**International Journal of Social Sciences and Humanities**
ISSN: 2360-9877. Volume 10, Issue 10, (October, 2023) pages 49 – 65
DOI: 2726577411110104
arcnjournals@gmail.com
https://arcnjournals.org

# Deposit Protection Scheme Policy and National Development in Nigeria: An Appraisal of Nigeria Deposit Insurance Corporation (NDIC), 2015 – 2020

**Dr. MORGAN Rabiu Audu**
morganaudu@gmail.com | 07087796802
DEPARTMENT OF POLITICAL SCIENCE AND INTERNATIONAL RELATIONS, FACULTY OF SOCIAL SCIENCE, UNIVERSITY OF ABUJA, ABUJA, NIGERIA

***Abstract***: *The study is geared towards establishing the relationship between deposit protection scheme policy and national development in Nigeria. The study looked at the conceptual relationship between deposits protection scheme and prompt-depositors re-imbursement, what level of awareness does depositors have about the existence and service delivery of deposit insurance scheme, the issues inhibiting the prompt re-imbursement of depositors in the event of bank failures, the strategies that could be preferred to mitigate the challenges militating the prompt-depositors re-imbursement and the prospects for prompt depositor's re-imbursement of the policy scheme. The study adopted the cross-sectional survey in its investigation of the variables. Primary source of data was generated through self-administered questionnaire and secondary source from information gathered from the NDIC annual reports of 2015 to 2020. The study reveals that an empirical relationship exists between deposit protection scheme policy and national development in Nigeria. The study recommends that in order to create more awareness about the corporation's mandate, the NDIC is encouraged to leverage on the extensive utilization of Social Media and other out lets for example Twitter. Also the use of sponsored Television programs and Jingles on TV especially during primetime football matches like United Kingdom Barclays Premier League and Champions League could also come in handy. CBN/NDIC top management should enhance the supervision Process of all banks and to fast track failure resolution decision Process in Conducting Special Bank Examination and pre-closing Information gathering exercise etc. There should be intensive training of Staff in charge of Bank closure in various departments such as claims Resolution, Asset Management and Legal departments on bank closing activities inform of special Strategic Training Skills. There is Need for reassessment of every Step of the Bank closing and depositors' prompt payment to ensure the Elimination of delays by introducing modern Technology e.g. Electronic Payment platform for Depositors into their accounts in functioning banks.*

***Key words:*** *national development, deposits, re-imbursement, depositors.*

## INTRODUCTION

The financial or banking system of any given country has a key role in the performance of the entire economy. Hence, the purpose of Deposit Insurance Scheme (DIS) is to minimize, if not entirely, eliminate, the likelihood of bank runs. A secondary purpose is to protect small depositor from losses. During the great depression of the 1930s in the United States, banks had experienced wide spread runs (panic withdrawal) and suffered losses on asset sales in an attempt to meet deposit withdrawals NDIC (2019). The situation was so devastating for the banks that the United State President Roosevelt declared a bank holiday. When banks were re-opened, they did so with their deposits insured by the Federal Government enabled depositors to be confident that their funds were now indeed safe, and therefore there was no need to withdraw them.

Government was sufficient enough to restore confidence in depositors that their funds were safe in the banks. By establishing a "safety net" for depositors in banks, bank runs were eliminated in the United States. Before the establishment of Deposit Insurance in the United States, it was the responsibility of Federal Reserve System to prevent bank runs. The goal was supposed to be were experiencing liquidity problems and not solvency problems. In other words, the Federal Reserve System was supposed to be a lender of the last resort, always ready to lend to solvent banks, when nobody else was willing to do so. Yet, it did not fulfill its responsibility during the 1930s. It was considered necessary to establish an explicit deposit insurance scheme to reassure depositors that their deposits would always be safe and readily available on demand. Deposit insurance thus becomes a first line of defense against bank runs. NDIC, (2019) deposit Insurance has become an increasingly of financial safety-net arrangements used by various countries in an effort to ensure the stability of banking system and protect bank depositors from incurring large losses due to bank failures (Demirgue-Kunt, 2005).

Deposit Insurance is a key element in maintaining confidence in the banking system and promoting financial system stability. The financial Intermediation activities of banks and other deposit-taking institutions involve various risks. For instance, the hard-earned savings of depositors with banks may be lost in case of financial crisis and distress of a bank as well as the entire banking system. To counter this phenomenon, a system called Deposit Insurance System (DIS) has been put in place by the government to avert this financial loss, instill public confidence in the system by promoting financial soundness and stability NDIC, (2019).

The Introduction of DIS can be more successful when a nation's banking system is healthy (Financial Stability Board [FSB], 2001). However, bank failures have been caused by factors such as mismanagement, inadequate capital, fraud and corruption, political interference, bad loans, lack of transparency, lack of skillful and experienced personnel (Babalola 2011; Egbo, 2012; Abe, 2012). It is evident that one of the cardinal reasons for bank failures documented in pieces of literature (Egbo, 2012; Abe, 2012; Marshall, 2017), is a dearth of adequate regulation. According to Hirsheifer (2007)'s Psychological attraction theory of regulations and the simultaneous reaction by the government, various regulations were put in place and current ones strengthen, to avoid financial instability occasioned by bank failures. One of these regulatory/supervisory tools is the deposit insurance system.

Hence, the scheme, which plays an important role in the framework for managing bank failures (Baudino, Defina, Real, Hajira, and Walters, 2019), needs to be properly understood, digested and applied by the financial community, most especially the general public. An attempt in demystifying deposit insurance is considered necessary to educate the financial community, especially the public in a bit to closing any knowledge gap. Thus, the kernel of this study is to review concepts, principles and implications of deposit insurance of the Nigerian financial system.

**Research Questions**

This study therefore looks at the problems with a view to identifying possible options, by answering the following research questions

1. To determine the extent in creating better understanding of the concept, establishment and benefits of the Deposit Insurance Scheme (DIS) in Nigeria.
2. Conduct comprehensive qualitative and quantitative research to ascertain awareness levels, perception, attitude, issues and image of the brand, because depositor's insight is key to an effective and successful communication campaign.
3. What challenges is the corporation confronting in inhibiting prompt reimbursement of depositors of failed banks.

**Theoretical Framework**

The choice of the theory as a frame work is justified by the management of Nigeria Deposit Insurance Corporation (NDIC) in the sense that the factors of the systems theory have the same relevant features with the aims and objectives and total set up of the corporation (NDIC). The system theory believes that a system is a group of units so combined as to form an organized whole whose output will be greater than the output of the constituent units where they are to function independently. The systems are generally relationships with whole which composed of many parts. The whole is the government agency which the corporation (NDIC) has its origin in the report of a committee set up in 1983 by the Board of Central Bank of Nigeria (CBN), to examine the operations of the banking system in Nigeria. The committee in its report recommended the establishment of a Depositors Protection Fund.

The phenomenal increase in the number of banks from 40 in 1986 to 120 in 1992 emphasizes on the relationship from the "whole" and the parts. The part must be related with the "whole" for proper co-ordination and implementation if scheme policy on Deposits Protection. The creation of "whole" (NDIC) led to proper examining the:-

1. Increase competition amongst banks leading to sharp practices
2. People of questionable integrity becoming bank owners and managers
3. Inadequate manpower
4. The coming together of strange bedfellows due to the licensing requirement that banks maintain adequate geographical spread.

There was serious breakdown in corporate governance and boardroom squabbles. The unpredictable policy environment, downturn in the economy and political up heals at the time, also exacerbated the difficult situation the corporation found itself in. The banking industry was therefore, already in distress by the time the corporation commenced operations in March 1989. The corporation operated under difficult (terrain) at the time and was immediately saddled with, the management of distress in the banking industry, to avert the impending systemic crises and its resultant consequences.

The harmonious working relationship with the "parts and whole" led to measures undertaken by the corporation at the time, to manage distress in the interest of the depositors in the system included. The elements that guide the understanding of this system approach include:-

1. Parts
2. The parts must be related to the whole and

3. Each part makes certain contribution towards the survival of the whole. This third element is called the functions. This is the essence of “functionalism.

A Deposit Insurance Scheme is a financial guarantee to depositors, particularly the small ones, in the vent of a bank failure. Also, Deposit Insurance, is depositor protection scheme usually supported by insured institutions themselves and administered either through a government controlled agency, such as NDIC; a privately held one or one that is jointly owned and administered a financials safety net consists of several interactive element:-

1. The lender-of-last Resort (LOLR) functions; it addresses liquidity problems of financial institutions by the (CBN).
2. Prudential regulatory and supervisory frame work setting rules and regulations, monitoring of banks and failure resolution mechanism for financial institutions; by a set of identified policies actions and processes necessary for the prevention management and containment of banking systemic distress and crises.

**Literature Review**

Public policy refers to the active or inactions or inactions of government and the intentions that determine them. It is an intentional course of action or in action by a public institutions or its official aimed at resolving an issue or a set of issues. Public policy guides a range of related actions of government in a given field. They rarely tackle one problems rather, public policies aim to achieve multiple objectives relative to clusters of interrelated and sometimes long-term problems.

The review of literature on a topic of this nature, in the field of Public Policy Analysis, would be better appreciated, only if the area of study which is, Public Policy Implementation is reviewed and well understood. It would also be of greater importance, if some key concept peculiar to the study are reviewed and comprehended. Such concept include; Evolution of Deposit Insurance System, Establishment of Deposit Insurance System in Nigeria, Functions of the Corporation, the Practice, Regulatory Activities in Financial Services Industry, the Role of Banks in Economic System Development, Bank Distress in Nigeria, therefore, all these concepts and the available literature on Nigeria Deposit Insurance Corporation (NDIC), were extensively reviewed and discussed. The theoretical framework for the study was also stated and analyzed in this chapter. This is essentially to strengthen the theoretical base for the study.

**Public Policy**

Before we look at the concept of public policy implementation which is the area of this study, it is important to briefly define or explain the term Public Policy itself and then enumerate the stages involved in public policy, after which we proceed to, elaborately discuss the concept of public policy implementation which happened to be the specific focus of this research.

Public Policy as defined by Ujo (2011:3) “is a governmental decision or a deliberate non-decision of a government aimed at dealing with various social problems such as kidnapping, armed robbery, electoral violence and oil bunkering”. This implied that public policy is a decision taken by government or a non-decision of a government on a particular social problem provided the decision or the non-decision address a social problem.

Ikelegbe (1994:1) also conceptualized Public Policy as an action or to be taken by the government or private organization. It is a statement of what an organization want to do, what it is doing, what it is not doing and what is not to be done'. This implied just, like Ujo's view that Public Policy is a statement of what the government, a private organization, a community, a corporate institution or even an individual do or want to do, talk or want to talk about, make or want to make. "A policy can also be regarded as a general rule, regulations, guiding practices or action in a particular activity or problem areas" (Mlekwa 1976:149). This also means that policy is a statement or lay down guiding rules or principles or what is to be done or what not to be done. Individuals, families, cultural groups, communities, government department, small and big business organization and even clubs have a policy. Other authors like Robert (1975:14) defined policy as a definite course of action or method of action selected from among alternatives and in the light of given condition to guide and usually determine the present and future decisions" while Alan and Danake (1980:4) defined "policy as an integrated programme of action which an actor or group of actors is accustomed to or intends to undertake in response to given problems or situation with which he is confronted" Duncans (1975:376) in his own work see policy "as a general act which affects many person by creating rule and precedents".

All the foregoing definition conceptualized policy as a course of action and a programme of action which is chosen from among several alternatives by certain actors in response to certain problems. Once chosen it become the guiding principles, behaviour, activities and practices and provide a frame work for present and future decisions. The chosen course of action may actually be just a statement of intentions or a projected programme of action or it could be concrete action or set of decision. The major characteristics of policy are that it is a choice, and an important choice or a critical decision taken by individual, group or government. There are generally four (4) main stages of public policy namely, public policy formulation, public policy implementation, public policy monitoring and public policy evaluation. For purpose of this study, the concept of public policy implementation which is the thrust of this research will be reviewed and analysed. The major factors responsible for public policy's success or failure will be investigated. The findings of this investigation may in a way help the researcher to determine whether the policy has been assessed is a success or a failure.

**The Policy Implementation Stage**

The policy implementation stage comes after a policy has been made operational through the passing of legislation and the committing of resources to it. Consequently, it can be explained as the "ability of an organization to bring together men and materials in a cohesive organizational unit and motivate them in such a way as to carry out the organization stated objectives" (Barrett & Fudge, 2015). Implementation may so be viewed as – process of interaction between setting of goals and actions geared towards achieving them. The stage involves translate of goals and objectives of policy or choice into concrete achievement through various programme. Hence, it is often said that "policy implementation is programme implementation. This explains why Egonmwan, (1991) (op. cit.) described it as the stage 'where you grapple with reality". According to him, the implementation stage operates under certain assumptions. They are:

i. That the implementation agencies will faithfully implement policy given to them. If they do otherwise, the original goal will not be met.
ii. That the policy handed down is implementable. That is resources, knowledge, money, men and materials are available to implement a given policy.
iii. That a policy is directed at the target group or population. That is, those to be affected by a policy.
iv. That there should exist institutional arrangement for implementing a programme the standard operating procedure of existing institution should facilitate and not constraint implementation. Standard Operating Procedure (S.O.P) is described as the rules guiding the operation of a game.

Many analysts believe that implementation processes are inextricably built up with organizational structure and process i.e. implementation tends to be associated with a hierarchical chain of command. Policy is made somewhere else and handed to the administrative system which then executes it. However, it is argued that the Top-Down view of implementation treats implementers as agents for policy makers and tend to play down issues such as power relation, conflicting interest and value interest between individuals and agencies responsible for making policy and those responsible for taking action

Barrett and Fudge (2015) posited that all these can lead to distortion in policy during implementation. Therefore, it is the contention of some political scientists that rather than treating implementation as the transmission of policy into a series of consequential actions, the policy-action relationship needs be regarded as a process of interaction and negotiation taking place between those seeking to put policies into effect and those upon whom action depends. This stresses co-operative relationship between the policy makers and implementers.

Another side of the argument states that the hierarchical view of implementation which implies that implementers are agents of policy makers and therefore in a compliant relationship with the policy makers may not be true in all instances. This is because, in many instances especially in the public field, those making policies especially those policies directed at private interests. In such a situation, implementation agencies will thus, on many instances, be autonomous or semi-autonomous with their own interests and priorities to pursue their own policy making role.

**Policy Statements**
According to Egonniwan (1991). The following are the common policy statements that we have:

v. Formal expression or articulation of public policy, which include legislative, statue, decrees, presidential orders, administrative rules and regulations and court opinion.
vi. Statements and speeches by public officials indicating the intentions and goals of government and what will be done to realize them.

**Policy Output**

Policy outputs are those things actually done in pursuance of policy decisions and statements. This means what a government does as distinct from paper work (for example, actual taxes collected as different from tax projection, number of classrooms built as distinct from the number projected for building and number of actual voters as distinct form number of registered voters). It should be noted that policy output may be quite different in reality, from what policy statement indicates they should be. Consequently, it is the stage at which the reality of a problem is faced.

**Research Hypotheses**

The following null hypotheses were formulated for the study:

HO1: There is no significant relationship between deposits protection scheme and Prompt-Depositors Re-imbursement.

HO2: The level of awareness by depositors of the existence and service delivery of deposit insurance scheme in Nigeria is not significant.

HO3: There are no issues inhibiting the prompt re-imbursement of depositors in the event of bank failures.

**Methodology**

This phase outlines the strategy used to achieve the study's objectives. A research technique, according to Kumar (2018), is interested in whatever the analysts will perform to meet the researcher's unique goals and answer the questions they specified. 'It equally helps to elicit data from target population through questionnaire and interview subjecting such to statistical analysis for the purpose of drawing conclusion' (Obasi, 1999).

Research methodology is the specific procedures or techniques used to identify, select, process, and analyze information about a topic. In a research paper the methodology section allows the reader to critically evaluate a study's over all validity and reliability. It is also the overall tools and techniques used to carry out the research while the method refers to the specific action or decision taken by the researcher to carry out the study or research.

Research design can simply be described as a diligent and scientific enquiry or investigation into a subject or problem in order to come up with the latest discovery so as to resolve an identified societal problem. In any field of knowledge, research is very important as it enables the researcher to discover new ground to cover in meeting human needs and thereby makes society worth living (Yaya, 2014).

The structure of the research is more specific. It is the outline, the scheme, the paradigm of the operation of the variables. The strategy is also specific as the plan. It includes the method to be used to gather and analyze the data. In line with this, the study adopted the cross – sectional survey method which is the Time Horizon. Cross – sectional research design is a situation where data are collected at one point in time from a sample collected to represent a larger population. It is also a situation whereby the researcher goes to the field in terms of data collection just once. This study also adopted the case study trend survey – experimental research design method. It is like a Sudo research or study where things happen naturally without been manipulated. It is a (Non – Contrived

Study setting) over the environment. It occurs in its natural state while the experimental research design refers to a situation where by the researcher has full control over the research or study and The quasi-experimental research design method is a situation where by the research is like a pure research but it is not practicable. Can be manipulated (Ahiuazu & Asawo, 2016; Okwandu, 2007).

**Table 3.1: The population frame for the targeted population in Bauchi State**

| S/N | Organization | Population |
|---|---|---|
| 1 | First Bank | 200 |
| 2 | Union Bank | 200 |
| 3 | United Bank for Africa | 200 |
| 4 | Access Bank | 200 |
| 5 | Guarantee Trust Bank | 200 |
| 6 | Zenith Bank | 200 |
| 7 | Abubakar Tafawa Belawa University | 700 |
| 8 | Abubakar Tatari Ali Polytechnic | 335 |
| 9 | Bauchi State University | 243 |
| 10 | Federal Polytechnic, Bauchi | 575 |
| **Total** | | 3,113 |

**Source** :NDIC ***( Human Resource/Establishment Department)***

**Sample Size and Sampling Procedure**

A sample is a manageable section of a population but elements of which have common characteristics. Also, it refers to any portion of a population selected for the study and on whom information needed for the study is obtained. It is the elements making up the sample that are actually been studied and generalizations or inferences about the population are made (Awoniyi, Aderanti & Tayo, 2011).

The sampling procedures are divided into two; probability and non – probability sampling. This study adopted the Stratified Random sampling which is one out of the (4) four probability procedure that gives equal chance for every member of the organization to be selected. The Stratified Random sampling method; the population of interest is divided into exclusive and exhaustive strata using some criteria (such as company size and geographical location. In general, it is more efficient than simple random sample when every effort is made to stratify the population to obtain maximum within-stratum homogeneity and between-strata heterogeneity. For the purpose of the study, the Krejcie and Morgan (1970) Table was used to determine the sample size from the population.

For the population of 3113 the sample Table places our sample at 340. Therefore, 340 will be used as sample for this study. An important issue that every researcher needs to resolve is determining a suitable sample size. The choice of a suitable sample size according to Saunder, Lewis & Thornhil (2003) as cited in /Ahiauzu & Asawo, (2016).

This study made used of the Bowley formula (1964) to determine the administration of structured questionnaire to each organization or the formula was used to demonstrate how the questionnaire were distributed to each organization.

**Formula is stated as; nh=** $\frac{nNh}{N}$

**Where:** nh = Number of units allocated to each organization
n = sample size
Nh = the number of employee in each organization
N = population size

**Table 3.2 Optimum Sample Size Distribution**

| S/N | Organization | Population | Sample Size | Percentage |
|---|---|---|---|---|
| 1 | First Bank | 200 | 22 | 6 |
| 2 | Union Bank | 200 | 22 | 6 |
| 3 | United Bank for Africa | 200 | 22 | 6 |
| 4 | Access Bank | 200 | 22 | 6 |
| 5 | Guarantee Trust Bank | 200 | 22 | 6 |
| 6 | Zenith Bank | 200 | 22 | 6 |
| 7 | Abubakar Tafawa Belawa University | 700 | 76 | 22 |
| 8 | Abubakar Tatari Ali Polytechnic | 335 | 37 | 11 |
| 9 | Bauchi State University | 243 | 27 | 9 |
| 10 | Federal Polytechnic, Bauchi | 635 | 68 | 22 |
| | **Total** | **3,113** | **340** | **100** |

.

**Data Presentation, Analysis and Discussion of Findings**

This chapter presents the analysis and discussion of data gathered from the survey of the 340 responses of questionnaires customers of the deposit Money banks. Responses from all the processes and notes taken during on-site visits to Four (4) Institutes of Higher Learning in Bauchi state. Financial Institutions were examined, compiled and evaluated to answer the research questions asked at the beginning of the study. As far as possible, data were tabulated and displayed through tables; with the aim of identifying and discerning any patterns that provided the best interpretation of the results of the study.

The customers of the Six (6) Financial Institutions both new and old generation banks and the Four (4) Institute of Higher Learning within Bauchi metropolitan who are depositors of insured institutions.

**Scatter Plot of the Relationship between study variables**

According to Neuman (2000) cited in Asawo (2009), Scatter graph is one of the techniques used in deciding whether a bivariate relationship does exist between interval scaled variables. In our bid to determine the existence and trend of this relationship, we plotted a scatter diagram as presented in Figure 4.1 deposit protection scheme policy as the independent variable is plotted on the X axis whereas national development as the dependent variable is on the Y axis.

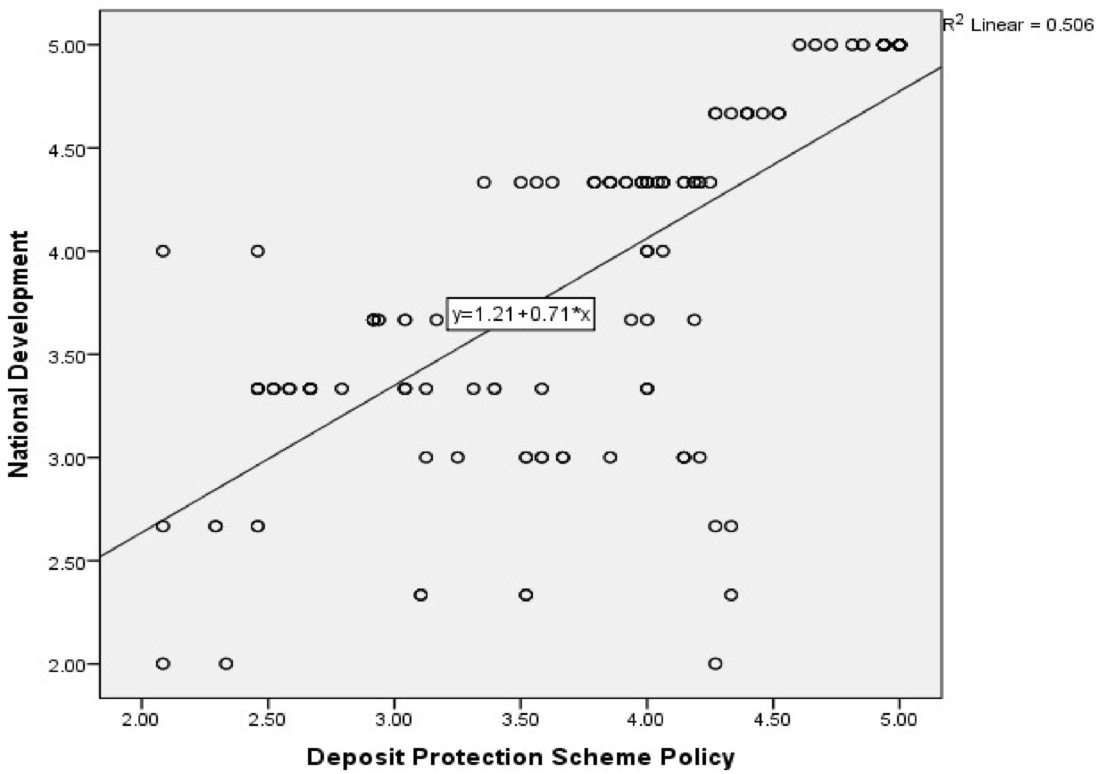


*Figure 5.1 Evidence of linear relationship between the constructs*

The apparent pattern of the cases in the scatter plot sloping upwards from left to right is an indication of existing linear relationship between Deposit Protection Scheme Policy and National Development.

**Presentation of Results on Testing of Hypotheses.**

We had proposed four research questions and five hypotheses in chapters one of this study to seek explanation to the relationship between Deposit Protection Scheme Policy and National Development. The Spearman Rank Order Correlation coefficient was calculated using the SPSS

23.0 version to establish the relationship among the empirical referents of the predictor variable and the measures of the criterion variable. We used this to answer research questions one to four. Correlation coefficient can range from -1.00 to +1.00. The value of -1.00 represents a perfect negative correlation while the value of +1.00 represents a perfect positive correlation. A value of 0.00 represents a lack of correlation. In testing hypotheses one to five, the following rules were upheld in accepting or rejecting our alternate hypotheses: all the coefficient values that indicate levels of significance (* or **) as calculated using SPSS were accepted and therefore our alternate hypotheses rejected; when no significance is indicated in the coefficient r value, we reject our alternate hypotheses. Our confidence interval was set at the 0.05 (two tailed) level of significance to test the statistical significance of the data in this study.

**Relationship between Deposit Protection Scheme Policy and National Development**

Table 4.13 below shows the result of correlation matrix obtained for Deposit Protection Scheme Policy and National Development. Also displayed in the table is the statistical test of significance (p - value)

**Table 5.12 Correlations Matrix for Deposit Protection Scheme Policy and Prompt Depositors Re-Imbursement**

| | | | Deposit Protection Scheme Policy | Prompt Depositors Re-imbursement |
|---|---|---|---|---|
| Spearman's rho | Deposit Protection Scheme Policy | Correlation Coefficient | 1.000 | .714** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 283 | 283 |
| | Prompt Depositors Re-imbursement | Correlation Coefficient | .714** | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 283 | 283 |

**. Correlation is significant at the 0.01 level (2-tailed).

***Sorce: SPSS 23.0 data Output, 2021***

Table 5.12 illustrates the test for all the previously postulated hypothesis:

**HO1: There is no significant relationship between deposits protection scheme and Prompt-Depositors Re-imbursement.**

From the result in table 5.12, it is shown that there is a positive relationship between protection scheme and Prompt-Depositors Re-imbursement. The *rho* value 0.714 indicates the strength and magnitude of this impact and it is significant at p= 0.000 <0.01.

Therefore, based on empirical findings, the null hypothesis is set aside hence we accept the alternate hypothesis that states that there is significant relationship between deposits protection scheme and Prompt-Depositors Re-imbursement.

**Table 5.13 Correlations Matrix for Deposit Protection Scheme Policy and Level of Awareness of Depositors**

| | | | Deposit Protection Scheme Policy | Level of Awareness of Depositors |
|---|---|---|---|---|
| Spearman's rho | Deposit Protection Scheme Policy | Correlation Coefficient | 1.000 | .235** |
| | | Sig. (2-tailed) | . | .000 |
| | | N | 283 | 283 |
| | Level of Awareness of Depositors | Correlation Coefficient | .235** | 1.000 |
| | | Sig. (2-tailed) | .000 | . |
| | | N | 283 | 283 |

**. Correlation is significant at the 0.01 level (2-tailed).

**HO2: The level of awareness by depositors of the existence and service delivery of deposit insurance scheme in Nigeria is not significant.**

From the result in table 5.13, it is shown that level of awareness by depositors of the existence and service delivery of deposit insurance scheme in Nigeria is significant. The *rho* value 0.235 indicates the strength and magnitude of this relationship and it is significant at $p= 0.000 <0.01$.

Therefore, based on empirical findings, the null hypothesis is set aside hence we accept the alternate hypothesis that states that the level of awareness by depositors of the existence and service delivery of deposit insurance scheme in Nigeria is positive but weak.

**Findings**

This study using descriptive and inferential statistical methods assess the relationship between deposit protection scheme policy and national development in Nigeria. The findings revealed a positive relationship between deposit protection scheme policy and national development in Nigeria using the Spearman Rank Order Correlation tool and at a 95% confidence interval. The findings of this study reinforces previous studies by Ademola et al, (2013); Nwakoby, Onwumere, Ibe and Okanya, (2016); Wilson and Ogar, (2018) show that a well-conceived deposit insurance scheme not only supports the stability of the financial system but can also contribute to achieving all of these aims of the scheme noted in the literature (Bernet and Walters, 2009; Ademola *et al,* 2013). Specifically, Nwakoby *et al* (2016) investigated the impact of deposit insurance scheme on bank intermediation in Nigeria for the period 1990 to 2012. Based on expost facto and analytical research designs, and using annual time series data. Findings from the results of analysis reveal that deposit insurance scheme has a positive and significant effect on deposits and assets of deposit money banks in Nigeria. Similarly,

Wilson and Ogar (2018) also studied the effect of deposit insurance fund on the safety of bank deposit in Nigeria, for the period 1989 to 2016. The analysis of the study using the ordinary least squared technique revealed deposit insurance fund has a significant positive effect on bank deposit in Nigeria. This means that an increase in deposits insurance fund results in an increase in a bank deposit in Nigeria and vice versa. Similarly, in Ademola *et al* (2013) work on Bank Distress in Nigeria and the Nigeria Deposit Insurance Corporation Intervention, using correlation coefficient and r-test, it was discovered that due to the increase in deposit guarantee, there is an increase in deposit mobilization. It was also discovered that the NDIC has transmitted from the flat-rate premium assessment system to a differential premium assessment system.

Similarly, the role of institutions in the financial sector has been heavily studied in academic circles recently. This is, in no small part, the result of the expanded role they play in the developed financial markets, as Allen and Santomero (1997) illustrate. But, it may also be due to the evolution, perhaps revolution is a better word that has occurred in these firms. The once staid financial sector has been growing and innovating since the 1960s in nearly every economic environment. In any case, the examination has led to a consensus as to what services these institutions perform (Bhattacharya and Thakor, 1993; Allen and Santomero, 1997). The consensus view of academics on the role of financial intermediaries is that they serve at least two primary functions. First and foremost, they are generators or creators of assets. These assets are obtained from either the government, to finance deficits, or from the private sector. In the latter case, they are expected to screen the set of borrowing opportunities presented to them, using an expertise and specific-capital that is unique to this sector (Diamond, 1984). In fact, their value to the economy rests primarily on their ability to screen and finance wealth enhancing projects in the economy. Projects found worthy are financed and monitored until repayment.

Deposit insurance can be explicit (formal) or implicit (ad hoc). With explicit deposit insurance, countries formally commit in advance to guaranteeing some or all of the deposits of distressed banks, usually through legislation (McCoy, 2007). Banks may also purchase full or partial insurance on behalf of depositors from a government agency or from a private insurer (Demirgüç-Kunt and Detragiache, 2002). An implicit system of deposit protection, on the other hand, is not planned in advance; it is created if monetary authorities are willing to take measures that would protect depositors in the event of one or two isolated bank failures, which gives rise to a presumption that they will take similar action in subsequent cases (MacDonald, 1996). Accordingly, depositors (correctly) believe that government will either prevent banks from failing, or that in case of failure, it would step in and compensate them for their losses (Demirgüç-Kunt and Detragiache, 2002).

Further investigation has shown that:

1. That the corporation has not instituted Public awareness policy objectives specially geared towards broadening the understanding of the general public and major stakeholders regarding its operations.

**2.** There is inadequate knowledge/ perception about NDIC and its operations Nationwide, which make the general public regarding the corporation as conventional insurance.

3. In the last thirty years (30 yrs.), NDIC had inadequate robust public awareness programme geared towards achieving its set goals and objectives.

**4.** Further investigations indicates inadequate implementation of public awareness programme as scheduled and ensure all activities undertaken are integrated to convey consistent messages and appropriate corporate image.

**5.** Finally, investigation signify that the corporation canvassed support for NDIC Act 2006, amendment bill currently before the National assembly.

**Summary**

Despite the impressive nature of the deposit insurance design and implementation, the lack of public awareness would severely undermine the achievement of the deposit insurance scheme objectives. Public awareness prompt depositor's re-imbursement in the event of bank failure plays a significant role in ensuring that depositors are aware that their insured deposits are safe, in turn, this knowledge can help contribute to financial system stability.

This research sought to assess the relationship between deposit protection scheme policy and national development in Nigeria. The following summaries were made:

I. There was a significant relationship between deposits protection scheme and Prompt-Depositors Re-imbursement. This shows that NDIC protects depositors funds especially the most vulnerable in the society, restores confidence in the financial system, contribute to the stability of the nation's financial system and effective and efficient re-imbursement of depositors' funds

ii. There are issues inhibiting the prompt re-imbursement of depositors in the event of bank failures. These issues include among others: The Information Technology of those closed banks are not functioning, Lack of statistical data of depositors from the staff of the closed banks to the closing teams, Lack of awareness of the activities of the NDIC and depositors are incorrectly captured by the NDIC closing team.

iii. There are strategies that could be adopted by the corporation to mitigate the challenges faced by prompt re-imbursement of depositors' funds in Nigeria. These would include: regular public enlightenment campaigns, reassessment of the entire steps of the bank closing activities to eliminate delay of payment of depositors and special examination of banks and pre closing information gathering exercise.

**Conclusion**

A deposit insurance scheme is a mutual insurance system supported by insured banks and administered either through a government-controlled agency or a privately held one. The agency guarantees deposits in the insured institutions and stands to reimburse depositors in the event of the failure of an insured bank. NDIC developed as a result of the need to provide some form of protection to depositors who stood the risk of losing their hard earned money in the event of bank failures. Attached with this was the need to insulate the banking system from instability that could result from loss of depositors' confidence.

Deposit insurance differs from general forms of conventional insurance. Commercial insurance, on the one hand, is profit-oriented and only serves to safeguard the property of an individual.

Deposit insurance, on the other hand, is a safety-net vehicle designed to stabilize financial systems and safeguard the rights and interests of depositors in financial institutions by encouraging cooperation between the government and businesses in relation to the provision of credit. It is not profit-oriented.

In addition, deposit insurance also serves to guard against financial loss up to a specified limit. In other words, deposit insurance does not merely passively wait for a catastrophe to happen before providing compensation, but adopts all kinds of preventive measures to promote sound operations of insured institutions. This is where deposit insurance and commercial insurance fundamentally differ. The decision to establish a deposit insurance scheme is usually influenced by the potential roles of the scheme. Some of these roles include provision of deposit protection to financially unsophisticated depositors; contributing to financial stability by promoting confidence in the stability of the banking system; provision of a formal mechanism for dealing with 'problem' financial institutions; contributing to an orderly payment system and facilitating the transition from full guarantee to limited coverage. This was confirmed from the findings of this study. Hence this study concludes that the presence of a deposit insurance scheme in Nigeria is a major boost to economic development of the country but a lot needed to be done in the area of creation of awareness for depositors about the mandate and benefits and limitations of deposit insurance scheme policy for development in Nigeria.

**Recommendations**

Based on the findings of this research, the following recommendations were made:

i. In order to create more awareness of the corporation mandate, the NDIC is encouraged to leverage on the extensive utilization of Social Media through collaborative projects such as Wikipedia, blogs and microblog like Twitter, and social networking sites like Facebook. Also the use of sponsored Television programmes and Jingles on Television especially during primetime football matches like United Kingdom Barclays Premier League and Champions League could also come in handy.

ii. The Top management of CBN/NDIC should enhance the supervision Process of all banks and to fast track failure resolution decision Process in Conducting Special Bank Examination and pre-closing Information gathering exercise etc.

iii. There should be intensive training of Staff in charge of Bank closure in various departments such as claims Resolution, Asset Management and Legal departments on bank closing activities Inform of special Strategic Training Skills.

iv. There is Need for reassessment of every Step of the Bank closing and depositors' payment to ensure the Elimination of delays by introducing modern Technology eg E-Payment platform for Depositors into their accounts in functioning banks.

## REFERENCES

Ake, C. (1996). Democracy and development in Africa. Ibadan, Oyo, Spectrum Books Limited.

Adubi, A. A. (2002). Plan-budget link in Nigeria. An exploratory investigations. NCEMA Policy Analysis Series, 8(2): 1-17.

Allan, S. and Danake G. [1980] "Performance Administration' 'Lexing D.C. Health and CO Publisher.

Bello, A.S (2015) Re-imbursement. Director CRD- NDIC, Lagos.

Demirgue-Kunt A. D and Detragiach E. (1998). The determinants of banking crisis in developing and developed countries. Palgrave Macmillan Journals vol.45, Mar.PP. 81-109 Nigeria Deposit Insurance Corporation, [2017] quarterly: vol 31 No 1&2 March/June.

Ebhodagbe, J. U. [1997] Safe and Sound Banking Practices in Nigeria: Selected Essays Page Publishers Services Ltd . No 10, Oweh Street, Fadeyi, Yaba P. O. Box 4138, Ikeja Lagos.

Egbo, O. P. [2012], Universal Basis of Bank Failure; the Nigeria Case. Developing Country Studies Vol.2 No.10

Federal Government of Nigeria (1988), NDIC Decree No. 22, Lagos.

FGN (1994), the failed banks (Recovery of debts) and financial malpractices in banks decree No. 18, Govt Points Press, Lagos.

Ikeanyibe, O. M. (2009). Development planning in Nigeria: reflections on the National Economic Empowerment and Development Strategy (NEEDS) 2003-2007. Journal of Social Sciences, 20(3) 197-210

Mojola, B.A(2017) Issues Confronting Deposit Insurance in Nigeria: Fundamental of DIS programme at sojourner by Genesis Hotels 7TH June, Ikeja GRA Lagos.

Mone, E. M., London, M., & Mone, E. M. (2009). *Employee engagement through effective performance management: A practical guide for managers*. Routledge.

Morgan, R. A. I. (2016). The administration of National Drug Law Enforcement Agency and National Development in Nigeria: MSc thesis in Public Administration and Policy Analysis University of Abuja, Nigeria.

NDIC (2016) Twenty Years of Deposit Insurance System Insurance in Nigeria.

NDIC (2020) Thirty Years of Deposit Insurance System Insurance in Nigeria.

Nigeria Deposit Insurance Communication (1994-2004) Bank Liquidation in Nigeria (NDIC) Abuja, Nigeria.

Obasi, I.N, (1999), "Research Methodology in Political Science" Enugu Academic Publishing Company.

Ogude B.A, Mayuku G.J, Ibeh S.E and Ohuafasa B.O (2012): An appraisal of Impact of Bank Distress on Nigerian Economy, 1986-2010: An Empirical Investigation International Journal of Business and Social Science Vol.3 No.24 Dec.

Okowa, H. I. (1982). Development Planning in Nigeria. Lagos, Foundation Press. Adedeji, A. (1989). Towards a dynamic African economy; selected speeches and lectures. Great Britain: Frank Cass and Company Limited.

Patrick H. (1960), The Development and Economic Growth in Underdeveloped Countries," Economic Development and cultural Change, Vol.2, No.14, P.174-189.

Schumpeter, J.A. (1934). The Theory of Economic Development, Cambridge, MA, US: Harvard University Press.

Sale L. (2009), impact of Global Economic Crisis on poverty Alleviation in Nigeria an unpublished Research work at department of Public Administration Ahmadu Bello university, Zaria.

Todaro, M. P. (1977). Economics for Developing World. An Introduction to Principles, Problems and Policies for Development. London: Longman Group Limited.

Umaru I. [2001] Control and Management 0f Distressed Banks in Nigeria. A case Study of the Defunct First African Trust Bank [ FATB]

Ugwu, C. E. (2009). The imperatives of national development programmes harmonization in Nigeria: Vision 2020, Millennium Development Goals and Seven Point Agenda. Nigerian Journal of Public Administration and Local Government, XIV(2)200-216.

.

Umoh, P. U. [1998] A Decade of Deposit Insurance in Nigeria: Issues and Challenges. Published by [NDIC] Abuja, Nigeria.

Williams, J. H. (2003). "People-Based Safety: Ten Key Factors to Improve Employees' Attitudes." *Professional Safety* (2), 32-36.

The Business Day NDIC: 30Years of Protecting Depositors' Funds: Friday, March 12th, 2021.

The Daily Sun: Nigerian Banking Industry Strong, Well Capitalized-NDIC: Monday, November 16th, 2021.

The Nation ;NDIC has less than ₦2Trillion to pay failed bank depositors: Monday March 12th, 2021.

The Vanguard: How Mergers Impacts Confidence in Banks and their Customers:Monday, March 4th, 2019.