FINANCIAL SECTOR REFORMS: AN ANALYSIS OF PUBLIC RELATIONS IN THE BANKING SECTOR

Mande Samaila

Abstract

The deregulation of interest rates in August 1987 marked the beginning of Financial Sector Reforms in Nigeria. Since then, far-reaching policy measures including the chartering of new banks, reform of the capital market and a move from direct to indirect monetary controls have been undertaken. The results from the implementation of the reforms have been disappointing due to poor Public Relations. However, bank insolvency, high inflation and excessively high interest rates have become common phenomena in the economy. The future of any business enterprise and corporate institution depends largely on how it reacts to the hopes, aspirations and demands of its publics. This study uses the secondary method on investigation and investigates the role of Public Relations in the process of carrying out Financial Sector Reforms in Nigeria with particular reference to the banking sector. This study identifies poor public relations as a factor in the poor performance of the financial sector reforms, but agrees that a lot more research needs to be done especially in this virgin area.

Introduction

The future of any business enterprise and corporate institution depends largely on how it reacts to the hopes, aspirations and demands of its publics. Considering always the interest of the target public, and working towards satisfying such interest can as well give an institution a good image. This is one of the objectives of financial public relations.

The need to foster a better business relationship in today's turbulent environment characterised by fierce competition and customers who are increasingly aware of alternatives in terms of services, products and organisations or institutions that provide them, make financial public relations imperative.

The desire of financial institutions to adequately inform their customers is gradually waxing stronger. Owing to the fact that relentless pursuit of flawless service is the hallmark of excellence and a better relationship between the parties involved, is capable of enhancing profitability.

The subject financial public relations, became more pronounced in Nigeria recently due to the parlous state of the economy and the attendant high competition among financial institutions that either try to win more patronage or seek the understanding and cooperation of the public. With the media devoting special pages, columns or introducing publications on financial and economic activities, with occasional misrepresentations, there is the compelling need by financial institutions to handle their public relations activities, including explaining the direction of the organisation and correcting erroneous impressions, which may have been created about the organisation.

Being an emerging concept in public relations, financial public relations is yet to achieve a broad definition. Terrence Collins in his contribution on the subject admitted that financial public relations people, suffer from inability to define their jobs. He added that at its most basic, the scope of financial public relations in simple investment terms can be considered as "all communications activity is based around the simple fact that money only has real value as an investment and that investors are people. Even though this may sound a bit ambiguous, he made the point in one of his observations that the skills of financial public relations people is focused on the need for publicly owned and listed companies to communicate with those that own them directly or indirectly through the media or city analysts.

Based on the above, it may not be surprising that Sam Black (1989) described the specialised sector of public relations, which has developed rapidly over the years as Investor Relations. While he sees its importance in bid, takeover and right issue situations, he suggested that a Financial Public Relations (FPR) practitioner must be familiar with the increasing number of disclosure regulations and insiders' restrictions applicable to all deals affecting Stock Exchange.

According to Nwosu (2004), financial relations can be defined as "that specialized area of modern public relations management that is concerned with all matters which affect or could affect the financial existence, standing or survival of any organisation". It is an organized, planned and systematic programme of action geared towards building and sustaining mutually beneficial relationships with all the publics of an organisation which contribute or can contribute to the organisation's financial survival, growth and stability.

Financial relations, therefore, is a professional art and science in financial communication aimed at creating, expanding and sustaining a profitable clientele base for an organisation through continuous, deliberate and conscientious communication. Simply put, financial relations is a conscious communication effort aimed at gaining the support, goodwill and understanding of the target public through the provision of specialized information, programmes and services that would cater for the investment business interests of an organisation and its target publics.

Even though financial public relations as a subject is new in Nigeria, it is an aspect of public relations, which can be understood through a good look at general public relations principles and practices. Public relations is defined as a "distinctive management function which helps to establish and maintain mutual lines of communication, understanding, acceptance and cooperation between an organisation and its publics."

The inclusion of management functions in the definition explains the reason for the appointment of public relations officers with the responsibility of operating at the management level of organisations. Officers responsible for public relations programmes must, at all times, liaise with the public of the organisation and act as the middle man in-and-out of the firm, but not as an errand staff.

The Institute of Public Relations (IPR), London states that public relation 'is the planned and sustained effort to establish and maintain goodwill and mutual understanding between an organisation and its publics'.

As a distinctive management function, it maintains beneficial line of communication, cooperation and acceptance between an institution and its publics. It keeps the management fully aware of and reacts appropriately to diverse outside opinions while counseling it to serve the public interest by making purposeful changes toward ensuring additional public good. It engages in research regularly, including content analysis of media reports on trends in the environment and uses professional communication techniques to achieve maximum results.

It is in view of these onerous tasks that the International Public Relations Association (IPRA) defined public relations as a "continuing and planned character, through which public and private organisations and institutions seek to win and retain the understanding, sympathy and support of those with whom they may be concerned by evaluating public opinion about themselves.

At present, big and small companies make their full and half year financial reports in more informative ways to attract enough publicity for proper public understanding. It can therefore, be summed up that financial public relations addresses issues bordering on capital investment patterns, budgets, economic forecasts, mergers and acquisitions as well as profit and losses in the most sophisticated terms for better public understanding.

Statement Of Problem

It is common knowledge that the Nigerian Banking system has over the past few decades experienced a crisis of confidence - a situation in which customers doubt the integrity of the banking system in delivering the financial intermediation services. Given such circumstances, has Public Relations any role towards the restoration of mutual confidence between the operators in the financial system and the relevant publics? In other words, what is the role of public relations in the crucial task of resolving financial distress in the Nigerian financial sector? The issue is that any financial system thrives on public confidence and the attrition of that confidence result to disintermediation thereby undermining the ability of the financial system to perform its essential role of saving mobilization.

Objective Of The Study

In view of the problem identified above, this study seeks to outline the role of Public Relations in ameliorating the banking system distress in Nigeria. Accordingly the emerging research question seeks to determine the ways in which public relations can restore public confidence in the financial system thereby not only stopping disintermediation and bank failures but also enhancing the process of savings mobilization.

Methodology

Since this study is an investigation of a problem arising from contemporary history of financial reforms in Nigeria, we are satisfied that desk library research technique is adequate to generate the necessary information. According to Ikeagwu (1996) the historical research provides a means through which problems that arise from events that happened in the past are dealt with. The whole idea in the context of this study is to accurately appraise the meaning and relationship of past events as pertains to financial reforms and to ascertain the extent financial public relations may improve the present and future events with the hindsight of the past.

Literature Review

Loss of confidence in the banking and financial system is a major consequence of bank distress. Once this occurs, it leads to deposit runs, that is, withdrawal of deposit from higher rates of interest for their perceived higher chance of bank failure and consequent risk of loss of their deposits. The failing banks in this kind of circumstance are forced to pay higher rates to attract deposits, which get translated into higher interest rates for their loans. Bank distress or failure leads to loss of jobs with adverse consequences for dependants and reduced demand and decline in the economic production level. Bank failure disrupts payment mechanism where the failed bank is the only one in the community (Adewunmi, 1992).

A historical account of banking distress experiences of Nigeria since 1894 when modem banking first commenced in the country may be obtained from Abe (1985:25-26), Sanusi (1992:6-20), Adew1.1nmi (1992:97-110), Ogunleye (1993:58-66) and Molokwu (1994:107-110). It is a historical fact that in the 30 years from 1929 to 1959, 26 indigenous banks were established. By 1954, only 3 of the 23 banks opened by 1952 were still in operation, the remaining 20 having failed with an average life span of less than 3 years. Of the 3 established between 1958 and independence in 1960 only one survived to give a total of 4 non distressed banks out of the 26 licensed during the 1929 - 59 period. incidentally, the 4 indigenous banks that did not fail were all government owned. Prior to independence only 5 foreign banks opened offices in Nigeria.

Today, the Nigerian financial system is undergoing a crisis of the magnitude comparable to the banking failures of the early fifties. According to Molokwu (1994), when the colonial government promulgated the Bank Ordinance in 1952, it was hoped that its provisions would prevent banking failures in the future. Recent events have not justified that optimism despite the subsequent improvements in banking legislation. The decade of the nineteen nineties has witnessed serious distress in the major subsectors of the Nigerian financial system: banks, finance houses and primary mortgage institutions. Financial distress in a bank manifests several symptoms. Ogunleye (1993) observed that when a bank becomes persistently late in submitting required returns evidence of financial distress is becoming more discernible. Rapid staff turnover and/or frequent changes in the top management also point to inherent difficulties that may trigger off a distress situation.

The scale of distress in banking system in contemporary Nigerian experience was generally modest until 1989. Since then much deeper and more widespread incidence of distress is traceable among others to, unhealthy competition arising from the rapid expansion of banks and non-bank institutions, the limited deposit base of several of the relatively new banks, the relatively large stock of non-performing assets in the portfolio of a number of banks, volatility of interest rates especially in the inter-bank market for reserve balances and insider abuse and unprofessional conduct in a number of banks. Exogenous factors such as macroeconomic instability, recession and policy-induced shocks have also played a major part.

From 8 in 1990, the number of banks adjudge technically insolvent rose steadily to 24 in 1993 and 34 in 1994. Regardless of on-going official efforts to restore confidence in the financial services industry, the number of distressed banks rose to 51 in 1995. The distress in the primary mortgage institutions, community banks and finance companies appeared not to have abated considering the increasing cases of closure of institutions and complaints of breaches of contractual obligations to the depositors. As at the end of the third quarter of 1995, over 200 community banks had been found to show various symptoms of distress according to the off-site reports of the National Board for Community Banks.

Combat-readiness Of Public Relations For Bank Distress

As Coulson-Thomas (2005) aptly remarked, "the general reputation of a company will depend upon many factors: its sheer size, the industry it is on, the personality of the founder, its history, how well its products are known and their quality, its location and how it treats its employees and customers. Financial reputation will depend in part upon these factors, as few people receive just financial information, and will therefore be enhanced by a good public relations programme".

This section of the study deals with the extent to which Public Relations management can be used to combat the banking system distress in Nigeria and the starting point is a discussion of the public relations concept. This is necessary for the avoidance of doubt as to what Public Relations means. Following this is the linkage between banking and public relations after which, we shall elaborate on the distress and its impact on the corporate image of banks and lastly on the strategies of financial public relations towards the restoration of public confidence in the banking system.

The Concept of Public Relations

Public Relations is the task of goodwill creation directed at building harmony between an organisation and its environment through mutual understanding based on truth and gull information. It is the deliberate, planned and sustained effort to establish and maintain mutual understanding between an organisation and its public. Public relations aims at winning the cooperation of whom it may concern. For an organisation to win people's understanding and cooperation it has to evolve and implement programmes of action which will serve both the public interest and its self-interest.

Accordingly, the function of public relations is directed towards developing and encouraging attitudes and behaviour which will-nurture the seeds of mutual understanding and assist their strong and healthy growth. Haywood (1984), Offonry (1985) and Nwosu (2004), share the view that Public Relations encourages pursuance of positive steps to achieve goodwill, that is, publics. Public Relations encourages the building of corporate reputation; thus, an organisation must ensure that it makes its public image acceptable. PR advocates elimination of practices which, though legitimate, may offend public opinion or jeopardize mutual understanding.

The Linkage – Public Relations And Banking

The following diagram illustrates various areas of application of Pubic Relations in an organisation whether profit-making or non-profit and in government.

Figure 1: Areas of Application of Public Relations

Thornton (1964) asserts that a concern for public relations is a prerequisite of optimum growth in banking as in any other business. Specifically, the general role of Public Relations in a bank may be summarized as follows:

- To project a good image for the bank;
- To establish mutual understanding between the bank and its present and prospective customers;
- To identify and execute activities/projects that would, in general, enhance the banks good corporate citizenship;
- To serve as an instrument of a two-way communication channel between the bank and the relevant public such that issues of public interest that impinge on the banks operations are fully monitored;
- To furnish the bank with information on government expectations/regulations on a timely and/or anticipatory basis;
- To help maintain harmony with all sections of the employees;
- To inform and educate employees and shareholders on all aspects of the banks operations;
- To predict and analyze public opinion trends and hence advise management from time to time on their implications;
- To identify and implement strategies that would enable the bank to socialize with the immediate host community; and
- To implement planned programmes of action which will serve both the bank and the public interest.

The above roles may collectively be referred to as financial public relations (FPR). As a specialized arm of public relations management, FPR has the functional responsibility of communicating with that public whose policies and activities affect the financial, industrial and commercial direction of business (Monu, 1987).

Handling Distress And The Corporate Image Of Banks

Distress poses a major challenge to the corporate image of banks because of its stigma. Accordingly, every bank has a duty to create an image of itself that will positively appeal to the public. Distress in the banking system is a great concern not only to depositors but to the general financial publics, that is, investors, financial press and analysts, non-bank financial institutions, researchers and government policy makers.

Public relations agenda for a bank's image building may be analyzed from four perspectives; infra structural, organizational, operational and social. In terms of infrastructural logistics, the concern of public relations is directed at examining the impact of a bank's premises and office complex on its corporate image. Banks need to set up appealing office structures at strategic locations around community business centers. A suitable location should have good access roads to both pedestrians and motorists and of course free from traffic obtrusion. A bank premise with a large parking space for customers and banks staff will prove an edge. The bank's signboard should be conspicuous and have a good graphics appeal. Planting of flowers and placement of flower pots in designated places will introduce a desirable aesthetic natural environmental beauty to the credit of the bank. An internal conducive atmosphere, fully air-conditioned, will not only appeal to customers but will also enable the staff to concentrate on their jobs. Banks are known for a lot of paper-work and therefore an embarrassment if a staff is made to work under a fan and has to be chasing pieces of paper blown off the table by an electric fan.

As usual with other business entities, a bank's organizational structure is expected to reflect its chain of command as well as its lines of authority, responsibility and corresponding accountability. The chain of command begins from the board of directors to the chief executive, heads of divisions and departments down to the lowest staff cadre in the organisation. The make-up of a bank's board of directors creates either a positive or negative impression on the public. Accordingly, to constitute its board, a bank has to satisfy itself that the people at the helm of affairs are capable, reliable and seasoned personalities. If the board, on the other hand, is make up of dubious and unreliable characters, the corporate image of the bank must, of necessity, wane in the eye of the public and Public Relations would have very little to do to patch-up the situation. To appeal to the public and attract required patronage, a bank should invigorate its organisational structure and ensure that no square pegs are in round holes from top to bottom.

Operational efficiency in bank services delivery will enhance customers' patronage and accrue a commensurate dose of good corporate image. To remain relevant, a bank must ensure that its services are tailored to public expectation and rendered efficiently. Every effort should be made to minimize unwarranted delays. Speed and accuracy are public expectations in bank services delivery. A good service that is poorly rendered deflates public relations and does some harm to a bank. The harm is that the bank is secretly classified in the public eye as an inefficient financial institution. In the same vein, a poorly conceived and rendered service does no better.

To create a good image for itself, a bank should set up operational standards which all and sundry are committed to maintaining. Staff must be disciplined and courteous to customers. Healthy Public Relations demands that a bank operates within the standard banking ethics. Customers' transactions must be handled with diligence, speed and accuracy. Staff must be customer friendly both before and behind the counter. There should be no double standards. Arbitrary or discriminatory application of banking tariff against customer accounts as opposed to uniform application will slaughter public relations, hence, it must be avoided.

Banks are expected to be socially responsible because they are by no means independent of the society in which they operate. Banks should, for example, create job opportunities for the generality of the public without ethnic, religious or gender bias; help in social activities such as provision of disaster relief, educational grants, scholarship awards, donations to handicap-caring institutions and encouragement of sports etc (Ogbunka 1985).

Financial Public Relations Strategies Towards Restoring Public Confidence In The Banking System

The following technical channels of communication are available to financial public relations management: Financial press; media participation and public dialogue; image advertising and financial literature, examples of which are annual reports, corporate letters and publications including house journals.

Financial Press Media

The press is that branch of media involved in printed communication. Various financial publications abound today in Nigeria including Business Times, Business Concord, Financial Guardian, Financial Punch and a host of other daily and weekly papers which devote a considerable space to reports on business and economic activities. In dealing with the press, care should be exercised to consider four cardinal requirements of brevity, objectivity, timeliness and accuracy. Public relations officers of banks should utilize the ample opportunity provided by the financial press to present the true picture of their respective financial institution concerning the distress situation. Where a particular newspaper has a business, economic or finance editor, it is advisable to deal with such designated editor directly. This approach, according to Manu (1987) reduces protocol and enhances better analysis of news.

Annual Report and House Journal Publication

Under the heading of information, we have such diverse activities as the publication of banks' house journals and their annual reports and statements of accounts. A bank's annual report is one of the strongest corporate reference points. It is the report card of business and constitutes the bedrock of a company's financial literature.

An effective annual report aimed at combating banking system distress and its stigmatizing effect should have the following characteristics:

- a distinctive cover to attract interest and reflect creditable corporate image;
- a table of content;
- a summary or table of highlights;
- an identification of board members and corporate service chiefs (that is members of top management) by functions;
- a statement from the chief executive and/or board chairman summarizing the year's events and emphasizing developments that bear on bank's continuing ability to meet its mandate to all and sundry;
- operating financial statements and balance sheet with detailed notes to provide additional information on financial aggregates;
- a summary of financial aggregates highlighting operational results for the preceding five years.
- auditors statement
- a generous display of financial graphics using histograms, pie charts, bar charts and graphs.

House journals circulated among staff, shareholders, and subscribing members of the public is an important dement of public relations. House journals have gone on to become a recognized segment of financial periodic literature varying considerably among themselves in content and approach, some of them produced partly or wholly in the intelligence departments of banks, others relying almost entirely on professional writing, but all doing very good unobtrusive public relations work (Thornton, 1964).

Shareholders Briefs, Position Papers and Topical Commentaries

Like any business letter, shareholder briefs are a special correspondence from the company to shareholders to keep them informed periodically of developments in the organisation. Shareholder briefs are additional measure beyond the annual report and statement of accounts and intended to strengthen further the company - shareholder relations. There is also the issue of correspondence exchange between the organisation and shareholders. Some shareholders submit suggestions, enquiries about products, sales processes, research and sometime very minor issues, which some executives may consider unnecessary. But no matter how petty the issues are thought to be, shareholders enquiries should be treated with utmost care (Monu, 1987). Position papers and topical commentaries are important as means through which a bank may state its position on certain industrial or national issues with a view to promote public confidence in the business of the enterprise as well as bolster its image as a socially responsible organisation.

Conclusion

This investigation which combined desk library research with thematic historical research technique found that Public Relations can restore public confidence in the banking system in particular and the financial system in general through the implementation of financial public relations strategies through the channels of:

- The financial press;
- Media participation and public dialogue;
- Image advertising;
- Annual reports and statements of accounts publication;
- Corporate stakeholders briefs and
- House journals, newsletters and occasional position papers releases

Public Relations management would be able by these means to promote the services and products of the banks, project a positive image for the bank, establish mutual understanding between the bank and its customers; help to maintain harmony with all sections of the employees, predict and analyse public opinion trends and hence advice management from time to time on their implications and also serve as an instrument for a two way communication between the bank and the relevant public in a way and manner that issues of public interest are properly monitored and reckoned with.

References

Abe, S.I. (1985) *Assessment of Bank Performance in Nigeria: Bank Examiners View Point,* in Developing a Healthy Banking System in Nigeria, FITC Lagos, pp. 25-43.

Adewunmi, W. (1992) *Distress in the Financial System,* in The Nigerian Banking And Finance Industry in Transition: Shaping the Future, FITC Lagos, pp. 97-110.

Central Bank of Nigeria, *Annual Report and Statement of Account,* 1994, 1995.

Ikeagwu, E. K. (1996), *Groundwork of Research Methods and Procedures,* Mimeograph, Dept. of Management, UNEC.

Molokwu, B. C. (1994) *Crisis in the Financial System: Genesis, Causes, Features and Consequences,* in Restructuring the Nigerian Financial System for Stability and Development, FITC Lagos, pp. 43-55.

Monu, S. (1987) *Financial Public Relations: Factor Fiction,* First Bank Quarterly Review, Sept. 1987, pp. 14-19.

Nwosu, I. E. (2004) *Public Relations Management: Principles, Issues and Applications,* Enugu, Dominican Publishers, Aba.

Offonry, H. K. (1985) *Guide to Public Relations Practice in Nigeria,* Owerri, New Africa Publishing Co. Ltd.

Ogbunka, U. (1985) *Banks and Their Corporate Image,* Business times (March, 25) p. 16.

Ogunleye, G. A. (1993) *Manifestations and Management of Distress in The Financial Services Industry,* in Challenges and Management of Changes in the Nigerian Financial System, FITC Lagos, pp. 58-65.

Sanusi, J. O. (1992) *Developments in The Banking and Financial Industry: 1970 to Date – Institutional Framework and Changes in Ownership Structure,* in The Nigerian Banking and Finance Industry in Transition: Shaping the Future, FITC Lagos, pp. 6-20.

Thornton, R. G. (1964) *Public Relations and The Growth of the Banking Habit,* in Banking Trends in Europe Today, London, Institute of Bankers, pp. 142-160.

Black, S. (1989) *Introduction to Public Relations,* The Modino Press Ltd., London.

Coulson-Thomas, C. (2005) *Public Relations: A Practical Guide,* MacDonald & Evans Ltd, Britain.