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ROLE OF COMMERCIAL BANKS IN SUSTAINABLE ECONOMIC DEVELOPMENT IN NIGERIA

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Abstract

Lack of or insufficient financial development can create poverty, unemployment and retard economic development.This work examined the role of commercial banks in sustainable economic development in Nigeria using three commercial banks with regional headquarters in Enugu. A survey approach was adopted for the study. Both primary and secondary data were utilized for the study. Simple percentage, tables, means and frequencies were employed to analyze the data, while z-test was used to test the hypotheses at alpha level set at 0.05. The study revealed that the Nigerian banks contribute positively towards economic development and wealth creation. The study revealed that commercial banks significantly and positively play better roles towards fund mobilization for economic development. Commercial banks help in capital accumulation, mobilization of savings, availability of fund, financing industry, essential for foreign trade, optimum utilization of resources, removal of budget deficits, implementation of modern technology and provision of valuable services. All these services help to accelerate economic growth and development. The researchers recommended that For any nation's economy to develop, its banking system has be sound and strong so as to create confidence in the general public to save for investment.

Keywords: Commercial Banks, Economic Development, Nigeria, Role, Sustainability.

Introduction

The efficient flow of fund within the financial institutions is a stimulant for economic development; this is because banks which are the intermediaries in the financial sector mobilize fund from the savings or surplus sector to the borrowing or deficit sector (Solomon, 2010). An efficient and strong financial system acts as a powerful engine of economic development by mobilizing resources and allocating the same to different productive uses. It reduces the transaction cost of the economy through provision of an efficient payment mechanism, helps in pooling of risks and making available long-term capital through maturity transformation (Manasseh, Asogwa and Agu, 2014). By making funds available for entrepreneurial activity and through its impact on economic

efficiency and growth, a well-functioning financial sector also helps alleviate poverty both directly and indirectly.
To enhance the financial system efficiencies the Central Bank as the major regulator and supervisor uses various measures and policies aimed at achieving this laudable goal. The need for investment many vibrant sectors of the economy resulted to the introduction of development finance institutions and other financial vehicles programmes to provide credit at below market rates for the purchase of capital (Adesoye and Atanda, 2012).

Problem of the study

After independence, the Nigerian banks was repressed by ceilings on interest rates and credit expansion, credit policies, high reserve requirements and restriction on entry into the banking industry. The ability of the commercial banks to play its role of accelerating economic growth, poverty reduction, employment generation, fund mobilization and wealth creation has been punctuated by its vulnerability to systemic distress, insecurity, unfriendly business environment, weak institutional and regulatory framework, inclusing supervision and enforcement, inadequate disclosure and transparency about the financial position of banks and lack of investor.The ugly trend of inaptitude behaviour of the authorities, high level of corruptions and massive pursuit of individual interest have always hinder the sector to promote growth in the Nigerian economy. With the forgoing, it became necessary to examine the role of commercial banks in accelerating sustainable economic development.

Objectives of the Study

The main objective of the study was to examine the role of commercial banks in sustainable economic development in Nigeria. The specific objectives are:

1. To examine the effects of commercial banks activities on fund mobilization for increase investment to enhance economic development.
2. To determine the contribution of commercial banks towards employment generation.
3. To identify the effect of commercial banks activities toward wealth creation for economic development of Nigerian.

Hypotheses

The research is guided by the following hypotheses.

1. H_1: Commercial banks activities significantly and positively play better roles towards fund mobilization for economic development.

2. H_1: Commercial banks contribute positively towards employment generation.

3. H_1: Commercial banks play significant role towards wealth creation for economic development of Nigerian

Literature Review

Conceptual framework on Commercial Banking

The nature of any nation's financial regulations and supervision of its banking system to a large extent determines the scope and extent of its economic challenges (Adelakun, 2010). A nation's financial system consistently plays major roles in the effort to achieve socio-economic development. Agu and Manasseh, (2012) opine that the financial sector could be a catalyst of economic growth if it is adequately supervised, controlled and monitored.

The commercial banks are those banks established to accept deposits and grant loan to the industries, individual and traders with a view to earn profit. Apart from financing, they also render services like collection of bills and cheques, safekeeping of valuables, financial advising etc. to their customer. Commercial banking is a financial institution that provides services, such as accepting deposits, giving business loans and auto loans, mortgage lending, and basic investment products like savings accounts and certificates of deposit (Sanusi, 2012). The traditional commercial bank is an institution with tellers, safe deposit boxes, vaults and ATMs. Commercial banks perform all kinds of banking functions such as accepting deposits, advancing loans, credit creation, and agency functions. Its activities are different than those of investment banking, which include underwriting, acting as an intermediary between an issuer of securities and the investing public, facilitating mergers and other corporate reorganizations, and also acting as a broker for institutional clients.
Kent (2015) defines a bank as "an organisation whose principal operations are concerned with the accumulation of the temporarily idle money of the general public for the purpose of advancing to others for expenditure". Sayers (2014) maintains that "Ordinary banking business consists of changing cash for bank deposits and bank deposits for cash; transferring bank deposits from one person or corporation (one 'depositor') to another; giving bank deposits in exchange for bills of exchange, government bonds, the secured or unsecured promises of businessmen to repay, etc."
Banking Companies Ordinance of 1962 opines that "Banking means the accepting for the purpose of lending or investing of deposits of money from the public repayable in demand or otherwise and withdraw-able by cheque, draft order or otherwise." Therefore, bank is an institute, which is established for the depositing, withdrawing and borrowing money in an economy.

(a) Functions of Commercial Bank

Levin and Zervos (1998) posit that commercial banks perform a variety of functions which can be categorized as follows:

(i) **1. Accepting Deposits*:*** This is the oldest function of a bank and the banker used to charge a commission for keeping the money in its custody.

(ii) **2. Advancing Loans:** The primary function of commercial banks is to advance loans to its customers by lending a certain percentage of the idle cash in deposits on a higher interest rate than it pays on such deposits. By this banks earn profits and carries on its business. Commercial banks advance loans in the following ways:

*(a)Cash Credit***:** The bank advances loan to businessmen against certain specified securities.

*(b) Call Loans:*These are very short-term loans advanced to the bill brokers for not more than fifteen days. They are advance against first class bill or securities. Such loans can be recalled at a very short notice. In some times they can also be renewed.

*(c) Overdraft:*A bank often allows businessmen to draw cheques for a sum greater than the balance lying in the current account by providing the overdraft facility up to a specific amount to the investor.

*(d) Discounting Bills of Exchange:*If a creditor holding a bill of exchange wants money immediately, the bank provides the creditor with the money by discounting the bill of exchange.

3. Credit Creation*:* Banks accept deposits and advance loans by keeping small cash in reserve for day-to-day transactions. When a bank advances a loan, it opens and account in the name of the customer and does not pay the creditor in cash but allows him to draw the money by cheque according to the customers' needs. By granting a loan, the bank creates credit.

4. Financing Foreign Trade: A commercial bank finances foreign trade of its customers by accepting foreign bills of exchange and collecting them from foreign banks. It also transacts other foreign exchange business and buys and sells foreign currency.

5. Agency Services:A bank acts as an agent of its customers in collecting and paying cheques, bills of exchange, drafts, dividends, etc. It also buys and sells shares, securities, debentures, etc. for its customers. Bank also pays subscriptions, insurance premium, rent, electric and water bills, and other similar charges on behalf of its clients. It also acts as a trustee and executor of the property and will of its customers. Moreover, the bank acts as an income tax consultant to its clients. For some of these services, the bank charges a fee while it renders others free of charge.

6. Miscellaneous Services: The commercial banks perform a number of other services to their customers. It acts as the custodian of the valuables of its customers by providing them with lockers where they can keep their valuables, e.g jewelleries and documents. It issues various forms of credit instruments, such as cheques, drafts, travellers cheques, etc. which facilitate transactions. The bank also issues letter of credit and acts as a referee to its clients. It underwrites shares and debentures of companies and helps in the collection of funds from the public. Some commercial banks also publish journal which provide statistical information about the money market, inflation rates and business trends of the economy.

(b) Products offered by Banks

(a) Certificate of Deposit (CD): savings deposits that require a certain amount of money in the bank for a fixed period of time. As a rule, a higher rate of interest is earned the longer the money remains in the CD; also, a penalty is incurred if funds are withdrawn early.

(b) Individual Retirement Account (IRA): savings deposits that offer a way to save for retirement. IRA contributions are tax free, but withdrawals are taxable. In addition, a significant penalty may be applied if funds are withdrawn before the account holder reaches a specified age (usually 59 or older).

(c) *Checking Account*: offers safety, convenience and liquidity. Banks sometimes charge a fee for checking accounts, because check processing is costly; however, many banks offer no-fee checking and checking accounts that earn interest if a minimum balance is maintained in the account. These accounts are limited to non-business customers, as banking laws generally require businesses to use regular checking accounts that do not pay interest;

(d) Money Market*:* like checking accounts, deposit accounts earn interest; however, they usually pay a higher rate of interest and require a higher minimum balance.

History of Banks in Nigeria

Banking activities began around 1892 in Nigeria when Elder Dempster & Co. a merchandizing company was in need of banking services to facilitate its business activities in the country. This led to the establishment of a branch of African Banking Corporation (ABC based in South Africa) in the year 1892. The bank collapsed two years later due to hardship it experienced (Bencivenga and Smith 1991). A new bank was opened in Lagos in 1894 and other West African cities under British Colonial colony and influence. Bank of British West Africa (BBWA) was later merged with Standard Bank Ltd to be known as First Bank of Nigeria Plc. Barclay's Bank Dominion Colonial and Overseas (DCO) the second bank was established in 1917; which known as Union Bank of Nigeria Plc presently.

Many foreign banks were opened in Nigeria by foreign banks in 1928. In order to break the monopolistic and discriminatory banking activities, some Nigerians came together to establish

indigenous banks. Between 1945 and 1947, four indigenous banks were established. Two of these banks survived that is African Continental Bank by Lagos Properties Ltd. and Agbomagbe Bank (presently WEMA Bank). The first indigenous bank in Nigeria was National Bank of Nig. Ltd. (NBN) which was established in 1924 by some Nigerian Businessmen in London.
Eighteen banks were established between 1951–1952. Seventeen of them were liquidated by the end of 1954. Between 1954 and 2015, several transformations occurred in the Banking sector in Nigeria. Presently, there about twenty-one (21) operating banks in Nigeria.

Roles of Commercial Banks in sustainable Economic Development

Schumpeter (2014) opines that "It is the banking system which serves as a key agent along with the entrepreneur in the process of economic development". On the other hand, Khan (2015) posits that ccommercial banks play an important role in the process of economic development, whith the following points:

1) *Capital Accumulation or Formation*: Capital formation refers to the increase in the existing stock of capital goods in an economy. Commercial banks remove the capital deficiency by encouraging saving and investment. The commercial banks can promote capital formation in the country by moving the resources to the productive uses.

*2) Mobilization of Savings:*There exists vicious circle of poverty in Nigeria. This results in savings remaining at the lowest level. Savings habits of the populace are very low. Banks are playing important role in the mobilization of saving by introducing a variety of saving schemes. Banks induce the people to earn interest through saving and it provides various facilities in a country to create a will and power to save.

*3) Availability of Funds:*Banks make funds available for several purposes. Inventions and innovations, research and development and initiatives activities are impossible due to insufficiency of funds in the economy. Banks remove the deficiency of capital by providing different types of funds that leads to economic development and employment generation.

4) Attaining Self Sufficiency: Commercial banks provide incentive for the entrepreneurs to take risks and to use idle resources for more and better production. Banks provide loan to develop the various economic sectors. It results in reduction in imports and increase in exports. Accordingly, banks are very important to achieve the self-sufficiency.

*5) Implementation of Modern Technology:*Commercial banks make more funds to people to make it possible to use the modern techniques of production. Due to implementation of modern technology, there is increase in production level, decrease in cost and save in time.

*6) Development of Agriculture Sector:*Rural areas and agricultural sector is still backward in Nigeria. Banks are playing an important role in the development of rural and agriculture sector.

*7) Development of Industrial Sector:*Industrial sector is the backbone of the economies in rich nations; which is backward in Nigeria. Commercial banks provide different types of loans for the development of industrial sector. Industrial development leads to agricultural development and it results in economic development.

*8) Expansion of Market:*Commercial banks help to expand market. They help in the formation of sound economic infrastructure in order to raise living standards and to expand trade and commerce of an economy. Commercial banks cause development of industrial as well as agriculture sector. Accordingly, there is expansion of market that results in economic development.

*9) Research and Development:*Commercial banks, sometimes, provide finances for research and development, which leads to inventions and innovations. Various institutes in Nigeria are operating by the loan provided by the banks. Modern techniques are established and these are applied to economy in research institutes. Due to use of modern techniques of production, better quality and more quantity is produced which leads to improve the living standard of population.

*10) Essential for Foreign Trade:*Foreign trade is one of the most important needs of all the countries of the world. Today international trade, without involving banks, is so difficult. International trade is necessary for the economic development. Commercials banks are helpful in increasing international trade through following ways:

i. Provision of credit facilities
ii. Low rate of interest for the exporters
iii. Opening of letter of credit (L/C)
iv. Arrangement of foreign exchange
v. Opening of foreign currency accounts.

*11) Remove Budget Deficits:*The commercial banks are very helpful for the government. Nowadays, the government has to face the budget deficits because of increased expenditures and falling revenues. In this situation, government has to depend upon deficit financing to meet the budget deficits. To cover the gap between the expenditures and revenues, government borrows from the banks. As a result, the development process can be accelerated through borrowed money from banks.

*12) Optimum Utilization of Resources:*Commercial banks help in the just and optimum allocation of resources. Some mega projects cannot be started due to the lack of capital.

*13) Surplus in Balance of Payment:*Developing countries are facing the problem of deficit in their balance of payment. Commercial banks are helpful to overcome this problem. Due to commercial banks, a country can improve its economy and can attain the self-sufficiency all this causes in favourable balance of trade. So, banks are helpful for the surplus in balance of payment.

*14) Creators and Distributors of Money:*Creation of money and distribution of money are the two main objectives of commercial bank. Commercial banks move the finances toward productive uses. There are a lot of problems in the way of economic development like inflation, deflation, low investment and saving etc. All these problems are possible to remove through creation and distribution of money by commercial banks. So, fluctuation in the supply of money can attain the economic development.

*15) Provision of Valuable Services:*The commercial banks are providing a lot of valuable services for the economic development. Schumpeter (2014) enumerates sSome of the important services provided by commercial banks are as follows:

i. Due to use of credit instruments like cheques, drafts and bills of exchange, banks have reduced the use of currency at the cheapest costs and in the safest manner.
ii. Banks serve as business and commercial agents of their customers.
iii. Banks provide locker facility.
iv. Banks accept the various utility bills.
v. They guide the investors while making investment decisions.
vi. Banks advance loans for education in foreign countries.

*16) Modern Facilities:*Now commercial banks are providing various modern facilities like:

i. PC & Internet banking since 2003,
ii. ATM & Online facilities & Balance ready cash etc.
iii. Mobile Banking and Call Centres, Smart Card and Debit Card.
iv. DD issuance, Statement inquiry and credit cards.

Commercial Banks' Constraints in Contributing Maximally to Wealth Creation to enhance Economic Development

Khan (2015) states that among the factors that leads to the inefficiency in the banking industry are:

1. *Financial Distress:*Financial distress in the Nigeria financial system is a problem that has of recent, assume an intractable dimension.
2. *Bad Management:*Because of the relative attractiveness of banking especially with respect to the pay and prospect, people from different professions find themselves in the mid system of banking operations without proper grooming the fact that banking is a district profession of its own with intricacies and idiosyncrasies.
3. *Inadequate Capital Bases:*For a bank to enjoy confidence of depositors, it must have strong capital base as evidence of strength. Most of these banks has poor capital base to finance gigantic projects.
4. *Risk Asset Port Folio:*This is no doubt a reflection of poor management most banks do not have clear investment or credit policy and there is absolutely no control on credit. In most cases, it is the managing director or chairman or the promoters of these banks who have lending power and they lend mainly to their own business and to friends without business or without following the due assessments or control.
5. *Board Room Crisis:* It is unfortunate that a business which begins in a spirit of annuity and cordially at times turns into loss of face and tension among the sponsor. Problems have in the past arisen on such topic as who plays what roles and people instability to concede to another, people opinion have cause dissentients in the board room even physical fracas as autocracy on the part of those who see themselves as the promoters or major shareholders can often cause board room crisis.

Abid (1997) found out that the reason behind poor performance of organized bank in some developing countries is the issue of financial regression hypothesis. The intervention of government for less developed countries has placed restrictions on the activities of the banks by regulating the interest rates, imposition of mandatory credit guidelines, which has to be followed by the financial intermediaries (Nzotta and Okereke 2009).

Effects of Commercial Banks in Economic Development and wealth creation

Harrison (1998) presents evidence that industries which rely heavily on external funding, grow relatively faster in countries with well developed financial intermediaries and stock markets. Berthelemy (1996) assert that insufficient financial progress can create poverty, even when other important conditions such as macroeconomic stability and trade opens have been established.

Tayo (1992) emphasized that the process of developing countries has been constrained by shortage of productive factors e.g capital. This productive capital can only be supplied by the financial institutions and thus making them to play role in economic growth on such countries. For institutions to be able to provide these productive factors there must be a dynamic which is the most important pre-conditions for accelerated economic growth while investment generates investment (Ragazzi 2012). The role financial intermediaries in saving investment process and hence capital formation in the development process as follows their impact of growth of savings (Bhatia and khakhate 2014).

Greenwood and Jovanic (1990) opine that for commercial banks to affect economic growth through fund mobilization, commercial bank can increase the marginal productivity of capital called interest rate which determines to a great extent the amount that is saved or invested. Ndebbio, (2004) maintains that despite the obvious benefits derived from the commercial banks, most Nigerians are not well motivated to make adequate saving and investments in this hard period, due to the financial crunch prevailing in the banking and non-banking sector of Nigeria economy. The public does not hope to obtain enough funds from the banks neither could the bank afford to lend to an unpredictable project. Barnger (2013) maintains that financial market development is very sensitive to the nature of macro-economic growth. It depends upon policies which promote the efficient allocation of resources in accordance with market forces rather than government directives. Odeniran and Udeaja (2010) maintain that commercial banks can only mobilize economic growth through its influence, or decrease the savings rate and therefore growth is an open question.

Theoretical Framework on Banking

The theory that supports the study work is financial intermediation regarding the existence of banks and try to explain the existence of banks in economy. These theories start from certain concepts such as: monitoring commissioning, and liquidity transformation.

(a) Delegated monitoring

The theories that explain the existence of banks and of the banking activity pointed to the role of banks as an entity that follows and verifies debtors. For the reason that monitoring of the credit risk determined by the debtor's inability or bad faith is costly, it is more efficient for the commissioning units (depositors) to delegate this monitoring activity to banks. Banks on their own have the necessary expertise and they also benefit from the large scale economy in the processing of information regarding debtor risk.

The "Financial intermediation and delegated monitoring" by Diamond (1984) explains why monitoring commissioning is the reason for the existence of banks. The theories by Diamond (1984) analyze the determining factors for the commissioning of monitoring and developed a theoretical model in which the financial intermediaries, especially banks and insurance companies, have a net comparative advantage from the point of view of costs in relation to direct financing. Diamond (1984) theory is based on two premises:

a) Diversity of the investment projects, which explains advantages to delegate monitoring towards an intermediary than to have it to be performed individually by creditors;
b) Intermediaries who perform the monitoring of debtors are bigger which allows them to finance a large number of debtors.

(b) Liquidity Transformation

Banks set at the disposal of surplus agents (deponents) primary or secondary asset-backed securities with a superior liquidity. The bank deposits can be seen as credit agreements that present a high liquidity and a low risk and which are founded on the resources attracted by the bank. Banks achieve a transformation of the size of the assets in the sense that they establish the size of the assets depending on the needs of the client, attract small size deposits and grant high value credits. Thus the banks based on the attracted small size deposits grant much larger credits, this transformation can occur because of the access banks have to a large mass of deponents and of the scale economy. Thus banks create liquidity that individual surplus agents cannot.

Banks transform the deposits made mostly for short term into medium and long term credits. This non-correlation between the due dates of attracted deposits and the due dates of the granted credits can lead to the emergence at the level of the banks of the liquidity risk; but the larger the bank's portfolio of assets and liabilities the lower the risk for breach of obligations.

Empirical Review

King and Levine (1993) using different measures of economic growth and financial development in their study showed that financial sector development positively affect economic growth, the measure of the economic growth used are: the average growth of capital, the investment ratio (as a percentage of GDP). The indicators of financial deepening used were linked to financial intermediation activities, the ratio of liquid liabilities to GDP also called debt, the ratio of private firms' credits to GDP. Domestic assets in deposit money bank and central banks, it was found that different indicators of financial deepening are positively and significantly correlated with the measures of economic growth.

Marius (2011) critically examined and analyzed the role of commercial banks on economic growth in Cameroon. The study portrays how loans and credit affect the GDP and consequently the level of economic growth of Cameroon. Secondary sources of data were utilized. The data was analyzed through quantitative analysis using descriptive statistics. The study revealed that Commercial banks have a positive impact on the Economic growth in Cameroon. It was also realized that domestic credits from commercial banks have a directly proportional relationship.

Mayowa (2014) investigated the effect of commercial banks' credit on SMEs development in the Nigeria between 1992 and 2011. Secondary data was employed and the Ordinary Least Square (OLS) technique was adopted to estimate the multiple regression model. The study revealed that commercial banks credit to SMEs and the saving and time deposit of commercial banks exert a positive influence on SMEs development proxy by wholesale and retail trade output as a component of GDP.

Methodology

The research design adopted for the study was survey. The population of this study consists of the employees of three selected banks with regional headquarters at Enugu. The total population is two thousand, five hundred and seventy-six (2,576). Freund and Williams (1986) was applied to obtain the sample size of three hundred and thirty-four (334). Out of 334 distributed copies of questionnaire, 310 (93%) were completed and returned for analysis. The scale adopted for the measurement was five-point Likert scale, with answers ranging from 1 to 5, or strongly agree to strongly disagree. Z-test tool was used to test the three hypotheses. The data presentation and description were guided by the research questions, which were first stated, after which the data collected with regards to each of the questions were descriptively analyzed in tabular form, percentages and mean.

Profile Data Analysis

Table 4.1 **Sex Distributions of the Respondents**

Sex	**Frequency**	**Percentage**
Male	168	54%
Female	142	46%
Total	**310**	**100**

Source: filed survey 2015

Table 4.1 showed the sex distribution of the respondents. 168 respondents representing about 54% were males; while 142 representing about 46% respondents were females.

Table 4.2 **Marital Status of the Respondents**

Sex	Frequency	Percentage
Married	102	33
Single	148	48
Widow	15	5
Separated	24	8
Divorced	21	6
Total	**310**	**100**

Source: filed survey 2015

Table 4.2 showed the marital status of the respondents. The responses in their magnitude were single 148 respondents, married 102 respondents, separated 24 respondents, divorced 21 respondents and widow 15 respondents with their percentages 48%, 33%, 8%, 6% and 5% respectively.

Table 4.3 **Age Distribution of the Respondents**

Age	Frequency	Percentage
Below 30 years	56	18
between 30 – 39 years	132	43
between 40 – 49 years	86	28
between 50 – 59 years	21	7
60 years and above	15	4
Total	**310**	**100**

Source: filed survey 2015

Table 4.3 showed that 132 respondents making about 43% were between the ages of 30 and 39, 86 respondents making about 28% were between the ages of 40 and 49, 56 respondents making about 18% were below the ages of 30 years, 21 respondents (7%) were between 50 – 59 years and 15 respondents (4%) were 60 years and above.

Table 4.4 **Education Qualification of the Respondents**

Educational Qualification	Frequency	Percentage
FSLC	8	3
WAEC/GCE/SSCE	15	5
OND/NCE	79	25
HND/B.SC	150	48
MBA/M.Sc	58	19
Total	**310**	**100**

Source: Filed survey 2015

From table 4.4 out of 150 respondents (48%) have HND/BSc degree, 79 respondents (25%) obtained OND/NCE, 58 (19%) respondents got MBA/M.Sc degree, 15 respondents indicated they have WAEC/GCE/SSCE certificates; while 5 (3%) respondents got FSLC.

Data Analysis

Table 4.5 **Mean responses on functions of Commercial Banks in Accelerating Economic Development**

Options	**SA (5)**	**A (4)**	**UD (3)**	**SD (2)**	**D (1)**	**n**	**$\bar{x}$**	**Remarks**
Accepting deposits	292	49	0	0	0	310	5	Accepted
Advancing loans	173	45	0	92	0	310	4	Accepted
Credit creation	142	110	5	32	21	310	4	Accepted
Financing foreign trade	5	95	0	190	20	310	2.5	Rejected
Agency services	94	116	0	100	0	310	3.6	Accepted
Various forms of credit instruments	146	99	0	65	0	310	4	Accepted
Discounting Bills of Exchange	269	21	0	0	20	310	4.6	Accepted
Custodian of the valuables	156	89	0	65	0	310	4	Accepted

Source: filed survey 2015

In the table 4.5, mean responses from 3.00 and above were accepted asfunctions of commercial banks in accelerating economic development, while mean response below 3.00 was rejected.

Table 4.6 **Mean Responses on Contributions of Commercial Banks towards Economic Development**

Options	**SA (5)**	**A (4)**	**UD (3)**	**SD (2)**	**D (1)**	**N**	**$\bar{x}$**	**Remarks**
Capital Accumulation	292	49	0	0	0	310	5	Accepted
Mobilization of Savings	173	45	0	92	0	310	4	Accepted
Availability of Funds	269	21	0	0	20	310	4.6	Accepted
(i) Financing Industry	156	89	0	65	0	310	4	Accepted
(ii) Creators and Distributors of Money	209	77	4	18	2	310	5	Accepted
(iii) Implementation of Modern Technology	292	49	0	0	0	310	5	Accepted
(iv) Development of Industrial Sector	94	116	0	100	0	310	3.6	Accepted
Development of Agriculture Sector	5	95	0	190	20	310	2.5	Rejected
Expansion of Market	269	21	0	0	20	310	4.6	Accepted
Research and Development	93	22	4	3	2	310	5	Accepted
Essential for Foreign Trade	209	77	4	18	2	310	5	Accepted
Remove Budget Deficits,	94	116	0	100	0	310	3.6	Accepted
Optimum Utilization of Resources	93	22	4	3	2	124	5	Accepted
Surplus in Balance of Payment	92	100	0	118	0	310	3.5	Accepted

Provision of Valuable Services	292	49	0	0	0	310	5	Accepted

Source: filed survey 2015

In the table 4.6 mean responses from 3.00 and above were accepted as mean responses on contributions of commercial banks towards economic development**,** while mean response below 3.00 was rejected.

Table 4.7 **Means Responses on Constraints Facing Commercial Banks in Contributing maximally to Economic Development of Nigerian Economy**

Options	**SA (5)**	**A (4)**	**UD (3)**	**SD (2)**	**D (1)**	**N**	$\bar{x}$	**Remarks**
Financial Distress	152	100	0	41	17	310	4	Accepted
Inadequate Capital Bases	173	118	0	9	10	310	4	Accepted
Bad Management	139	110	5	35	21	310	4	Accepted
Risk Asset Port Folio	194	91	0	5	20	310	4.3	Accepted
Board Room Crisis	180	95	0	35	0	310	4	Accepted
Financial policies	104	124	0	80	2	310	3.8	Accepted
Bank fraud	174	131	0	5	0	310	4.5	Accepted

Source: filed survey 2015

In the table 4.7 mean responses from 3.00 and above were accepted as means responses on constraints facing commercial banks in contributing to economic development of Nigerian economy.

Test of Hypotheses

The statistical technique that was used to test the three hypotheses earlier formulated was z-test which is stated mathematically as follow:

$$Z = \frac{P_o - P}{\sqrt{\frac{Po\,(1 - Po)}{n}}}$$

where: n = (sample size) 310

x = no of successes

P_o = sample proportion

Decision criterion

If the critical value is > calculated value, we accept the null hypothesis and reject the alternative hypothesis; otherwise accept the alternative hypothesis.

Hypothesis one

H_1: Commercial banks activities significantly play better roles towards fund mobilization for economic development.

Drawing from table 4.10 we merged the 5- point likert responses into strongly agree and strongly disagree see table 4.12 below.

Table 4.8**Commercial Banks can positively Play Better Roles towards Fund mobilization for economic development.**

OPTIONS	FREQUENCY	PERCENTAGE
Strongly agree	294	95%
Strongly disagree	16	5%
Total	310	100%

Source: Field Survey: 2015

Table 4.8 showed that 294 (95%) respondents strongly agreed that commercial banks can significant play better roles towards fund mobilization for economic development; while 16 respondents about (5%) strongly disagree. This was subjected to statistical testing using the z test at a 5% (0.05) level of significance. Po represents the probability that respondents strongly agreed that commercial banks can significant play better roles towards fund mobilization for economic development.

The hypothesis was formulated thus:

H_o P = Po

H_i $P \neq Po$

Level of significance = 5% or 0.05. Critical value Z ($\propto$/2) and – Z ($\propto$/2) = $\pm$ 1.96. Drawing from the table above:

n = 310 (sample size)

x = no of successes = 294

P_o = sample proportion

$$\therefore P_o = \frac{X}{n} = \frac{294}{310}$$

$$= 0.948$$

P = 50% = 0.5

Calculate Z-test statistic:

$$Z = \frac{0.948 - 0.5}{\sqrt{\frac{Po\,(1 - Po)}{N}}}$$

$$= \frac{0.948 - 0.5}{\sqrt{\frac{0.5\,(1 - 0.5)}{310}}}$$

$$= \frac{0.448}{0.028}$$

$$= 16$$

Since Z = 16 > Z ($\propto$/2) = 1.96, we reject the null hypothesis and accept the alternative hypothesis that commercial banks in Nigeria can significantly play better roles towards fund mobilization for economic development.

Hypothesis two

H_1: Commercial banks contribute positively towards employment generation.

We merged the 5- point likert responses into strongly agree and strongly disagree see table 4.11 below.

Table 4.9: **Commercial Banks Contribute Positively Towards Employment Generation**

OPTIONS	FREQUENCY	PERCENTAGE
Strongly agree	286	92%
Strongly disagree	24	8%
Total	310	100%

Source: Field Survey: 2015

The table 4.9 indicated that 286 (92%) respondents strongly agreed that commercial banks contribute positively towards employment generation, while 24 respondents about (8%) strongly disagree. This was subjected to statistical testing using the Z test at a 5% (0.05) level of significance. Po represents the probability that respondents strongly agreed that commercial banks contribute positively towards employment generation. The hypothesis was formulated as thus:

H_o $P = Po$

H_i $P \neq Po$

Level of significance = 5% or 0.05. Critical value Z ($\propto$/2) and – Z ($\propto$/2) = $\pm$ 1.96. Drawing from the table 4.12:

n = 310 (sample size)

x = no of successes = 286

P_o = sample proportion

$$:.\ P_o = \frac{X}{n} = \frac{286}{310}$$

$$= 0.923$$

P = 50% = 0.5

Calculate Z-test statistic:

$$Z = \frac{0.923 - 0.5}{\sqrt{\frac{Po(1 - Po)}{n}}}$$

$$= \frac{0.923 - 0.5}{\sqrt{\frac{0.5(1 - 0.5)}{310}}}$$

$$= \frac{0.423}{0.028}$$

$$= 15.11$$

Since Z = 14.26 > Z ($\propto$/2) = 1.96, we reject the null hypothesis and accept the alternative hypothesis that commercial banks contribute positively towards employment generation.

Hypothesis Three

Ho: Commercial banks play significant role towards wealth creation for economic development in Nigerian.

Drawing from table 4.11 we merged the 5- point likert responses into strongly agree and strongly disagree see table 4.14 below.

Table 4.10:**Commercial Banks Play Significant Roles towards Wealth Creation for Economic Development In Nigeria.**

OPTIONS	FREQUENCY	PERCENTAGE
Strongly agree	280	90%
Strongly disagree	30	10%
Total	310	100%

Source: Field Survey: 2015

Table 4.10 showed that 280 (90%) respondents strongly agreed that banks play significant roles towards wealth creation for economic development in Nigerian; while 30 respondents about (10%) strongly disagree. This was tested using the z test at a 5% (0.05) level of significance. The hypothesis was formulated thus:

$H_o \quad P = Po$

$H_i \quad P \neq Po$

Level of significance = 5% or 0.05. Critical value Z ($\propto$/2) and – Z ($\propto$/2) = $\pm$ 1.96. Drawing from the table above:

n = 310 (sample size)

x = no of successes = 280

P_o = sample proportion

$$:.\ P_o = \frac{X}{n} = \frac{280}{310}$$

$$= 0.903$$

P = 50% = 0.5

Calculate Z-test statistic:

$$Z = \frac{0.903 - 0.5}{\sqrt{\frac{Po\,(1 - Po)}{n}}}$$

$$= \frac{0.903 - 0.5}{\sqrt{\frac{0.5\,(1 - 0.5)}{310}}}$$

$$= \frac{0.403}{0.028}$$

$$= 14.39$$

Since Z = 14.39 > Z ($\propto$/2) = 1.96, we reject the null hypothesis and accept the alternative hypothesis that commercial banks play significant roles towards wealth creation for economic development in Nigeria

Summary of Findings

1. The study revealed that commercial banks significantly and positively play better roles towards fund mobilization for economic development. Banks help in capital accumulation,

mobilization of savings, availability of fund, financing industry, significant in foreign trade, optimum utilization of resources, removal of budget deficits, implementation of modern technology and provision of valuable services. All these activities help to accelerate economic development.

2. It was found out that commercial banks contribute positively towards employment generation. Commercial banks made loans available to solve the problem of lack of fund. This results in increase in production, income, wealth creation and employment. Increases in these things enhance sustainable economic development.

3. The study also revealed that the major constraints facing commercial banks are inadequate capital base, bad management, risk asset port folio, board room crisis, financial policies, bank fraud, loan default, low investment and saving.

Conclusion

Lack/insufficient financial development can create poverty, unemployment and retard economic development. It is impossible to sustain a sound investment effort without adequate savings mobilizations.

Recommendations

The development of commercial bank depends on the provision of an adaptable non rigid regulatory and supervisory framework, which will helps to provide a balance between market freedom and investors protection.

If the restrictions on lending policies which limits banks power to create more fund are totally removed, it will make the market to be determined by of market forces which will ensure maximum financial deepening and most efficient credit allocation.

For any nation’s economy to develop its banking system has be sound and strong so as to create confidence in the general public to save for investment.

Commercial banks must not always depend on direct saving but make use of securities which will strengthen the dependence on indirect external finance among the various units of the economy.

Individuals should proof that they are credit worthy, financially trustworthy, and enable them repay loan on agreed conditions.

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