

COMMERCIAL BANKING AND FINANCIAL INTERMEDIATION: A COMPARATIVE OVERVIEW OF NIGERIA AND GERMANY

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Abstract

This study was aimed at carrying out a comparative overview of financial intermediation in commercial banking between Nigeria and Germany. The study adopted qualitative research design as data was sourced from secondary sources. The mode of analysis was content analytical approach which helped to make interpretations coherently. The study revealed among others that commercial banks in Nigeria are no longer taking business risks but engaging in financial risks. Financial intermediation is an opaque arrangement in which most banks are set up to provide financial support to their founders and major shareholders than to the Nigerian economy; meanwhile the German commercial

banking industry was found to have played prominent role in financial intermediation, and considered a key factor in Germany's industrialization. The paper concluded that there is need to redirect the commercial banks -firms' credit relations to build Nigeria's economy and recommended the opening up of Nigeria commercial banks to the global investments, to ensure transfer of finance, managerial and technical skills needed to run a commercial banking system that can respond to the needs of the national and international economy.

Keywords: Commercial banking, Financial intermediation, Political Economy, and

Introduction

Financial intermediation is a statutory function of commercial banks in every economy. It is central to the essential role which commercial and money-deposit banks play in the development of every society, and entails the movement of financial resources in the banking system from economic areas of availability to areas of needs in the overall interest of the economy. This is achieved through a mechanism of mobilising and accepting deposits from the society and banks' customers into their accounts and lending them out as loans to the productive sectors of the economy. The banks charge interests on the loans given to the beneficiaries. This process creates liquidity, which in turn, leads to increase in production, consumer spending or purchasing power, employment generation, wealth

creation thereby, boosting the economy and reducing poverty.

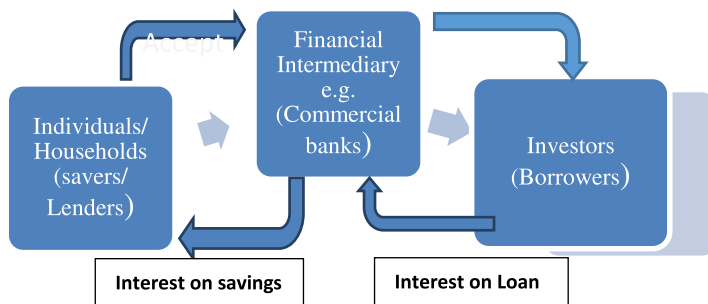
This preface captures substantially the meaning of financial intermediation in the commercial banking industry generally in most climes. Sanusi (2002) in a paper on financial intermediation and commercial banking argues that:

Availability of investible funds is a key factor in the growth process of any economy. Although not a sufficient condition, resource availability is certainly a necessary condition for output and employment growth. Indeed, there is ample evidence to show that countries that have enjoyed or are enjoying economic prosperity have been linked with an efficient mechanism for mobilising financial resources and allocating same for productive investment. The banking sector remains at the centre of this process, even in economies with highly developed financial markets (Sanusi, 2002: 2).

From the foregoing, it is logical to assert that financial intermediation is very germane to economic growth and development both in emerging markets and in very well-developed economies. This conviction therefore, strengthens the comparative work on financial intermediation and commercial banking sector in two strategic and important economies on the African and the European markets. Nigeria and Germany are the largest

economies in Africa and Europe respectively; this justifies their choice as case study.

Figure 1: Financial Intermediation; Depicting Simple Flow of Fund



Source: (Ogubunka 2016)

King and Levine (1993); Yusufzada and Mammadova (2015); Odedokun (1998) and Afori-Abebrese, Pickson&Diabah (2017) among several others have found a positive correlation between higher levels of financial development in countries and growth of their economies. Odedokun (1998) however, using a cross-country data analysis of 71 less developed countries (LDCs) for the period 1960 to 1980, found that, even though financial intermediation promotes economic growth, the growth-promoting effects were more pronounced in the low-income countries.

Bank lending is the most common source of external finance for many MSMEs and entrepreneurs, which are often heavily reliant on traditional debt to fulfil their

start-up, cash flow and investment needs. While it is commonly used by small businesses, however, traditional bank finance poses challenges to MSMEs, in particular to newer, innovative and fast-growing companies, with a higher risk-return profile (OECD, 2015). The banking industry has played active role in intermediating between savers and investors through facilitating flow of savings fund to where they are required.

As economic giants in Europe and Africa respectively, World Bank statistics show that Germany and Nigeria are the 4th and 30th largest economies in the world respectively. Whereas Germany has a GDP per capita of USD51, 204 as against the EU average of USD33, 384.92, Nigeria on the other hand has a GDP per capita of USD 2,066 as against the African average of USD 2,150.60. Their fortunes contrast. Germany is a world economic power house, while Nigeria is still a developing country, though with enormous potential for rapid growth. Nevertheless, both countries boast of vibrant financial systems characterized by bank dominance (Heckathal et al, 2006; Ayadi, 2021). The banking industry has continually evolved, albeit differently. For instance, the 2005 consolidation in the banking sector in Nigeria and the establishment of regulatory agencies overseeing the operations and workings of different aspects of the country's financial operations have resulted in notable changes in the system including ownership and control. On the other hand, the financial sector in Germany as in most of Europe has undergone significant changes and the regulatory

environment continue to evolve. According to Kenz and Lichnowska (2023), financial regulations in Germany are significantly influenced by the law of the European Union (EU). The launch of the common currency, Euro in 1999 improved economic relations among member nations and further made the euro *zone a more attractive region for non-EU countries to do business with*, thus promoting trade and investment. The German economy has been benefiting from this union. Both Nigeria and Germany have huge MSME bases in terms of employment, contributions to GDP. The sector contributes significantly to their level of economic development (PWC MSME Survey, 2020).

Conceptual Framework on Commercial Banking and Financial Intermediation

Commercial Banking

Commercial banking is an economic, business, or financial activity carried out by specialised banking institutions authorised by law in any country or society to accept deposits, make business loans, and offer basic investment products for profit. It also refers to transactions conducted by any bank or division of a large bank with corporations, large and medium-sized businesses. It differs from retail and investment banking (Adekanye, 2006). Therefore, commercial banking could be seen as more of a financial product and services rendered by a finance institution and a title of a financial institution due to its category of financial services and the size of its operations.

Ekpenyong (2011) and Azege (2009) posit that commercial banks contribute to the economy by mobilizing savings from the surplus economic unit and making these funds available to the deficit economic unit. By so doing, banks are able to finance investments. They, then admonish banks to promote trade and industry, advance capital formation, fund the development of agricultural sector, revive infrastructural decay, and influence economic activity by making available credit at moderate interest rate.

Some political economists like Marx, Engels (1867), Lenin (1916), however are of the views that commercial banking system is a central part of the orchestrated process of capitalist production and exploitative process. For them, the sequential process of capitalist production and circulation is initiated by the banks advancing money-capital to firms. These latter can then use this purchasing power to make monetary payments that allow them to obtain inputs for production in view of selling the output on the commodity market. From a macroeconomic perspective, all firms taken together need money only to buy labour power from workers, and then be entitled to implement their production decisions.

Ozoani (2017) defines a commercial bank as an institution that accepts deposits of money from the public withdrawable by cheque and used for lending. Commercial banks provide working capital loans to the deficit sectors of the economy. It is a profit seeking commercial organisation, dealing in money and credit. A commercial bank is a financial institution that accepts

deposits and creates credit by lending out of funds received as deposits to those in need of funds (Ogubunka, 2003). Commercial banking entails mobilising savings from the economy. It is like a financial water tank into which public savings flow. Commercial banking makes it possible for idle surplus money of households to be mobilised, from which loans are given on interest to business people.

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Financial Intermediation

Andrew and Osuji (2013) maintain that financial intermediation is the transformations of mobilised deposit liabilities by banks into banks assets or credit such as loans and overdraft. This implies that financial intermediation involves receiving money from depositors and lending same to borrowers for investments which in turn facilitate economic growth.

Financial intermediation is the arrangement of financial assets in order to channel such assets from the surplus

units to the deficit units. It is a productive activity in which institutional unit suffers liability on its own, engaging in financial transactions in the market. As such, the role of financial intermediaries is to channel funds from lenders to borrowers by intermediating between them (Toby & Dibiah, 2022). Effective financial intermediation triggers high level of employment and income generation which invariably enhance the level of economic development. Commercial banks as financial intermediaries play a significant role of intermediation between lenders and borrowers of funds in Nigeria. However, this is not without some challenges (Garba & Yakubu 2015). Two major functions have been identified as roles performed by commercial banks. Garba and Yakubu (2015) point out that this is divided into two major categories; which are (1) Accepting deposits which is considered as one of the most important activities of a commercial bank and entails financial intermediation through mobilization of deposits from the public. Individuals, business organizations, governments, financial institutions who have surplus income and savings find it convenient to deposit the amounts with commercial banks. This process earns the depositor a reward called interest. Therefore, deposits with the bank grow along with the interest earned. The higher the interest rate, the more people are motivated to save. Major among the types of deposits accepted by banks are the traditional current account (demand) deposits, savings deposits and fixed (time) deposits. Another major function of a commercial bank is granting of loans and advances. Commercial banks give loans and

advances to members of the public and to the business community at a higher rate of interest than allowed by banks on various deposit accounts. The purposes of the loan determine the rate of interests charged, as it varies according to the terms, period and the mode of repayment (Liuksila, 1996).

Empirical Review

Tonye and Andabai (2014) examine the relationship between financial intermediation and economic growth in Nigeria using Vector Error Correction Model. The study found a long run relationship between financial intermediation and economic growth for the period under review and concluded that about 89 per cent of the variations in economic growth in Nigeria are explained by changes in financial intermediation variables.

Haruna (2012) investigates the determinants of cost of financial intermediation in Nigeria's Preconsolidated banking sector using 13 banks quoted on the Nigerian Stock Exchange using panel data regression models. The study found out that operating expense and loan loss provision accounts for greater variation in commercial banks financial intermediation.

Idries (2010) investigated the cost of financial intermediation in Jordan from 2000 to 2008. The study used random effects estimation approach and found out that high and increasing financial intermediation cost are derived from efficiency level complimented by capital adequacy ratio and loan to total asset ratio.

Beck and Hesse (2006) investigate why financial intermediation cost is high in Uganda. The study made use of a unique bank level data set on the Uganda banking system over the period 1999 to 2005. The study found that bank level characteristics, such as bank size, operating costs and composition of loan portfolio affects financial intermediation cost. The study also found that financial intermediation costs have no robust and economic significant relationship with foreign bank ownership, market structure and bank efficiency in Uganda. This study does not consider effects of financial intermediation on economic development using credit to private sector, lending rate and interest rate margin as independent variables in the country

Financial Intermediation in Nigeria

Discussing financial intermediation in Nigerian economy is just like the evaluation of the central function of the commercial banks in economic development in Nigeria. Within the period of this study, there are 24 recognised Commercial banks in Nigeria. It is the financial intermediation role of this category of banks that will feature in this work. These banks are;

1. Access Bank Plc
2. Citibank Nigeria Limited
3. Ecobank Nigeria Plc
4. Fidelity Bank Plc
5. First Bank Nigeria Limited
6. First City Monument Bank Plc
7. Globus Bank Limited

8. Guaranty Trust Bank Plc
9. Heritage Banking Company Ltd.
10. Keystone Bank Limited
11. Parallax Bank Ltd
12. Polaris Bank Plc
13. Premium Trust Bank
14. Providus Bank
15. Stanbic IBTC Bank Plc
16. Standard Chartered Bank Nigeria Ltd.
17. Sterling Bank Plc
18. SunTrust Bank Nigeria Limited
19. Titan Trust Bank Ltd
20. Union Bank of Nigeria Plc
21. United Bank for Africa Plc
22. Unity Bank Plc
23. Wema Bank Plc
24. Zenith Bank Plc

(Source: Central Bank of Nigeria, Economic Report November 2022).

The story and history of commercial banks and their financial intermediation efforts in Nigeria were shaped by the colonial banks that commenced formal commercial banking activities in the Nigerian economy. The colonial banks were more responsive to the needs of the colonial government and responding appropriately to financial expectations of the British Empire than the development of the Nigerian economy as it concerned the needs of the indigenous people.

Ake (1981) asserts that:

The monetary system of a colony was invariably an extension of that of the metropole. Control of a colony's reserves and of the issue of currency rested in the metropole. Such control was justified by arguing that it gave the colony monetary stability and international status and helped its trade. However, monetary dependence was essentially a means of exploitation. For instance, the colonial banks mobilised capital from African savings and loaned it out to European businessmen. These banks avoided giving loans to Africans; sometimes this discrimination against Africans was even giving legal sanction. For instance, a notorious ordinance of colonial Kenya held that debts owed by Africans over Sh, 200 (about 12 British pounds) were not enforceable by law. This law naturally became an excuse for denying loans to Africans. (Ake, 1981:55)

Commercial banking business in Nigeria has its origin during the colonial era with the establishment of Colonial Banks, with the primary aim of meeting the commercial needs of the Colonial Government. The period 1892 brought about the establishment of the African Banking Corporation and the Bank of British West Africa. In 1925, African Banking Corporation failed and the Bank of British West Africa took over the remains of the bank. In 1894, the Bank of British West Africa Limited opened its maiden branch in Lagos, and later in the year changed its name to Standard Bank of

Nigeria. This Standard Bank of Nigeria is what is today known as the First Bank of Nigeria (Anyanwaokoro, 2001)

The Anglo -Egyptian bank and the national bank of South Africa came together to establish the Barclays Bank in Nigeria. In 1948, the British and French Bank for Commerce and Industry started operations in Nigeria, and this transformed into the United Bank for Africa. In 1949, The African Continental Bank was established as the most sustainable indigenous bank.

This background sets the tone for financial intermediation in Nigerian commercial banking landscape. Most indigenous businesses and businesspersons in Nigeria were not able to access credit facilities from the earliest commercial banks and financial institutions set up by the colonialist or banks that were offshoot or branches of British banks. The Nnamdi Azikiwes, Awolowos and other nationalists, Sir Louis Ojukwu and others African businessmen worked hard to set up the first generation of indigenous commercial institutions in Nigeria out of their frustrations with obtaining credit facilities from the colonial banks. African Continental Bank, Owena bank, Bank of the North were commercial banks set up to address the financial and credit needs of their promoters or founders (Omotoso 1988).

Aburime (2010) asserts that foreign banks that were then in existence in the Nigerian colony were mainly established to service foreign commercial interests and

oil the trade mechanism between Nigeria and its colonial masters; and were thus not interested in developing new markets and clients. Given the foreign commercial interest focus of these banks, it was not surprising that they established operations in localities where British commercial interests predominated. The inability of these banks to cultivate the indigenous populations led to the establishment of indigenous banks

This laid a poor foundation for character and texture of financial intermediation in Nigeria's commercial banks in which banks' financial intermediation are hampered by the ownership structure and credit lines followed the trend and dictates of major shareholders and bank owners. Federal and regional governments owned most indigenous commercial banks and states governments inspired mainly by the political leaders and their business partners. However, later under a liberalised independent Nigeria, individuals went into the establishment of commercial banks especially during the Structural Adjustment Programme of 1986, licencing of banks increased to the extent that the total number of banks in Nigeria increased from 38 to 121. These were not specifically commercial banks now it included merchant banks.

The indigenous commercial banks became competitors to the colonial legacy banks that did not have as their interests the development of the Nigerian economy nor expansion of its markets, but the enhancement of colonial commercial interests in the colony, and as conduit pipes to repatriating capital. The indigenous

commercial banks copied and cultivated the operational values of the colonial or foreign banks that preceded their emergence, and paid lip service to the essential needs of the Nigerian economy as stated in the monetary policies of the country. Nigerian commercial banks essentially are business platforms by which the owners and promoters of the banks use in the mobilisation of deposits in the Nigerian economy to the advantage of the economic and commercial interests of the promoters and directors of the banks and their political and business friends and associates (Omotoso 1990).

Commercial banks are licensed essentially to provide banking services to the Nigerian people and business and to enhance the flow of financial resources from areas of surplus to the productive sectors of the economy. However, there have been poor ethical standards in the Nigerian commercial banking operations and practices contrary to the aspirations of Nigerian government and the Central Bank of Nigeria at different times. These have led to several collapse of commercial banks in Nigeria.

The Federal Military Government in the 1970s under General Yakubu Gowon nationalised the three (3) major foreign commercial banks in Nigeria by acquiring 40% of their share capital; namely Standard bank (First Bank) Barclays Bank (Union Bank) and United Bank for Africa (UBA) with the intention that this would help in the following ways: to break the monopoly power and discriminatory practices of the expatriate banks; to give financial assistance to indigenous banks, and to guide

commercial banks to operate to the maximum benefit of the Nigerian economy (Nwankwo 1972).

Sanusi (2002) argues that banks are expected to maintain high ethical standards and professionalism in their operations as well as focus more on their financial intermediation role, which is at the core of the business they are licensed for. Positing further, the then Central bank Governor stated that manufacturers and producers would be expected to use bank credits for the purpose they are granted for and not diverted to activities, which have little or no value-addition to the Nigerian economy. In this way, the economy will be put on the proper path of recovery and sustainable growth.

However, the realities of the Nigerian economy and the facts in the commercial banking sector tells a glaring story of these admonitions and statutes being adhered to more in breach than in conformity.

According to Nigerian Deposit Insurance Corporation (2018),

The most acidic of all the endogenous factors of bank failure in Nigeria including the first experience of bank failures of the 1950s was Insider Loans and Connected Lending. This is a situation where a bank gives credits to companies owned wholly, partly directly or indirectly by the banker, the bank, a director of the bank or proxy or crony of a director or management staff, The difference between connected and insider loans is that while the former may be to subsidiaries or

associate companies of the bankers or directors, the latter is often given directly to the banker, directors or a crony. (NDIC 2018: 11)

Considering the situation of financial intermediation in Nigeria historically, commercial banks have never taken the issue of financial intermediation for the development of the economy seriously because most commercial banks' funds are spent on insider and or connected lending to the detriment of the Nigerian economy and this accounts for the greatest affliction of commercial banks failures in Nigeria both in the past and in the 1990s up to the contemporary era (NDIC 2018).

Table 1.1: Facilities Granted to Owners and Directors of Some Selected Nigerian Commercial Banks in Liquidation.

Bank in Liquidation	No of Directors Involved	Amount at Closure N	% of Total Risk Assets Granted to Owners
United Commercial Bank Plc.	5	741,755,808.86	30%
Highland Bank of Nigeria Plc.	12	33,197,157.58	38%
Commercial Trust Bank Limited	1	247,749 719.10	38%
North--South of Nigeria Ltd	13	240,668.637.62	32%

Credit Bank Nigeria Ltd	6	379,634,611.47	76%
Amicable Bank of Nigeria Ltd.	7	149,854,896.00	56%
Commerce Bank Plc	4	1,294,851 665.64	52%
Pinnacle Commercial Bank Ltd	10	298,766,751.76	20%
Republic Bank Ltd	1	161,375,466.00	38%

Source: (NDIC, 2018)

Financial intermediation by commercial banks in Nigeria is an opaque arrangement in the Nigerian system. Most banks are set up to provide financial support to their founders and shareholders than to the Nigerian economy through extension of credit facilities to small, medium and micro business enterprises that will spin jobs for the economy, expand the market and reduce poverty. These founders or owners could be individuals, group of individuals or governments. The cases of Progress Bank Nigeria Limited and Republic Banks, Oceanic Bank, Commerce Banks are examples of the inversions, subversions and abuse of rules and guidelines of financial intermediation by Nigerian commercial banks.

For instance, according to NDIC (2018)

Republic Bank Limited commenced business in 1989. From inception to the revocation of the banks license, the bank was under the stranglehold

of its chief promoter, Otunba W.O.O. Ajayi who designed himself as ‘Founder’. He engaged in abusive practices, which eroded the bank’s liquidity and eventually threw it into protracted insolvency. Due to flagrant abuse of Clearing House rules through the issuance of up-country cheques on unfunded accounts, the bank’s license was suspended on 11 February 1994. The core reason for the failure of the bank according to NDIC is that the founder lacked the managerial and technical competence to manage a bank. His domineering role showed that, the bank was established to service his companies. Hence, concentration of the bank’s credit portfolio in his related companies while virtually all credits were delinquent and classified (NDIC, 2018: 68).

Financial Intermediation: The German Perspective:

The local commercial banking system and the Micro, Small, Medium Enterprises (MSME) in Germany have played dominant roles in terms of its contribution to the economy both in Gross Domestic Product and employment terms. MSMEs in Germany are highly competitive and they significantly contribute to the country’s huge export market (OECD, 2021). The sector is pivotal to the nation’s economic success and several financing and related support have contributed to its viability over the years. According to Herr and Nettekoven (2018), Germany is a role model for MSMEs. It attributed it to several supporting factors including Germany’s local banking system, which is not

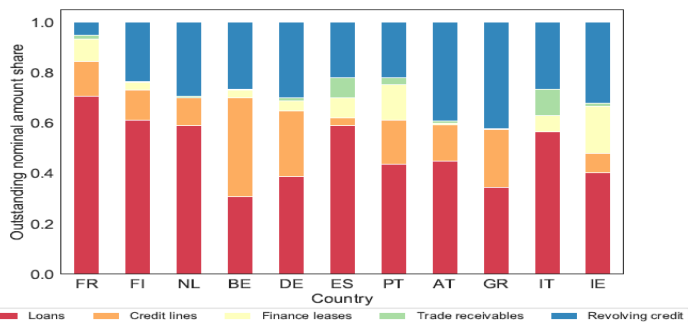
profit oriented; the dual vocational system, with its combination of practical and theoretical education; the high social capital of strong employers' associations and trade unions; government support of MSME clusters among others.

According to Lehmann-Hasemeyer and Wahl (2021), smaller, regional public financial intermediaries contributed significantly to Germany's industrial development through provision of finance. Similarly, the German government actively supports the financing of investments in small industry - especially business start-ups (Harm, 1992). The government adopted diverse measures to support MSMEs and entrepreneurs during the COVID-19 crisis including through EUR 750 billion emergency budget in the form of loan guarantees and grants (OECD, 2021). These also align with the Small Business Act (SBA) - the European Union (EU) strategy to improve the business environment for Micro, Small and Medium, Enterprises. The SBA is guided by some principles. These have come to be known as the 10 principles of the Small Business Act , they include; (1) Support entrepreneurship (2) Give a 2nd chance (failure) (3) "Think Small First" (reduce burdens) (4) Public administration responsive to MSME needs (e-government) (5) Improve access to public procurement & use of state aid (6) Facilitate access to finance (7) Benefit from Single Market Opportunities (8) Access to skills and innovation (9) Eco-innovation/environment opportunities, and (10) Access to external markets.

The MSME performance review is one of the main tools the European Commission uses to monitor and assess countries' progress in implementing the MSME strategy and the Small Business Act (SBA). The review consists of an annual report on European MSMEs and MSME country fact sheets. Analysis in Polyak (2022), shows that Germany has greatly benefited from its external trade relations above most European countries. The German banking system, which plays prominent role in financial intermediation, is often considered a key factor in Germany's industrialisation.

There are five broad instruments that are mainly used by firms to obtain credit from banks namely: loans, credit lines, trade receivables, financial leases and revolving credit. In terms of maturity, these sources of financing can be classified: the first two instruments as long term, and the others as short term. Long term credit is particularly mainly associated with investment financing, while short term credit is mainly committed to financing working capital. Additionally, the costs of borrowing for the short term are usually higher. The European Central Bank (ECB) recently reported that bank lending remains the single largest source of funding for businesses within the euro-area (Kosekova, Maddaloni, Papoutsis & Schivardi, 2023).

Figure 2: Instrument Type Shares



Source: Kosekova et al. (2023)

Figure 2 above shows that loans, lines of credit and revolving loans constitute about 90% of financing used by German firms. While leases may be more common in France, Ireland and Portugal, they are not often used in Austria, Germany, Greece and the Netherlands. Overall, prevailing national macroeconomic and institutional factors are a greater determinant of the nature of contracts for credit in Europe than the characteristics of firms seeking the financing.

- Firm-Bank Relationships in Financing for Businesses**

The number of firm-bank relationships varies significantly across firm size and across countries in the euro area. Even though the size of bank's relationships increases with firm size in all countries, the absolute numbers differ significantly. Kosekova et al. (2023) posit that the German model of the firm-bank relationship and nature of bank financing of businesses is mainly based on one main bank providing long term financing, which helps the firms to fully achieve their

growth and expansion potential (Ongena et al., 2012). Firms rely more on one bank, more on long term instruments, and within these, enjoy longer maturities. Kosekova et al. (2023) show that legal environment and the quality of contract enforcement is likely to explain the reason for the substantial reliance of German businesses on mainly one to two banks for their business funding. This favourable legal and institutional environment in Germany may significantly explain the prevalence of long-term financing and the longer bank-firm relationships in Germany compared to other countries in the Euro-area. Less supportive property rights create a higher tendency for firms to rely on many banks for financing as banks may choose to diversify their portfolio since recovery in the event of bankruptcy is less certain. Therefore, the cross-country differences in the firm-bank relationship and the reliance on funding from the main bank is dictated more by country attributes and less by differences in firm's size and sectoral characteristics.

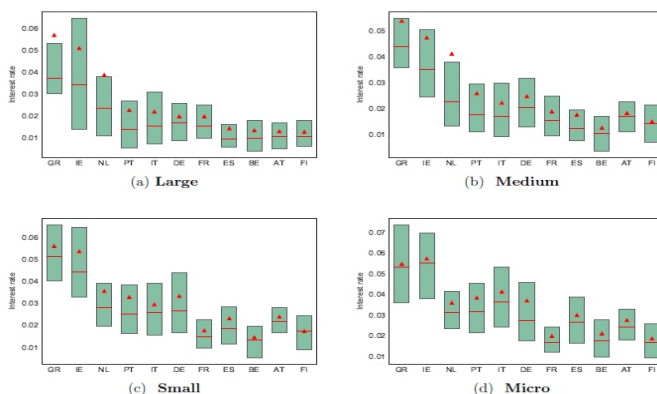
- **Maturity**

The average maturity period of credit in Germany is 10 years. This is generally relatively higher than what obtains in other European countries such as Spain, Portugal, Italy and Ireland which show a maturity rate of between 7 and 5 years. Kosekova et al. (2023) reports that maturity rates are not significantly influenced by the size of the firms involved. The reason for this might be because many large firms would prefer funding large long-term projects using bonds rather than bank credits.

• Rates

Against logical expectations, we find that banks with long-term relationship with firms generally charge firms higher interest rates (Schenone, 2009). The implication is that German firms with multiple bank relationships are more likely to pay lower interest rates compared to firms with one main bank (Ioannidou & Ongena 2010). They, however, conclude that this difference does not persist.

Figure. 3. Interest Rates by Firm Size



Source: Kosekova et al. (2023)

Table 2.6: List of the Top Banks in Germany

	Bank
1	Deutsche Bank AG
2	Commerzbank AG
3	KfW Group
4	DZ Bank Group

5	HypoVereinsbank (UniCredit Bank AG) ¹
6	Landesbank Baden-Wuerttemberg
7	Bayerische Landesbank (BayernLB)
8	Norddeutsche Landesbank (Nord/LB)
9	Helaba (Landesbank Hessen-Thüringen)
10	Deutsche Postbank AG ²
11	NRW.BANK
12	Hypothekenbank Frankfurt AG ³
13	Hypo Real Estate Holding AG
14	DekaBank
15	HSH Nordbank AG
16	Landesbank Berlin Holding AG (LBB)
17	WGZ Bank AG
18	Landwirtschaftliche Rentenbank
19	Wuestenrot&Wuerttembergische AG

Source: www.relbanks.com

Conclusion and Recommendations

Commercial banking and financial intermediation play important roles in the economies of Nigeria and Germany. Though both countries have distinct financial systems, there are notable differences in their structures, regulations and performances. The German financial regulatory framework appears to be more stringent, with

a more developed financial system and strong emphasis on stability unlike Nigeria where the financial regulatory environment is still evolving to address challenges such as financial inclusions and stability. Nigeria faces the challenges of limited financial inclusion and vulnerability to economics shocks. However, there are opportunities for growth and development in the financial sector, particularly with the increasing adoption of digital financial services. Nigeria can learn from Germany's experience and work towards improving its commercial banking system.

Therefore, there is need to redirect the commercial banks -firms credit relations to build Nigeria's economy. It is also very crucial to open up Nigeria commercial banks to the global investments to ensure transfer of finance, managerial and technical skills needed to run a commercial banking system that can respond to the needs of the national and international economy. There is also need to ensure that professional economists or political economists, public policy experts are appointed to govern Central Bank of Nigeria (CBN). The Godwin Emefiele's experience tells a sad story of appointing a practicing commercial banker associated with a particular bank into the headship of the apex bank. It has become an attempt in the destruction of the essential monetary policy direction the economy needs to advance.

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