

The establishment of community banks by the Federal Government with particular reference to Umueze Community Bank Enugu was necessitated by the desire of Government to improve the standard of living of the rural dwellers and to encourage rapid development of the communities.

It is in realization of these objectives that this study is being carried out to ascertain the impact of these community banks on rural development.

Also the study is designed to determine the performance of the community bank and the commitment of the staffs to realize these set objectives. The inscriptional survey method was used for the study with some fractional number of the total members of Umueze Community Bank Enugu. Both primary and secondary data were combined in collecting information used for this study. A total number of 20 questionnaires were given out, though not all were returned and the information collected were very useful in achieving the objectives of this research.

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## CHAPTER ONE

### 1.1 **BACKGROUND OF THE STUDY**

This study deals with the impact of community Banks on rural development. But the study is on the Community Bank in Enugu North Local Government.

In recent past, our rural dwellers have been finding it very difficult to save their money and other valuables in the Commercial Banks in urban areas. This is because of the enormous paper work involved in opening a savings accounts and also distance in moving from where they are living to an urban location of commercial banks.

Community Banks are established financial institution to cater for the savings and credits needs of small scale producers throughout the country. In spite of government

policy such as agricultural credit guarantee scheme, local dwellers face the constraint of not having a collateral to put down as a security before loans could be secured. Conclusively, the commutative effect of these trends above include; low productivities, slow pace to development of the rural areas low accumulative capital to finance small scale businesses.

## **1.2 STATEMENT OF PROBLEMS**

Rural development is now a matter of crucial concern in most developing countries in general and Nigeria in particular. Indeed the problem is to ensure that community banks has adequately impacted the rural communities. However, some of these problems are:

What impact has the Community Banks creates in rural dwellers.

Are the banking habits of local dweller improved.

## **1.3 OBJECTIVES OF THE STUDY**

This study is aimed at investigating the impact of Community Banks on rural development. It is also aimed at showing how Community Banking system had stimulated earning culture to the populace. To identify the rapid enhancement of development productive activities in rural and urban areas. To identify the improvement of the economic status of small producers in the informal sectors of the national economy of the rural community.

Conclusively, to suggest solutions and possible recommendations that would enhanced and speed up more development in the rural areas by the operations of the community banks.

## **1.4 RESEARCH QUESTIONS**

Are Community Banks really a modernization and simplification of an otherwise sophisticated banking system.

How has the operation of community banks serve the development needs of the grassroots people.

## **1.5 SCOPE OF THE STUDY**

The scope of this study is limited only to Enugu North Local Government. A case study of Umueze Community Development Association. This is because of the time involve in covering the whole Enugu State. The research is based, on finding but the impact of community banks on rural development and thus the rural dweller's to be mindful of the operations of community bank.

### **1.6 LIMITATIONS OF THE STUDY**

Limitations are challenges that are bound to occur when carrying out a research project. Some of the limitations during the course of this project are:

(i) Time Factor: The time allocated to this project was very short as wished by the researcher.

Financial Constraints: This is a challenge encountered by the researcher in carrying out the project. It includes transportation fee foolscap fee, feeding fee as well as photocopying of some relevant information to facilitate the research project.

Lack of equipped Library: Library was not equipped enough with current information.

Apathetic behavior of the respondent: This is problem involve in serving questionnaire and also when collecting it.

### **1.7 SIGNIFICANCE OF THE STUDY**

It requires a little reasoning to discover that this research will be of immense benefit to Community Banks and Local Communities. It will be relevant to students of business and financial studies.

It will also serve as a literature review for further researchers.

Further more, this research work will enable Community Bank to the prospects of their effort toward rural development. The local communities will see the impact of community banks on rural development.

Imperatively, it will serve as a means of re-discovering the problem faced by rural communities, and a possible modification to ensure their continuity.

Conclusively, it would be of immense benefit to the economy as a whole. This is because the need for more community banks would arose, and therefore their

activities would oil the wheel of the economy.

## **1.8 THE IMPACT OF COMMUNITY BANK ON RURAL DEVELOPMENT**

A Community Bank is a self-sustaining bank established, owned and managed by a community or a group of communities. The power was given by the federal government in 1990. In the budget speech of the then president and commander in Chief of the armed forces, General/Ibrahin Babangida announced the creation of Community Banks. The first community bank took off in December 1990.

However, the main reasons for community banks are to educate the local communities on the need or importance of banking services. To encourage the local communities to save and accumulate capital for small-scale investment, provide the banking needs of local market women, farmers and petty traders. In Nigeria, the National Board for Community Banks (NBCB) controls the community banks.

Community Banks help the rural people in depositing money in the bank. Through the banks, the rural people can obtain short-term loans for economic activities.

Without these loans, the rural people will find it very difficult to finance their businesses. Through the development of community banks, long and medium-term businessmen can also obtain loans for development purposes.

Furthermore, the development of community banks in rural areas has helped the people in many ways. Community banks will provide long-term capitals for investment and offer financial and technical advice to investors; they have experts in various fields who provide the advice investors may need in order to run successful businesses. They may carry out investment in areas such as industry, agriculture and commerce either wholly or in joint partnership with other investors, conducting studies or research on the economy. They accept cash deposit facilities for the safe keeping of money belonging to their customers. Such money may be deposited in current, savings or fixed deposit accounts.

## **1.9 HISTORY OF UMUEZE COMMUNITY BANK**

Within this period, there has been a growing enthusiasm among communities to

establish their own banks. According to statistics out of one thousand three hundred (1300) licensed banks in Nigeria, Enugu State has twenty eight (28) community banks. However, this research is being carried out on Umueze community bank in Enugu North Local Government.

The bank was official given license on 30<sup>th</sup> June 1991 and look off on the 1<sup>st</sup> July 1991, it was established with (9) nine staffs, four (4) senior staffs and five (5) junior staff. It came into existence as a result of enthusiasm of Umueze Community development Association for community bank. The Association according to federal government fiscal policy of 1997 owns (30%) of the bank share capital. It operates on line and staff organizational structure. The number of staff has increased from nine (9) to thirteen (13). The bank has also witness an increase in the number of customers, say one thousand two hundred (1200) current account operators one thousand five hundred savings accounts operators.

However, several project was been carried out by the bank through the Umueze Community Development Association like the accessible road at Umueze and lower interest rate agricultural loans to farmer.

### **1.10 DEFINITION OF TERMS**

**Community:** This means a group of people living together and United by shared interest, religion, nationality.

**Rural dwellers:** This means a group of people dwelling in a rural community.

**Development:** This means the improvement in living conditions of the local communities.

**Small-scale:** This means a business enterprises with a small capital.

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## **IMPACT OF COMMUNITY BANKS ON RURAL DEVELOPMENT(A CASE STUDY OF UMUEZE COMMUNITY BANK ENUGU)**

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