credit from formal financial institution. It is thus necessary to provide a channel for mobilizing and investing savings in the rural area.

Therefore, it was due to the nature of banks in Nigeria economy as a whole coupled with the fact that the federal military government initiated the Rural Banking Programme (RBP) by her geographical size and population was under banked in terms of banks and banking sector is the most backward in terms of proportion of the economic unit passing through the banking system (Stanstan 1994)

1.3 RESEARCH QUESTION

The questionnaire were administered to the entire staff of the bank to eliminate bias in administration the question. The staff strength of the organization under study (OKEHO MICROFINANCE BANK, OKEHO) was staff into consideration the organization has a staff strength of thirty workers and the entire population were taken for the purpose.

1.4 PURPOSE OF STUDY

The purpose of the study is to throw more light on the development of the banking habit in the country (Nigerian) particularly in rural areas.

The rural banking scheme in Nigeria was the federal government reaction to the realization of the problem posed by the dearth of rural credit on its effort to solve the problem of rural underdevelopment.

The purpose of rural banking scheme is to mobilize and allocate loanable fund in the rural areas in a continuous way and to ensure that funds are employed productively. It is envisaged that the scheme should actively facilitate the rapid expansion of banking facilities and services in rural areas

THE PURPOSE OF STUDY ARE AS FOLLOWS:

- a. To study the contributions of rural banking scheme towards the development of banking habit.
- b. To know how people in rural areas are responding to banking service and their understanding it.
- c. To know how best rural banking scheme in Nigeria could be encouraged towards developing the rural banking habit with a view to achieve its goal and objectives.
- d. To know whether rural banking scheme achieve the objective for which the micro finance banks decree No 46 of 1992 was promulgated.

1.5 DELIMITATION OF THE STUDY

This project work will be included in the role of banking in the rural areas which includes both developed and underdeveloped countries because the pattern of banking in that environment is

not encouraging.

1.6 LIMITATION OF STUDY

Many factors mutated against the research in carrying out with more desired materials. There were such problems as constraint of the factor in carrying out this research work. Finance is also another part of the constraint.

Also, the report may not be able to give full and comprehensive analysis of the activities of rural banking scheme because of the cost of time, cost availability of appropriate accurate and adequate information constraint as to determine the extent the research will be carried out.

We will not however overlook the information available in some journals, textbooks, magazines and other opinion of eminent scholar on the study that are not easy to come by.

1.7 SIGNIFICANCE OF THE STUDY

The study will therefore show the responsibility of micro finance bank to bring banking facilities to the doorstep of rural and urban areas and also promoting their banking habits.

This makes the study very important because, it will help rural dwellers to realize the importance of banking services.

This project will help the dwellers of rural areas in showing possible contribution in the development of banking habit and making the goals and objectives of the rural scheme achievable.

1.8 DEFINITION OF TERMS

Bank is a financial that accept deposit and grant credit by loan and overdraft to customers

Banking: This is the business activity of banks that provides various financial services.

Rural Banking: can be seen as the business of accepting money deposits and giving out advances as well performing other services to customers in rural areas.

Banking Habit: is defined as the degree at which members of the public patronizes banks.

RURAL BANKING SCHEME: A MEANS OF DEVELOPING BANKING HABITS IN NIGERIA

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