INFORMAL FINANCIAL INSTITUTIONS AS SOURCE FOR FINANCING SMALL AND MEDIUM SCALE BUSINESS ENTERPRISES IN NIGERIA: A CASE STUDY OF CYCLE SAVINGS SCHEME

BY

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A THESIS SUBMITTED TO THE DEPARTMENT OF BUSINESS ADMINISTRATION FACULTY OF ADMINISTRATION, AHMADU BELLO UNIVERSITY ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF MASTER OF BUSINESS ADMINISTRATION (MBA)

SEPTEMBER, 1997

DECLARATION

I hereby declare that, to the best of my knowledge, this thesis has not been previously presented in any form anywhere else and at any level for academic or research purpose. The thesis is my original research work; planned, carried out and written by me. All quotations are indicated by indentation or quotation marks. References are provided to acknowledge and indicate sources of information.

Signed: _____

ZAKARI MOHAMMED

CERTIFICATION

This thesis entitled "Informal Institutions as Source for Financing Small and Medium Scale Business Enterprises in Nigeria: A Case Study of Cycle Savings Scheme" by Zakari Mohammed meets the requirements for the award of Master Degree in Business Administration of Ahmadu Bello University, Zaria-Nigeria, and is approved for its contribution to knowledge and literary presentation.

Chairman Supervisory Committee — 5/7/98 Date

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External Examiner

Deans, Postgraduate School — 02/09/99 Date

DEDICATION

This work is dedicated to the course of enhancing the socio-economic, political and cultural development of the less privileged in the society.

ACKNOWLEDGEMENT

All praises go to Allah the almighty for assisting, directing, protecting and guiding me throughout the period of this study.

I am indebted to my supervisor Alhaji Nasiru Maiturare whose patience, understanding, assistance and cooperation made this work a success. I thank Alhaji Abdullahi Abu-Abdissamand for his positive contributions during the course of the study.

My sincere gratitude and admiration goes to my dear wife for encouraging me to enrol for the programme and supporting me throughout the course of the study. I appreciate the kindness, understanding and patience of my children at all the times.

I am grateful to my research assistants and others who contributed in one way or the other to make the work a success.

Zakari Mohammed

ABSTRACT

The research study was conducted to identify among other things, why people engage/participate in Cycle "Savings Scheme {CBS) even with the presence of modern banking facilities and services within reach, hoy CSS are being organised and managed, and what the members of the scheme use their returns (shares) from the saving schemes for,

The study was based on the assumption that:-

(a) the socio-economic base and cultual orientation of the rural people and indeed that of the low income earners who constitute the majority of the Nigerian Population would not allow them to benefit fully from the secured and unsecured loans provided by banks to finance any type of business enterprise they would want to establish and manage; and

(b) that the returns (shares) from GSSs are adequate, realistic, reliable end viable sources of funis for financing small and medium scale business enterprises.

The research method adopted for the study is survey method. The choice of the research method was based on the fact that the research covered a wide spectrum of the Nigerian Society with the research subjects running into hundreds of thousands. The population of fhe study are the proprietors/collectors of the CSSs and the members of the saving schemes in Nigeria,

A simple random sampling technique was used to select 20 CSSs represented by their proprietors/collectors and 20 contributing members from each of the 20 CSSs selected from Kaduna and Zaria environments - being cosmopolitan areas with different people from all works of life across the country and beyond. The sample size is therefore made up of 20 CSSs and 400 contributing members drawn from these areas. The major instruments used for collecting data were questionnaires, interviews/discussions and observation of the books of the CSSs. Simple descriptive statistics Particularly percentages and frequency tables were used to analyse the data collected for the study,

The findings of this study, reveals that majority of the CSSs members engage/participate in the Savings Scheme for economic reasons particularly to get some money in bulk to start and/or maintain their business enterprises. Although the CSSs are not registered with any government agency, majority of the CSS proprietors have Rules, Regulations and Procedures as legal tender governing the CSS matters to be strictly observed and complied with by both the members and the proprietors. Inspite of some problems associated with the management of CSS, both the proprietors and members of the saving scheme believe in the viability and reliability of CSSs as source of funds for financing small and medium scale business enterprises.

TABLE OF CONTENT

		Page
Title page	.. ..	i
Declaration	.. ..	ii
Certification	.. ..	iii
Dedication	.. ..	iv
Acknowledgement	.. ..	v
Abstract	.. ..	vi
Table of Content	.. ..	vii
List of Tables	.. ..	xi
List of Appendices	.. ..	xii
Definition of Terms	.. ..	xiii
List of Abbreviations	.. ..	xx
CHAPTER ONE: INTRODUCTION		
1.1	The Concept of 'Small and Medium Scale Enterprise'	1
1.2	Background of the Study	2
1.3	Modes of Financing SMES	3
1.3.1	Development Banks	3
1.3.2	Small and Medium Scale Enterprises	4
1.3.3	Formal Financial Arrangement for Financing SMEs	5
1.3.4	Traditional/Informal Financial Arrangement for Financing SME	8
1.3.4.1	The Cycle Savings Scheme	10
1.4	Statement Problem	12
1.5	Research Questions	14
1.6	Objectives of the Study	14

		Page
1.7	Basic Assumptions	15
1.8	Significance of the Study	16
1.9	Scope and Limitation of the study	16
	References	18
CHAPTER TWO:	LITERATURE REVIEW	
2.0	Introduction	19
2.1	The Concept and Definition of Small and Medium Scale Enterprise	19
2.2	Business Entrepreneurship	24
2.2.1	Business Entrepreneurship in Nigeria	25
2.3	Classification and Choice of Business Enterprise	30
2.4	Characteristics of SME	33
2.5	Nature or Characteristics of the Nigerian Economy	36
2.6	Government Policy and the Place of SMEs in National Economy	40
2.7	Financing Small and Medium Scale Enterprises in Nigeria	45
2.7.1	Nigeria Development Banks	50
2.7.2	Performance Appraisal of Nigerian Development Banks	55
2.7.3	Rural Banking Services in Nigeria	60
2.7.4	Family Economic Advancement Programme ..	63
2.7.5	Informal/Traditional Financial Institutions and Systems	72
2.7.6	Conclusion	79
	References	81

		Page
CHAPTER THREE: RESEARCH METHODOLOGY		
3.1	Introduction	84
3.2	Research Method Adopted	84
3.3	The Population for the Study	84
3.4	Sample and Sampling Procedure	85
3.5	The Instrument for Data Collection	85
3.6	Pilot Study	86
3.7	Data Collection Procedure	86
3.8	Data Analysis Procedure	88
	References	89
CHAPTER FOUR: DATA ANALYSIS AND DISCUSSION OF THE FINDINGS		
4.1	Introduction	90
4.2	Occupation/Profession of the Respondants ..	91
4.3	Reasons why People Participate in Cycle Savings Schemes	93
4.4	Management of Cycle Savings Scheme	97
4.5	Use of the Proceeds from Cycle Savings Scheme ..	107
4.6	Viability of Use of Cycle Savings Scheme in Financing Small and Medium Scale Business Enterprise	109
4.7	Conclusion	112

Page

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATION

5.1	Introduction	113
5.2	Summary of Findings	113
5.3	Conclusion	115
5.4	Recommendations	115
	Bibliography	117
	Appendix I	121
	Appendix II	129

LIST OF TABLES

TABLE		Page
2.1	Definition of SME by Country	20
2.2	FEAP Disbursement Creteria and Funds Allocation to States	68
4.1	Occupation/Profession of Respondents ..	92
4.2	Reasons for Engaging/Participating in CSS ..	95
4.3	Problems Encountered by CSS Proprietors in Managing Cycle Saving Scheme	101
4.4	Problems Encountered by Members of CSS ..	103
4.5	CSS Members' Actions Against Defaulting Proprietors and Contributor	104
4.6	Use of the Proceeds from Cycle Savings Scheme ..	107
4.7	Sources of Funding CSS Contributions by the Members	108

APPENDIX Page

I. CSS Proprietor's/Collector's Questionnaire 121

II. CSS Contributor's Questionnaire 129

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DEFINITION OF TERMS

Bad and Doubtful Debts	A matured debt that for one reason or the other has not made good yield either in principal or interest or both.
Banker's Unit Fund	Bank's specified liquid assets repayable on demand and useful for mopping up excess liquiditing in the banking system
Capital Erosion	A situation where the funds meant for SMI are directed to other areas
Capital Investment	All investment on land, building, machineery, equipment and working capital.
Central Bank	Nigeria's appex bank responsible for supervising banking systems, regulating the nation's supply of money and credit, regulating and developing money and capital market in the country and acting as the government's banker.
Certificate of Deposits	Negotiable and Non-Negotiable certificate of Deposits meant to serve as inter-bank debt instrument whose maturity range from 3-6 months and are to facilitate merchant banks' access to the reserve of funds in the commercial banks.
Collateral	Valuable item/asset that a debtor pledges against the non-payment of the credit. Assets are used as collateral and in rare cases and insurance policy.
Commercial Bank	Financial institution licensed to undertake retail banking services through branch networks and operate with a broad deposit base consisting mainly of demand and term deposits as well as transaction accounts such as savings, current and term accounts.
Contributing Member	Member of savings scheme, club or society.
Cottage Industry	Small and medium scale industry usually established in the rural and semi-urban areas and usually owned by an individual, family, group of individuals or local community.

Credit	Loan received by an entrepreneur or someone to be repaid at a specified time, usually at a cost and under specified conditions concerning repayment. It's also a means by which an entrepreneur is able to acquire goods and services against a promise to pay later.
Credit Control	Credit appraisal and administration in a bank.
Credit Policy	Encompasses credit analysis, approving fund disbursement and loans, monitoring to ensure repayment of not only the principal but also the interest rate.
Creditor	The person or institution that is granting the credit in goods and services or value to the other party.
Cycle Savings Scheme	System whereby a group of individuals not necessarily having the same economic level nor socio-economic bonds jointly contribute part of their earnings to provide themselves with credit at a reasonable interest rate or contribute specified amount at agreed regular periods for the purpose of contributing specified amounts at fixed period whereby the money so collected at each of the periods will be given to a contributing member on rotation until the cicyle is completed.

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Daily Savings (Adashi)	Informal system of saving whereby interested person contributes or deposits a given amount at a mutually agreed specified time to be collected at a given period of time.
Debtor	The person or institution to which credit is granted either in goods or value.
Default	Inability or failure to repay loan collected from bank or money lender when due. Inability to meet promised obligation.
Development Bank	Bank established to fill gaps created by Commercial and Merchant banks in catering for low income, low savings and inadequate investment in the society so as to promote national economic development especially by directing attention to particular socio-economic sector and projects. Also, it's a specialised financial institution established to provide medium, short and long-term capital for some specific purposes such as industrial development.
Economic Development	Continuing social process leading to a progressive increase in average output per head among the people in a society. Also, it is a rapid and sustained rise in real output per head.
Entrepreneur	A person who take industrial risk with the hope of making profit.

Finance	Actual funds available to meet certain obligations or the provision of money at the time it is wanted/needed to execute certain plans/projects.
Formal Financial Institution	- Organised or structured institutionalised financial market/banks such as Commercial, Merchant, Central and Development banks, Insurance Companies, Security and Exchange Commission, Nigeria Stock Exchange.
Informal Financial Institution	- Informal capital market such as traditional savings and credit societies, ventures, schemes, money tender, revaluing loan scheme, local credit associations, thrift and credit cooperative society, cycle savings scheme, consumer cooperative societies, etc.
Insurance Companies	Insurance market, middlemen, agents, brokers.
Interest	The price paid for credit or loan received, the price paid for the money lent or rental payment for the services of money over some time period.
Interest Rate	Interest payable on loan.

Investment	Process of exchanging income during a particular period of time for an asset that is expected to produce earnings in a future period.
Investment Company	Financial organisation that pool funds of their shareholders and invest them in a diversified portfolio of securities so that each share of the company's stock represents a fractional interest in the portfolio.
Loan	Credit/money received to be repayed at a given time.
Loan Limit	Maximum loan to be given at a given period of time.
Merchant Banks	Licensed banks to undertake wholesale banking and operate from one or a few branches in the main commercial centres of the society for the provision of such services as loan syndication, equipment leasing and banking services.
Money Lending Scheme	A system whereby an individual loans a given amount to the needy for a given period of time to be returned with some interest on loan. A traditional counterpart of modern credit institutions.

Participating Banks	Commercial and merchant banks that are engaged in granting loans to eligible entreprises and/or projects under a given scheme such as NERFUND and FEAP.
Resources	Money, Man (Labour) and materials.
Revaluing Loan Scheme	A savings or credit system whereby money contributed is given to a member at the end of a given or prescribed period and terminates when every participant or member receives the sum of contributions of all the members.
Risk	A measure of returns on investment including the probability of returns or danger that is associated with a business.
Small Scale Enterprise	Village industry, mini-firm or industrial firm with up to 50 employees, usually owned by family unit of 1-3 or more people, associations, cooperatives. It could be small firm, self-employed firm in non-structured sector of the economy carry out small scale non-manufacturing activities in construction, transportation, maintenance repairs, trade, etc.

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Stringent Loan Condition — A situation where Sl-Es are required *o satisJiy extra lo.31 conditions laid down by banks in order to narrow down *he number of borrowers in line with the limited available resources. The conditions include demand for collateral, mortgage floating charges, personal guarantees, etc. to reduce probability and cost default.

Tenor — Repayment: period.

Thrift and Credi*- Cooperative Society - An informal financial market/ institution usually constituted by, say, friends, relations, people of the seine profession/trade for the purpose of accumulating funds through members[1], regular , savings and deposits into a common fund for lending to *-he need3[r] member or trussed persons at a reasonable low rates of interest thereby providing cheap credit for provident and productivity purpose.

Unemployment — Inability *o Eaih/be employed.

ABBREVIATIONS

A.D.B.	African Development Bank
B.O.N.	Bank of the North
C.B.	Community Bank
C.B.N.	Central Bank of Nigeria
C.D.A.	Community Development Association
C.I.C.L.	Central Investment Company Limited
C.S.S.	Cycle Savings Scheme
D.B.	Development Bank
D.F.R.R.I.	Directorate of Food, Road and Rural Infrastructure
E.N.D.C.	Eastern Nigeria Development Corporation
E.I.B.	European Investment Bank (line of credit)
E.S.L.	Export Stimulation Loan
F.B.N.	First Bank of Nigeria
F.E.A.P.	Family Economic Advancement Project
F.G.	Federal Government
F.L.B.	Federal Loans Board
F.M.B.N.	Federal Mortgage Bank of Nigeria
F.S.P.	Family Support Programme
G.D.P.	Gross Domestic Product
G.N.P.	Gross National Product
G.R.	Green Revolution
I.B.R.D.	International Bank for Reconciliation and Development
I.D.C.	Industrial Development Centre
I.L.O.	International Labour Organisation
I.M.F.	International Monetary Fund
I.T.F.	Industrial Training Fund

K.I.F.C.	Kaduna Industrial and Finance Company Limited
L.D.Cs	Less Developed Countries
L.G.A.	Local Government Areas
N.A.C.B.	Nigerian Agricultural and Cooperative Bank
N.B.C.I.	Nigeria Bank for Commerce and Industry
N.C.D.	Negotiated Certificate of Deposit
N.D.E.	National Directorate of Employment
N.D.P.	National Development Plan
N.E.P.C.	Nigeria Export Promotion Council
NERFUND	National Economic Reconstruction Fund
N.I.D.B.	Nigerian Industrial Development Bank
N.I.S.E.R.	Nigerian Institute of Social and Economic Research
N.L.D.B.	National Loans Development Board
N.N.C.D.	Non-Negotiable Certificate of Deposit
N.N.D.C.	Northern Nigeria Development Corporation
N.N.I.L.	Northern Nigeria Investment Limited
O.F.N.	Operation Feed the Nation
O.I.C.L.	Oduduwa Investment Company Limited
P.B.	Participating Bank
P.B.N.	Peoples Bank of Nigeria
S.A.P.	Structural Adjustment Programme
S.M.Es.	Small and Medium Scale Enterprises
S.M.Is.	Small and Medium Scale Industries
S.S.E.	Small Scale Enterprise
S.S.I.	Small Scale Industry
T.C.C.S.	Thrift and Credit Cooperative Society
T.I.L.	Trade and Investment Loan

U.B.A.	United Bank for Africa
U.B.N.	Union Bank of Nigeria (PLC)
U.D.B.N.	Urban Development Bank of Nigeria
V.S.D.	Vocational Skills Development
W.B.S.M.E.	World Bank assisted Small and Medium Scale Enterprise (unit loan scheme)
W.N.D.C.	Western Nigeria Development Cooperation

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1.1 The concept of 'Small and Medium Scale Enterprise'

There is rarely a universal definition of the term 'Small and Medium Scale Enterprise (SME). It is asserted that there are about 70 different definitions of SMSs in about 50 countries. The definitions are largely a function of the perception of the socio-economic level of the countries; levels of industrial development, and functions; and composition and objectives of the enterprise. The definitions are also affected by the periodic changes of the rising costs of factors of production/equipments, exchange rate of the local currency, wages and salaries, etc.

In quantitiative terms, the definition of SMEs could be said to be a function of the number of employees of the firm; fixed assets; turnover/trade off; and other related parameters, However, in the qualitative terms, it could be a function of such factors as the capacity and levels of decision making processes (depending upon the number of individuals involved) and the degree of delegation of power in the managerial functions of the enterpreneur.

However, in the context of this study, SME is conceptualised as an organised small unit of enterprise with about one to 50 employees; a rather tiny artisanal or cottage unit enterprise; and an organised medium scale enterprise with up to about 100 employees.

1.2 Background of the Study

Developing countries such as Nigeria are parenially engaged in finding ways and means of enhancing the development of their economies and, more importantly, their industrial base. Apparently, rapid economic development has been associated with the level of industrialisation of a country. Therefore, for a country to realise its goal of economic development as a by-product of industrial development, the financial potentials of the individuals in the society need to be promoted for confidence-building and better entrepreneurship among the citizenry even at the grassroots level.

Successive governments of Nigeria have attempted to improve the economic development of the nation and indeed that of the citizenry through the establishment of different type of programmes. These include: Operation Feed the Nation (OFN), Green Revolution; Better Life for Rural Women; Family Support Programme (FSP), and currently, Family Economic Advancement Programme (FEAP). Inspite of all these, because the economic development efforts are affected by such factors as non-competence or near absence of better entrepreneurship and management acumen; shortage of skilled labour; poor or non-utilisation of modern technology and techniques of production; and above all, capital, the governments have established Development Financial Institutions to assist in providing a sound financial system for the stimulation of rapid economic growth.

The establishment of development financial institutions (Development Bank) is considered as an avenue for addressing the shortcomings of the commercial financial institutions (Commercial Banks) in addressing the financial needs of SMEs; farmers; artisans; one-man business venture, Family business enterprise; petty traders, exporters and importers; etc. It is believed that economic development owes much to this sector of the economy which caters for over 45% employment opportunities in the economy.

1.3 Modes of Financing SME'S

1.3.1 Development Banks

The basic objectives of Development Banks (DB) include: the provision of short, medium and long-term finance for productive investments and provision of technical advice necessary to formulate and carry out such investments. The investments are conceived of as catalyst to the creation of new assets; expansion and modernisation of existing assets for the creation of greater and better employment opportunities, enchanced goods and services as well as income generation capability and capacity.

Some of the development financial institutions established in Nigeria to support government efforts in economic development and that of the citizenry capital base include:

(i) Nigeria Agricultural and Cooperative Bank (NACB);

(ii) Nigerian Industrial Development Bank (NIDB);

(iii) National Economic Reconstruction Fund (NERFUND);

(iv) National Directorate of Employment (NDE);

(v) People Bank (PB);

(vi) Nigeria Bank for Commerce and Industry (NBCI); and currently

(vii) the Family Economic Advancement Programme (FEAP).

Similarly, committees in the country are encouraged to establish Community Banks (CBs) particularly in the rural areas to facilitate easy access to financial resources.

1.3.2 Small and Medium Scale Enterprises

There is no doubt in the fact that Small and M deum Scale business enterprises/industries serve to create employment opportunities; mobilise local resources; reduce rural-urban migration; and ensure fair distribution of industrial enterprises in different parts of the country. The SMEs have been found to be less capital intensive, economical in terms of use of scarce resources; have shorter gestation period; yield quicker returns on investment; facilitate balanced development due to easy location in rural, semi-urban and urban environment; and a fair guarantee of fast growth and development of indigenous technology.

From administrative perspectives, the management of SMEs is reasonably less demanding than the large scale enterprises. The SMEs are handy in composition. Thus, they are seemingly less management intensive, flexible and adaptable to product and services changing demands vis-a-vis the large scale enterprises.

The salient role of SMEs in the overall development of the Nigerian economy has been recognised by the successive governments of the country since independence. This is depicted in the government's various industrial development plans and programmes.

In the Second Development Plan of 1970-74, about ₦0.8 million was allocated for the establishment of Industrial Development Centre (IDC) in strategic locations of the country to provide extension services in form of technical advice to SMEs. About ₦20 million was allocated for the establishment of small scale credit schemes in the Third Development Plan of 1975-80. The amount was increased to about ₦295 million between 1981-85 to boost the small scale industrial credit scheme. Similarly, the state governments contribute their quota annually to the scheme. This is in addition to the industrial and finance houses they have established to boost SMEs in their domain.

1.3.3 Formal Financial Arrangement for Financing SMEs

Apart from the Development Banks established by the Federal Government to assist in the development of SMEs in the country in direct reaction to the inadequacies of the commercial banks, other major funding arrangements for the establishment and development of SMEs have been made. Such financial arrangements include:

(i) World Bank assisted Small and Medium Scale Enterprise unit Loan Scheme (WBSMEL);

(ii) African Development Bank assisted export stimulation Loan Scheme (ESLS);

(iii) Central Bank Rediscounting and Refinancing Facility (RR) :

(iv) Trade and Investment Loan from the World Bank (TIL);

(v) Bank equity participation in Nigeria enterprises; and

(vi) European Investment Bank line of credit (EIN).

Besides, in order to facilitate the spread of banking facilities and services to the nook and corners of the country for all and sundry, the Federal Government introduced the rural banking scheme in 1977. The scheme is planned to encourage banking habits in the rural and sub-urban areas; mobilise savings in the rural and sub-urban area sor rapid socio-economic growth in the areas; transform agro economy of the rural areas through the provision of investment finance; and create employment in the rural and sub-urban areas so as to curb rural-urban migration.

In order to ensure the survival of the rural banking scheme, commercial banks are required to establish branches in rural areas over a period of time. They are also to disburse certain perctnetage of their mobilised funds as loans and advances in their areas of operation. By 1990, about 762 rural branches were established across the country by about 28 commercial banks.

The deposits mobilised by the rural banks in Nigeria rose from about ₦131.2 million in 1983 to about ₦8.3 billion in June, 1991. (CBN; 1990). The loans disbursed also increased from about ₦44.4 million to about ₦5.1 billion during the same period. To some extent, this development points to the fact that rural banking scheme in Nigeria is seemingly a worthwhile venture.

The effort of the rural banking scheme has been further boosted with the establishment of People Bank of Nigeria (PBN) and Community Banks (CB) across the nation in October 1989 and December 1990 respectively. This is to promote rapid economic growth at the

grassroots level with the active participation of the local communities themselves. In the same vain, the Family Economic Advancement Programme (FEAP) has been established in 1997 as an off-shoot of the Family Support Programme (FSP). The purpose of the FEAP is to:

(i) provide loans directly to people at ward levels with the capital needed to set up and run cottage enterprises;

(ii) create opportunities for the training of ward-based business operations;

(iii) encourage the design and manufacture of appropriate plants, machinery and equipment;

(iv) create employment opportunities at ward levels;

(v) encourage producers at ward levels to form cooperative societies;

(vi) and promote production and development consciousness in the Nigerian society.

By and large, the foregoings presuppose that the basic objective of development banks and the rural bank branches of the commercial banks in Nigeria is to provide banking facilities and services to all and sundry, particularly the peasant farmers, rural men and women; SME entrepreneurs, roadside mechanics, coblers and other numerous types and categories of trademen and women as well as artisans in both rural and sub-urban areas. This is to enhance their socio-economic status. Consequently, this will enable them contribute their quota in the overall economic recovery and sustainable development of the nation.

It is believed that their level of political involvement in the society is a by-product of the level of their socio-economic base.

1.3.4 Traditional/Informal Financial Arrangement For Financing SME

The formalised systems of mobilising funds for investment purposes through the conventional banking system in Nigeria has been preceeded by other institutional methods such as; the Federal Savings Bank (formerly the Post Office Savings Bank); Development Savings Certificates; Stamp Savings Cards; Cooperative Thrift and Credit Societies etc. To some extent, these have assisted to mobilise rural saving where the inhabitants are still attached to their traditional customs of doing things;

The impact of these financial structures/arrangements on the less privileged, particularly in the rural and sub-urban societies, could perhaps be said to be attributed to formal financial institutions' inaccessibility to most of the rural dwellers such as the farmers, house wives, petty traders, tailors, craftsmen and women; weavers, artisans, etc. The need to take to all the formalised systems and procedures of securing loans and other services from the modern financial institutions could, perhaps, have discouraged the rural people from utilising the services and facilities of these financial institutions even where they are available within their reach. The level of their literary and socio-cultural exposure could also be other factors inhibiting their utilisation efforts.

Unfortunately however, the rural societies constitute the greater proportion of the country where there is abundant human and natural resources untapped. Substantial amount of capital is required for investment in the rural and sub-urban areas to enhance their living standards and the overall economic development of the nation.

Traditional/informal financial institutions such as the Thrift and credit Cooperative society; Cycle Savings Scheme/Club; money lending; revolving loan scheme; local credit associations; consumer cooperative society, etc. exist in Nigeria long before the advent of the formal/modern financial institutions (banking systems) in 1892.

Though unsophisticated, the informal financial arrangements are purposely established to cater for the socio-economic needs and growth of the people. The institutions are seen by the members as catalyst for their economic independence growth and prosperity. The money saved through such financial arrangements are usually invested on such projects as: agricultural and animal husbandry production; small business enterprises, particularly petty trading; offsetting debts and liabilities; prevention against unforseen financial problems, meeting financial commitments at festivals, cultural ceremonies and religious festivities; and prevention against exploitations of the money lenders who often charge high interest rates on loans, etc.

4.1 The Cycle Savings Scheme

The Cycle Savings Scheme (CSS) is a mutual contribution society/club organised by a collection of individuals usually for the purpose of contributing specified amounts at fixed periods whereby the money so collected at each of the periods will be given to a contributing member on rotation until the cycle is completed. The membership of the scheme/club tend to cut across all socio-economic strata of the society ranging from farmers; housewives; traders; tailors; businessmen and women; hawkers; artisans; students; white collar workers, etc.

Most of the CSSs tend to have fixed membership where no new entrant would be allowed into the scheme until the cycle is completed. The membership composition could however be 'open' to all and sundry in the society irrespective of the would-be members' socio-economic, cultural and religious backgrounds. However, the membership of some of the CSSs could be 'closed' to particular group of people in the community.

The informal financial institutions, particularly the CSS are found all over the Nigerian society, especially in the rural and sub-urban communities. The same situation applies in most of the African and other developing economies of the world. In Nigeria for instance, the CSS is referred to as

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'Esusu or Ajo' in Yoruba communities; 'Isusu or Otutu' in Ibo communities; 'Osusu' in Edo communities;'Adashi'in Hausa communities; 'Dashi' in Nupe communities; 'Efe' in Ibibio communities; 'Oku' in Kalabari Ijaws communities, etc.

The CSS in Nigeria are similar to the savings organisations in the rural communities of other countries, though with different names and structures. They are called 'Ketu' in Negri Sambilian Malayas; 'Cheet' in the Mauritian and Indian communities; 'Kounti' in the Maori Communities in New Zealand; and 'KE' in Korean societies. (Okorie: 1976).

Despite the availability of formal financial institutions particularly in urban and semi-urban areas, the indigenous methods of saving funds for socio-economic purposes still flourish. (Osaze (1993) remarks that, "the present practice of super-imposing modern urban based financial institutions and practices on traditional values and processes has proved rather unsuccessful in Africa because of the lack of understanding of traditional African values regarding savings and investment. Western-type of financial techniques and procedures are often transferred en bloc to rural areas by the rural branches of modern urban-based banks with little success. In many cases, the banks end up competing, albeit unsuccessfully, with traditional rural savings, thrift and credit institutions at high cost when in fact they should be complementing and serving as downstream collecting advisary centres for these grass roots institutions.

St at eme nt_of_the Problem

Since time immemorial, monetary saving is seen as relisiVie and viable way of maintaining some financial reserve to be used wisely at a much later date when one is in dear need of money/ capital to execute and undertake some vital projects. The savings scheoe gives the contributor some measure of self confidence and economic independence especially from the money lenders who keep people perpetually in debt or poverty due to hi^i interest rate charges. It also serve to control one's financial destiny and plans* The savings scheme is similarly conceived as an inccme augnenting channel from whose proceeds (shares) could be used to engage in various types of business endeavours such as petty trading, agriculture and animal husbandry, etc. or even a source for maintaining family and taking care of accidentals, etc*

In developing countries such as Nigeria, the traditional system of saving money has gradually been transformed through the mobilisation and modernisation of rural savings in fonas of Post Office Banks (later Federal savings Bank); Development Savings Certificate; stamp savings Cards; Corporate Thrift ana* Credit Societies; and modern banking system of different types. The banking system allows the customer to deposit money either in the Current or savings Accounts to be withdrawn at will. The customer can also secure loar© in form of credit line after satisfying the bank's conditionalities.

The three major type of banks operating in Nigeria are: Commercial Banks; Development Banks and Industrial Banks. The services provided by the banks include the provision of savings and current accounts to customers, and the provision of Credit schemes (loans) for diversed purposes such as business enterprising, housing schemes, etc. Unlike the current accounts, a customer enjoys some interests when maintaining savings account. The interest is however a function of the size of the account and the policy of the bank.

The two basic types of credit (loans) provided by banks are:

(i) Secured loans, where the bank obtains some protection over and above that afforded by debtor's signature on the note; and

(ii) Unsecured loans usually granted to reputable customers without necessarily pledging any security or collatoral.

The classes of loans provided by modern banking institutions include loans for: business; agriculture; purchasing and carrying securities; mortgage; customer real estate, loans; etc.

The credit facilities/lines provided by banks are aimed at assisting the beneficiaries with some capital with which to recoup or undertake some kind of ventures. The conditionalities attached to bank loans, particularly the secured loans, such as securities, collatorals, etc. have made the acquisition of the bank loans (credits) even more difficult among the rural dwellers as well as among the low-income earners. These crop of people are usually not bank customers and they constitute the majority of the population of the Nigerian society.

Thus, because the socio-economic base and cultural orientation of the rural people would not allow them to easily enjoy unsecured loans usually benefitted by reputable bank customers, the most realistic and viable option left for them is the traditional /informal financial arrangements/systems, such as the Cycle Savings Scheme, where specified money is deposited at regular intervals to be collected (as proceed/share) by the individual contributor also at fixed times on rotational basis until the completion of the cycle.

1.5 Research Questions

This study aims at answering the following research questions. viz:

(i) Why do people engage/participate in Cycle Savings Schemes?

(ii) How are Cycle Savings Schemes organised and managed?

(iii) What do members of Cycle Savings Scheme use their returns (shares) from the savings scheme for?

(iv) How realistic is the Cycle Saving Scheme as a viable and reliable source of funds for financing small and Medium Scale Business Enterprises?

1.6 Objectives of The Study

The objectives of this study are to:

(i) identify why people engage/participate in Cycle Saving Scheme even with the presence of modern banking facilities and services within reach;

(ii) determine how Cycle Saving Schemes are being organised and managed;

(iii) identify what the members of Cycle Savings Schemes use their returns (shares) from the saving schemes for;

(iv) identify how realistic is Cycle Saving Scheme as a reliable and viable source of financing small and medium scale business enterprises; and

(v) suggest realistic ways and means of enhancing the organisation and management of Cycle Saving Scheme so as to ensure its viability and reliability as a source of funds for financing small and medium scale business enterprises.

1.7 Basic Assumptions

This study is based on the assumption that;

(i) the socio-economic base and cultural orientation of the rural people and indeed that of the low-income earners who constitute the majority of the Nigerian population would not allow them to benefit fully from the secured and unsecured loans provided by banks to finance any type of business enterprise they would want to establish and manage; and

(ii) the returns (shares) from Cycle Saving Schemes are realistic, reliable and viable sources of funds for financing small and medium scale business enterprises.

1.8 Significance of the Study

It is truism that there is general decline in economic performance globally in recent years. The most affected nations are the developing economies such as Nigeria where the financial base of the economic sector including that of the citizenry is declining at a very considerable rate. The situation has been worsened by the negative effect of inflation and declining purchasing power of the local currency (Naira). The concomittant effect of these, despite the ameloriating steps taken by successive governments, is the continued poor performance of the economic and productive sectors of the economy especially at the micro level. People are increasingly being unable to save from their meagre income and are also unable to cope with the stringent credit (loan) conditionalities of the banks to meet their financial obligations and commitments.

This study will therefore serve as catalyst to solving problems associated with relying on informal/traditional systems of financial arrangements, such as the Cycle Saving Scheme, as a viable and reliable source of funds for financing SME or rather, any type of venture requiring some capital.

1.9 Scope and Limitation of the Study

The study covers the place of Cycle Saving Scheme as a viable and reliable source of funds for financing small and medium scale business enterprises in Nigeria. It is however limited to the responses recorded from the questionnaires administered on the respondants and from the interviews conducted as well as the

researcher's personal observations of the records of the saving schemes studied.

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Chapter 2

2.0 Introduction

This chapter deals with the review of selected and related literayure on financing Small and Medium Scale Enterprises (SME). The selected literature for the study were reviewed and presented under the following headings.

2.1 The Concept and Definition of Small and Medium Scale Enterprise

2.2 Business Entrepreneurship

2.3 Classification and Choice of Business Enterprise

2.4 Characteristics of SME

2.5 The Nigerian Economy

2.6 Government Policy and the Place of SMEs in National Economy

2.7 Financing SMEs in Nigeria

2.8 Conclusion.

2.1 The Concept and Definition of Small And Medium Scale Enterprise

There is rarely a world wide acceptable definition of the concept 'Small and Medium Scale Enterprise (SME).' The definitions are mostly a function of:

i) The size of the business establishment

ii) The type of industry or business enterprise under consideration

iii) The developmental stage of a country's economy;

iv) The capital base of the enterprise;

v) The size of the workforce of the enterprise;

vi) The level of investment in the enterprise;

vii) the exchange rate of the local currency of a country; etc.

The definition is seemingly reviewed periodically to reflect the exigencies of the prevailing wages, salaries, costs of equipments and exchange rate of a country's currency.

For instance, using the level of investment and employment to define SMEs, some countries define it on the following basis as in table 1.

Table 2.1 Definition of SME By Country

Country	Investment ceiling	Employment ceiling
Japan	100m Yen (US $85,000)	300 Employee
South Korea	500m. Won (US $733,000)	" "
Indonesia	150m. Rupiah (US $85,000)	No restriction
Philiplines	1m. Peso (US $45,000)	99 employees
India	3.5m. Rupees (US $250,000)	No restriction
U.S.A.	No restriction	99 employees
U.K.	No restriction	199 employees
South Malysia	250,000m. (US $100,000)	No restriction

Contrarily, the Chinease define small scale industry based on output level. For instance:

Industry	Output
Iron and Steel	Less than 10,000 tonnes p.a.
Amonia	Less than 44,000 tonnes p.a.
Textiles	Less than 25,000 spindles
Cement	Less than 200,000

The International Labour Organisation (1973:50) defines small scale business enterprise as small firms carrying on small-scale, non-manufacturing activities in construction, transport, maintenance and repairs, trade etc. Whereas the Committee for Economic Development (1947:14) considers a business to be small if it has at least 2 or more of these key features viz:

1. Management is independent. The manager being the sole owner.
2. Capital is supplied and ownership is held by an individual or a small group.
3. The area of operation is mainly local. The workers are owners and in one home, community and markets need not be local.
4. The business is small when compared to biggest units in its field. The size of the top bracket varies greatly so that what might seem large in one field would be definitely small in another.
5. Has small share of the market and community influence size of the market.
6. The Chief Executive generally participate actively in most levels of decision making process and day-to-day operation of the firms, usually with inadequate specialist support at managerial level.
7. The Chief Executive c be known by all employees of the firm.

Presumably, possession of these features by a typical small-scale business enterprise will vary with the prevailing circumstance of the environment of existence and other problems associated with the establishment, management and operative of the enterprise.

The definition and categorisation of business as being small, medium or large will also depend upon the perception of the

observer. Broom and Longenecker (1975:2) remark that the same business may be described as small when compared to larger institutions and as large when compared to small firms. Firms can therefore be considered as being large or small depending upon one's criteria and point of view. Thus, Broom and Longenecker's criteria for determining business size include: values of sales, type of ownership, number of employees and/or a comparative study of its competitors.

On the other hand, in defining the size of an industry as to whether it is small or large using sales volume and the number of employees, Baunback and Kelley (1973:5) observe that The Small Business Administration classifies a manufacturing enterprise as small if it has 250 employee or less. However, in some industries even a plant twice this size must be regarded as small when compared with the larger plants in that industry.

The World Bank defines small and medium scale enterprises as those with fixed assets (excluding land) plus lost of investment of project that are not more than ₦10m (in constext 1988 prices). However, the African Development Bank (ADB) defines it under its Export Stimulation loan Scheme (ESLE) programme as that whose total investment excluding the cost of land does not exceed US $6.35m or its equivalent.

The definition of SME in Nigeria has also undergone series of revisions over the years. In 1973, SME initial capital investment ceiling was pegged at ₦60,000 while the current ceiling as contained in the Blue Print of the Nigerian Industrial Policy is between ₦100,000.00 to about ₦2m. excluding land and building, but including

working capital. Contrarily, while the Central Bank of Nigeria (CBN - 1985:8) in its credit guidelines to Commercial and Merchant Banks defines SME as one whose capital investment does not exceed ₦0.5m (inclusive of working capital and land) or whose annual turnover does not exceed ₦25m, the National Economic Reconstruction Fund (NERFUND) defines SME under its scheme as that whose total cost of new investment is up to but does not exceed ₦10 million.

The small Scale Industries Division of the Federal Ministry of Industries (1985) define Small Scale Industries (SSI) as any manufacturing, processing or service industry with capital investment not exceeding ₦150,000 in machinery and equipment. This definition could however be affected by inflation which could make high investment levels or large firm to be comparatively small at a later period. These varying definitions of SME in the Nigerian context point to the fact that there is flexibility though, within specified ranges of the investment levels of the enterprises. This has implication on the study particularly as it relates to the actual concept and definition of SME within the framework of this research.

From the foregoing, in the broadest term and especially in the Nigerian perspectives, SME could be regarded as business enterprises such as the industrial firms with up to about 50 employees; family unit enterprise owned by 3 to 4 people; village/cottage industries; co-operative or association owned business enterprises/companies; owner-operator enterprise; mini-firms; and self-employed business enterprise in the non-structured sector of the economy. The concept of SME may also include small firms engaged in small scale non-manufacturing activities such as construction, transportation;

maintenance and repairs; petty trading; retailing and wholeselling; etc.

Within the context of this study, SME is considered to mean such business enterprises as cottage/village industries; mechanical workshops; retail, wholesale and petty trading; shoe-making; weaving; knitting; soapmaking; carwashing; proprietorshipl family-based businesses and others whose activities may involve one or more persons with sole owner-based capital.

2.2 Business Entrepreneurship

One is said to be an entrepreneur when he/she has the capacity and ability to identify and evaluate business opportunities; gather all necessary financial, material and human resources; and initiate appropriate plans and actions to successfully take advantage of the available opportunities.

Klatta (1973:1) describes an entrepreneur as a risk taker; a man (and women) who braves uncertainty; strickes out on his (or her) own and through nature wit, devotion to duty and singleness of purpose, somehow creates a business and industrial activity where none exist before. However, Schumpter (1936:66) sees an entrepreneur as an individual or a group of individuals who either undertake the responsibility of making innovations in the economy (such as introducing new goods and services, new methods of production or of distribution, opening a new market line; developing a new source of supply of raw materials, etc) or carries out a new organisation of any industry. Nwachukwu (1990:2) considers an entrepreneur as both the innovative and initiating person who inaugurates projects new for him and his organisation.

Within the perspectives of this study, an entrepreneur is considered as someone or an institution who runs a business venture; creates, establishes and nurtures a business to growth and profitability, It also include someone or an institution who runs a franchise; inherits or takes over an existing business due to some reasons and continues to manage it successfully especially with some innovation. The need to have a clear picture of who an entrepreneur is vital as the success or otherwise of an enterprise is a function of the capability and ability of the entrepreneur to organise and manage the outfit successfully.

Commenting on the performance of an entrepreneur, McClelland (1961:15) observes that entrepreneurs may likely do well if they are reasonable risk takers; self-confident; hardworker; good setter; accountable and innovative. Other supporting attributes of entrepreneurs according to Meredith (1983:3) include self-confidence; task result oriented; risk-taking ability, cooperative leadership; originality; foresightedness and perceptiveness.

2.2.1 Business Entrepreneurship In Nigeria

The foregoing characteristics of an entrepreneur highlighted by Klatta (1973:1), Meredith (1983:3), McClelland (1961:15) Schumpter (1963:66) may not easily be tenable from the Nigerian entrepreneurs due to the peculiar nature of the socio-economic, cultural and political dispositions of the country.

The Nigerian entrepreneurs seem to be characteristically disproportionate in the type of business they engage in.

While majority of them engage in retail trading of all sorts, only a few are in the manufacturing sectors of the economy which, more often than not, require some limited capital, technology and educational level of attainment. This might perhaps be due to the fact that since the colonial administration period, the country was not delibrately planned to be a strong industrial nation even with the promulgation of the Ten-year Development Plan (1946-1955). The Administration did not conceived the nation's industrialisation beyond rural arts and crafts. The official policy then was to preserve the Nigerian market for the British made goods and services.

The pattern of industrialisation that emerged after independence tend to have no direct link with, say, the agricultural sector. Value added and application of local inputs in manufacturing were low while the technology is still being imported. It is increasingly difficult to domesticate the technology of manufacturing due to lack of viable local engineering industry which could have provided room for adaptations, innovations and imitation in the design and fabrication of industrial equipment.

To some extent, the existence of such epilepstic capital-intensive enterprises such as oil refineries, liquified natural gas, petrochemical, fertilizer, iron and steel, paper mill, sugar, integrated aluminium smelter, machine tools, marble and cement industries, etc meant to produce basic input for down stream industries do not help matters. They are rarely healthy enough to produce at full capacity for a reasonable period. The establishment of Export Processing Zones (EPZ) at Calabar and Kano is also not viable solution as they are not too far from the technical drawing board to make any appreciable impact on the economy.

It has been observed that the obstacle inhibitting the development of entrepreneurship in Nigeria include:

i. Limited profit opportunities. The basic interest of making profit has to be reconciled with the low level of project opportunities, low level of income and limited market;

ii. high degree of business uncertainty; there is constant threats of government policy intervention, political instability, decrees; changes in fiscal policies particularly, monetary and credit policies;

iii. indefference of financial houses particularly to respond promptly to demands of SME entrepreneurs. Majority of them are characteristically unable to use Stock Exchange Markets, due to stringent conditions, to finance their enterprises.

iv. Cultural barriers. Some of the entrepreneurs tend to see the profit derived from business as being dirty. Others emphasize on family affinity/relationship thereby giving rise to nepotism and limited initiatives.

In addition to the aforementioned obstacles, the Nigerian entrepreneurs have to contain with some risks to survive in their venture. They include:

i) Financial risk. This could be in form of lack of regular payments of debts by debtor customers. It could lead to folding up the venture.

ii. Family risk. There could be family problems especially when the entrepreneur is married to the business leaving the family matters unattended to. Business failure could also create some prolems in the family.

iii. Career risk. This is partinent especially when an entrepreneur resigns his/her appointment to start a business venture. In cases where the business fails, there could be difficulty in returning to the post of duty thereby loosing seniority, fringe benefits, as well as getting new jobs easily.

iv. Emotional risk. Failure in business could lead to blaming self, others and consequently loss of self control and confidence.

v. Other problems /risks. These could be in form of lack of cooperation from other prospective entrepreneurs to pool resources and lobby together to start a viable business or bargain for position or ventures; difficulty of the government to effectively deal or assist SMEs perhaps due to their share size and complexity of problems; and government's political interest in promoting large scale economic projects (white elephant projects) to enhance its image and creditability within and outside its geographical boundaries.

Attitudinally, the Nigerian entrepreneurs are said to be unbusiness like. They have narrow concept of proprietorship functions. They think more of making quick money only rather than also to create large enterprises. They tend to prefer having many small business ventures rather than have large/big businesses. Therefore, with this narrow conception of business, the average Nigerian entrepreneur can afford to spend substantial part of the day with his/her family and even attend to other socio-cultural commitments.

The successes of Nigerian entrepreneurs in business is usually moved by their zeal to get quick returns, lack of long-term plans; goals and aspiration; as well as high risk avoidance tendency. This attitude makes them take quick money ventures such as transportation, contracting, distributorship, retailing, etc rather than also others will longer gestation period struggles before getting returns. This does not however negate the fact that there is positive correlation between the performance of an entrepreneur and other personal attributes. This is more apparent in the efforts and energy put by individuals to successfully own and manage business outfits of all sorts.

Some of the reasons why some people would prefer to own and maintain a business outfit of theirs in their own ways are said to include:

i) the desire to become wealthy in the community. The effort is therefore geared towards generating material and financial profits by all means;

ii) the love to be able to do things in one's own way without any hinderance;

iii) the desire to control others as one's employee while he/she remains the boss;

iv) the need to prepare for retirement especially in recent hard times when an employee can easily be fired from place of work for flimsy reasons;

v) the desire to belong to a community of a particular socio-economic and/or political class in the society;

vi) the love to emulate successful businessmen and women so as to be like them;

vii) the need to secure a viable alternative income augumenting source;

viii) the desire to develop and utilise one's potentials for the improvement of self, family, and the society in general; etc.

Although successive governments have tried to create some enabling climate to boost Nigerian entrepreneurship scene, especially through the establishment of Industrial and Development Banks, Industrial Training Funds; Industrial Development Centres across the nation; liberalisation of credit facilities to indigenous business men and women by the commercial banks; etc, the performance of an average Nigerian entrepreneur and choice of business venture is still a function of their socio-cultural, political and economic backgrounds. This state of affairs has implication on this study as it is meant to address the financing of SMEs using the traditional/informal financial institutions as source of funds.

2.3 Classification and Choice of Business Enterprise

By and large, business enterprises can be classified into three (3) major classes of ventures. These are: Small, Medium and Large Scale enterprises. An entrepreneur's choice of a particular business venture to engage in will largely be based on his/her personal analysis of such factors as:

i) the motive for wanting to engage in a particular business venture;

ii) the quantum of capital (financial, material and human resources) available to the entrepreneur;

iii) the entrepreneur's capacity and ability to take risks and cope with the challenges of the venture;

iv) the expected returns/profits to be acrued from the venture;

v) the entrepreneur's socio-cultural, religious and educational backgrounds;

vi) anticipated growth and other potentials of the enterprise;

vii) the entrepreneur's innate and acquired skills as well as characteristics and experiences;

viii) the sources of inspirations, advice and consultations available to the entrepreneur.

Therefore , because the choice of a particular business venture is such a crucial decision to be taken by an entrepreneur, perhaps by himself/herself, in the final analysis, it should be based on what one can really do practically and the love to do it well and conscenceously within the available financial and material resources. Nwachukwu (1990:49) remarks that in taking decision on the choice of business, the prospective entrepreneur has to remember that he is his own best employee. This remark is partinent to this study because of the fact that on entrepreneur's choice of business venture should take cognisance of the source of funds for financing it in all ramifications.

The Federal Ministry of Industries list the products with scope for SME operations as follows:

1. Agro-based products (65 items) such as: fruit juice, rice milling; toilet soap, craft bags, oil milling, starch making, cotton seed oil, Dried Malasses for animal feeds, processed food, picking sticks, etc.

2. Livestock-Based Products (21 items) such as Dairy and milk products, leather foot wear, upholstery leather, Bone Crushing/ meal, Brush-making, industrial leather, etc.
3. Forest-Based Products (25 items) such as saw milling, plywood, cane and Bamboo products, Gum, Packing cases, photo frames, wood furniture, Toal picks, etc.
4. Marine-Based Products (10 items) such as fish meal and fish manure, fish sausage, fish oil, salts, patassium chloride/ permanganate, freezing of prawns, etc.
5. Mineral Based Products (87 items) such as Tiles, Ceramics, Concrete blocks, Foundry, Balts and Nuts, Plastic container, canning, sanitary ware, Red bricks, chalk, bleaching powder, Hair pins, safety pins, spectacle frame, etc.
6. Other products (68 items) such as mosquito coils, umbrella, wire net, book binding, Dusters, etc.

The above classes of SME can br regrouppped into basically 3 categories viz:

i) Tiny artisenal or cottage units;
ii) Organised small employing units of one to about 50 employees; and
iii) organised medium scale enterprising establishments employing up to about 100 persons or more depending upon the capital investment (that is, land, building, machinery, working capital) and operations / products of the business venture.

The above profitable lines of SMEs and the listed products of SMEs produced by the Federal Ministry of Industry suggest that SMEs abound everywhere in the Nigerian economy. Also, they no doubt contribute in no small measure to the socio-economic development of the nation.

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Within the framework of this study, this has implication on the choice of SME a prospective entrepreneur would wish to choose, finance and manage. The choice of which SME to establish should however be a function of the capacity and ability of the prospective entrepreneur, particularly as it relates to capital; experience; interest; educational, cultural, religious background as well as managerial skills.

2.4 Characteristics of SME

The contribution of Small and Medium Scale enterprises in such countries as Taiwan, Italy and Hong Kong amounted to about 40% of the Gross National Product (GNP). This points to the fact that Developing economies such as Nigeria have to focus attention to the development of such enterprises as key to national development especially as we more into the 21st century. Nigerian's GNP per capital has declined steadily from US $1,160 in 1980 to US $260 in 1995 thereby becoming one of the 20 poorest countries of the world (World Bank 1996, UNDP, 1997). The small and medium scale enterprises provide opportunities for self-reliance. This fact has been recognised when in the 1997 budget, the Federal Government allocated about ₦4.3 billion for the establishment and promotion of cottage industries under the Family Economic Advancement Programme (FEAP) and about ₦1.07 billion have already been released for its take-off.

The variations in the characteristics of the small and medium scale enterprises as a function of the predispositions of different countries has bearing with different definitions given to SMEs would wide. Although it is asserted that about

70 definitions of small and medium scale enterprises exist in about 50 countries, it can simply be defined in quantitative terms based on the number of persons employed, fixed assets, turnover and other similar parameters. It could also be in qualitative terms based on routine decision making processes usually centred around one or at most, two to 5 individuals. It could also be based on where the entrepreneur performs all the managerial functions without a substantial degree of delegation of power and authority.

Characteristically, small scale enterprises (SSE) and to a large degree, medium scale enterprises are being managed and organised by their owners in a personalised way rather than through the medium of a formalised style of management structure. The SSEs in particular tend to be more of the informal non-structured systems of establishments outside the framework of the law and regulations governing big firms, and are more or less independent of outside interference. The success of the SMEs is usually dependent upon the financial and managerial expertise of the owners.

Nwochukwu (1990:47) list the essential characteristics of SSE as:

i. Independently owned and managed on the basis of sole proprietorship, or family owned corporations with only few people having a say in the management of the firm.

ii. The capital is supplied by an individual or a small number of persons including friends and relations, unless in the case of co-operatives.

iii. The area of operation is local with perhaps few branches and employees drawn from the area of operation.

iv. The enterprise is relatively small compared to the size of an industry;

v. Growth rate is achieved through ploughing in profits from the enterprise.

The foregoing characteristics of SSE presupposes that there is rarely any field of human endeavour in the Nigerian economy that SMEs can not be easily established in the country. This could range from manufacturing of small tools and appliances to service industries, building and civil engineering construction, finance, food processing, soap making, backery, book publishing, binding and printing, block making, shoe making, etc.

Some of the available profitable lines of SME open to an enterprising Nigerian entrepreneur, depending upon the level of his/her wherewithal, educational background and experiences include:

i) wholesale trading in, say, cusmetics, drugs, automobile parts, kitchen/house utencils and accessories, medical equipments, electrical equipments/appliances, industrial chemicals, etc.

ii) Retail/Petty and Service trading such as laundry and drycleaning, school and office equipment, jewelry, car wash, operation of grinding machines, poultry farming, animal husbandary, operation of Nursery, Primary and Secondary Schools, gari processing, insurance brokerage, tailoring, cake making, etc.

iii) Luxury goods and leisure services such as communication, real estate construction and management, finance, transportation, hotel and restaurant management, cosmetics and jewelry selling, automabile and bicycle sales and repairs, consultancy services, etc.

iv) Part-time business such as teaching, management consultancy, accounting, day-care services, boutiques, private lesson classes, etc for income augumentation and as standby venture on retirement periods.

2.5 The Nigerian Economy

Nigeria's fall into economic obscurity inspite of its enormous endowment with human and natural resources can be associated with gross mismanagement of the nation's oil wealth estimated at about US $ 200 billion in the last three decades. This has been compounded by a pattern of competition for geo-political power where public office is seen as an opportunity to appropriate state/public resources for personal gain and use. Although there has been general global depression, Nigeria's economic problems, when compared with that of other developing countries, seems more of domestic issues as the gap between the rich and the poor is widening with time. For example, with an output of about 2 million barrels of crude oil per day, an average annual income in Nigeria would amount to about ₦12,000.00 per head. Unfortunately, income per head is about ₦1,014 less than 10% of equitable distribution of income.

Indeed, the advent of oil has negated the agricultural sector which is the main employer of labour. There is high rate of rural - urban drift.

The taste for imported products became eminent as oil revenue rose to about US $40 billion per annum (p.a.) and per capita leapped to about US $1,250. Consequently, the manufacturing sector, which is the cornerstone of the nation's economic development had to take about 3 decades to marginally rise from 3.8% in 1970 to

about 8.5% in 1996.

Unfortunately, the sudden crash in the oil market in 1980s led to sharp decline in foreign earnings down to about US $8 billion; rise in inflationary and unemployment levels; a build up of huge internal and external debts; and staunted Gross Domestic Product (GDP). The situation is further aggravated by political instability and inconsistent and inhibitive government policies (especially in the last quota of 1980s up to the 1990s) such as the abandoned Structural Adjustment Programme (SAP), and characteristically high budgetary deficit until 1996 when there seems to be a semblance of budgetary control.

The SAP introduced in 1986 to restructure the economy, reduce over dependence on oil and stimulate non-oil driven growth led to unsustained economic growth between 1986 and 1992. Between 1993 and 1996, the GDP stood at about 2.3%, 1.9%, 1.35% and 2.35% respectively. However, by 1995, the government had to formulate seemingly consistent policies and create an enabling environment for economic growth whilst arresting macro-economic instability characterised by negative GDP growth, high rate of inflation and high exchange rate volatility. Although there are some positive indicators in the GDP growth, reduction in inflation and reasonable stability in exchange rates; the Nigeria economy is still crude oil dependent.

The maiden issue of Nigerian Human Development Report of 1996 released by the United Nations Development Programme (UNDP) shows that Nigeria's economic demise since 1960 has been caused by:

1. Policy discontinuation

2. lack of sharp focus
3. lack of proper targetting of the poor
4. Inadequate focus on people
5. Poor accountability and
6. Weak institutional mechanisms.

The UNDP also observes that in developing countries, higher anticipated inflation induces individuals to economise on real money holdings, leading to a fall in the purchase and production of consumption and investment goods. Also, higher unanticipated inflation translate into reduced purchasing power of money, it decreases real money balances leading to a rise in interest rates, reduced investment and low rate of real output growth.

The effect of high rates of inflation on Gross Domestic Product (GDP) growth has been recognised in the 1997 budget when inflation tax was reduced. However, the non-release of the capital rate for over six months into the year demonstrates on non focusing of the variables that have negative effect on national economic growth. The fall in flationary rate from 30% in December 1996 to 15% in August 1997 has positive impact on real interest rates. At 12-15% lending rates, banks may be in position to resume lending under appropriate complemenyary policies that would stimulate demand for local output.

The non-continuity of policies by successive governments and diversity of opinions have, for instance, affectual the Babangida's National Population Policy of four children to a family. Given the abundant natural resources of the country, some felt that the policy was unnecessary. On the other hand, Federal and State Governments still pay lip service to unemployment problems.

The existing structures for creating jobs for millions of Nigerian such as the National Directorate of Employment (NDE) proved incapable of creating sustainable jobs. Similarly, the much talked about Family Economic Advancement Programme (FEAP) allocated about ₦4.3 billion in the 1997 budget for revolving loan grant for family economic advancement activities so as to be self-employed, is yet to release any kobo to prospective beneficiaries by September 1997.

To some estent, the official statistics which indicates 3% unemployment rate in 1996 has under-estimated the high rate of under-employment averaging about 11.4% for urban and 20.14% for rural areas in the same year. This is obvious given the rate of retrenchments going on in both public and private sectors of the economy through 1997 and perhaps upto 1998. The banking sector/system which could have helped matters is grippling with distress syndrome where some have already packed up.

Until recently, the industrialisation strategy adopted in Nigeria has been that of import substitution. The plants of most industries in Nigeria were therefore designed to use imported inputs thereby neutralising the effort at exploring, developing and utilising domestic raw materials. The over dependence on imported input constrain indigenously based manufacturing sector from exploiting local resources. Although industry capacity has risen a little to an estimate of about 36% from 32% in 1996, their inventory level is still abysmally high due to weak consumer demand as a result of low purchasing power.

Unfortunately however, until recently, saving in the perceptions of many Nigerians, especially the middle class and the rural dwellers, implies keeping the money under pillows and beds. This type of money does not contribute to the growth and operations of national financial system which facilitates economic activities in the society. This is another instance where this study becomes relevant as it serves to stimulate the used proceeds from savings for the financing of SMEs. The traditional expenditures of most Nigerians are still directed more towards consumption for survival than to projects that produce goods and services which are not intended for immediate consumption. Even those who have embibed the new concept of saving system, their saving investment capacity and equation is limited to money employed in the farm, petty/retail trading, cottage industry, and other commercial activities which are owner managed.

2.6 Government Policy and The Place of SMEs In National Economy

Kilby (1969:310) observes that the promotion of this form of industry (SME) lessens the need for foreign enclose type of enterprises. In contrast to concentration to a few cities with its implications of urban unemployment and unrest, small and medium scale industry can be geographically decentralised, creating many Islands of development. He added that (1969:315) SSEs as a quasi-sponge for urban unemployment and a provider of inexpensive consumer goods with little or no impact content, this sector serves important pressure-releasing, welfare augumenting factors. Its make positive role in contributing to long run industrial growth is to produce an increasing number of firms that grow up out of the

small scale sector.

The foregoing presupposes that the eventual emergence of medium and perhaps large scale Nigerian industry may likely be a by-product of succeeding SSEs as a work of enduring industrialisation. By and large, small firms tend to provide a training ground or a stepping stone to larger scale enterprises. Because small scale enterprises production could create incentive for enhanced technologies for a given reasonable amount of capital, SSEs can easily cap latent savings and skills that could not otherwise be mobilised even at local levels.

The fact that there is yet to be a universally accepted definition of SME signifies that this sector of the economy is very important so much so that no nation can do without it. This informs why it is asserted that there are about 70 definitions of SMEs in about 50 countries of the world.

The importance of SME to national economic development has been recognised even in the advanced industrial nations and not only in the developing ones. The sector created about 40 million new job opportunities in USA during the 1974-1984 fiscal years. The sector contributed about 50% of total industrial production, 80% total industrial sector employment and 40% of total export in India between 1984 - 85. It contributes to about 40% of the total Gross National Product (GNP) in countries like Taiwan, Italy and Hong Kong.

The impact of SME on a nation's economic growth is enormous because they are less capital intensive. The SME tend to economise the use of scarce resources and also reduce unemployment problems in a country. As a bed rock through which the Japan's

prodigious industrial strength was been built, the SSE sector employs about 37.2 million workers or 81.4% of the total labour force in Japan and also accounts for 56.1% of the manufacturing value added.

A study conducted by the US department of commerce on the critical role of the SSE sector to the country's economy reveals that the bulk of the US inventions in the 20th century came from small and medium firms rather than from the large corporations. The implication of the result points to the fact that the economic future of the country also lay with the small dynamic production groups (i.e. SMEs) that can respond quickly to customer needs. This could perhaps mean a gradual shift in the country's economy from managerial to an entrepreneurial one. This is because, the small enterprises not only create new products and services but also ideas and jobs.

The foregoing observations perhaps explain why the south Korean Government reversed its policy of concentrating development on large industries by reserving about 110 products of the small and medium industrial sector. Similarly, the Indonesian Government is said to be promoting SMEs by reserving about 126 products exclusively for the small scale sector and also fostering sub-contracting relationship between large and small firms.

The importance of SMEs and in particular, industrial growth in the nations economy has been realised by successive Nigerian governments since 1950s. Effort was made to encourage private investment with the introduction of Aid to Pioneer Industries Ordinace. The ordinance gave certificates of recognition to specified industries and exempted

them from profit taxation for two years. Income Tax Ordinance which allowed companies accelerated amortization was also passed. In 1964, the Nigerian Industrial Development Bank Limited (NIDB) was established to assist entrepreneurs engaged in industrial production, commerce, agriculture and exploration of natural resources.

The Federal Government of Nigeria's effort to enhance the development of small and medium scale industries become more apparent after independence in 1960 as evidenced in its various industrial objectives in subsequent National Development Plans. In the third National Development Plan of 1975 - 80, the government's objectives for the development of small and medium scale industries are to create employment opportunities, mobilise local resources, mitigate rural-urban migration and ensure more even distribution of industrial entreprises in different parts of the country.

In pursuit of the above laudable objectives, which is even more partinent than ever before in the 1990s due to domestic and global decline in economic growth, with concommitant high unemployment and inflationary rates, about 36 enterprises were exclusively reserved for Nigerians in 1977 by the then Federal Military Government under the Nigerian Enterprises Promotion Act of 1977, schedule I. The reserved enterprises range from some type of retail trading to gambling and casinos centres. Similarly, all industries where fixed capital is under ₦200,000 and indigenous equity participation is less than 40% is banned to foreign businessmen. These policies are direct response to increasing unemployment among secondary school leavers and

University graduates in certain disciplines. Besides, foreign investors are seemingly reluctant to invest in enterprises that might not have high return on investment.

Some of the measures put in place by the government to realise the foregoing set objectives include the establishment of an Industrial Training Fund (ITF); the development of Industrial Development Centres (IDC) across the country, the liberalisation of credit facilities to indigenous business men and women by the commercial banks, and the establishment of Nigerian Bank for Commerce and Industry (NBCI) to assist local entrepreneurs and institutions buy small and medium sized businesses from aliens.

A study conducted by the Nigerian Institute of Social and Economic Research (NISER) in 1985 reveals that the small scale Enterprise sector provided about 45% employment of the total employment in the industrial sector in Nigeria. In terms of value added, the small and medium scale industries have contributed about 53.6% of manufacturing value added in 1987. In order to ensure rapid growth in the industrial sector particularly, that of the small and medium scale industries, the recent strategies taken by the government to enhance the development of SMEs and consequently reduce unemployment rate and rural urban migration include the establishment of Development banks, the National Directorate of Employment (NDE), Better Life for Rural Women Programme, Family Support Programme (FSP) and most recently, the Family Economic Advancement Programme (FEAP) in 1997.

2.7 Financing Small and Medium Scale Enterprises in Nigeria

Paish (1977:1) defined finance as "the provision of money at the time it is wanted". Lowe and Robert (1964) observed that the term 'Finance' can be interpreted in several ways. To an individual, it could mean income or monetary resources, where it would be considered as being adequate or unhealthy. To a nation, it could suggest a system of public revenue linked up with public expenditure or the actual funds available to meet public claims. In a commercial circle, finance could connote meeting obligations by temporary and renewed borrowing, from financiers or financial institutions.

There is no doubt in the fact that finance in the life-wire of any enterprise. This is because the possession and proper utilisation of other factors of production such as labour (men) and material resources largely depend upon the available funds. Hence, the need for proper management of funds to ensure balanced account so that all financial commitments are taken care of timely and adequately with profits/balance still maintained.

The place of small and medium scale enterprises in national economic growth makes their support financially and otherwise by both the individuals, institution and governments relevant. It has been observed that small and medium industrial sector of countries such as India, Brazil, South Korea, Hong Kong, Japan, Taiwa, Italy and some of the newly industrial nations has formed the foundation of their economic prosperity. This is however achieved with the formulation of sound economic policies. Developing countries like Nigeria require sound economic policy and the zeal to boost the small and medium scale industrial sector so as not to remain

economically tied to the colonialists for the supply of investments and other factors of industrial inputs. The establishment of investment companies, Development and Commercial Financial Institutions can accelerate the pace of economic and industrial development in such centres like Nigeria.

The New Encyclopeadia Britanica (1974) defines 'investment' as a "process of exchanging income during a particular period of time for an asset that is expected to produce earnings in a future period. This implies that consumption in the current period is foregone in order to obtain a greater return in the future. Teriba (1985) sees finance companies as organisations dealing with money capital. They serve as intermediaries between borrowers and lenders or undertake investment intermediaries' own account. They are usually established for specified purposes such as, filling the gap in the provision of credit by the ordinary banking system for, say, medium, long-term and specialised investment. Also, the Britanica (1974) sees investment companies as financial organisations that pool the funds of their shareholders and invest them in a diversified portfolio of securities so that each share of the company's stock represents a fractional interest in the portfolio. It offers the small individual investor the advantages of diversification and the consequent spread of risk, as well as professionalism in selection and management of securities.

Prior to the advent of oil revenue when Nigeria is largely depend upon agriculture for its finances, both the Federal and Regional Governments have established independent Development and Financial institutions to ensure the survival of small and medium scale enterprises. For instance, the Federal Government established the

Nigerian Industrial Development Bank (NIDB) in 1964. The then Northern Region Government established the Northern Nigeria Investment Limited (NNIL) in 1963 (now Northern Nigeria Development Corporation - NNDC) and the Bank of the North, The Eastern Region Government established the Central Investment Company Limited (CICL) now Eastern Nigeria Development Corporation (ENDEC) while the Western Region Government established the Oduduwa Investment Company Limited (OICL) (now Western Nigeria Development Corporation (WNDC) and the National Bank of Nigeria (now WEMA Bank). All the Industrial and Development Finance Companies are either wholly owned by the respective governments or they have control over the larger part of the shares. The regional institutions are currently owned and run jointly by the states making up the regions.

They are however still charged with the responsibility of operating in the states and also to share responsibility with the Federal Loans Board (FLB) for large loans within the states. The oil boom of the 1970s also saw the emergence of state development finance institutions in one form or the other.

Attempt has been made by the Federal Government to address the deficient operation of the first generation development finance institutions and also the need to focus on development, especially through the establishment of development bank to meet the development financial needs of SMEs. Thus, with the support and encouragement from International Bank for Reconstruction and Development (IBRD), the Federal Government, in addition to the Nigerian Industrial Development Bank (NIDB) established other similar institutions such as the Nigerian Agricultural and Co-operative Bank (NACB) and the Nigerian Bank for Commerce and Industry (NBCI) in 1973, the Federal Mortgage Bank

of Nigeria (FMBN) in 1977, and the Urban Development Bank of Nigeria (UDBN) Limited in 1992.

From the foregoing, it could be said that the Federal Government stands as the leader in financing and development of small and medium scale industries in Nigeria. In the second National Development Plan of 1970 - 74, the Government earmarked about ₦0.8 million for the take-off of Industrial Development Centres (IDCs) across the nation for the provision of extension services in form of technical advice to Small and Medium Scale Industries. The amount was raised to ₦33 million between 1975 - 80. During the period, about ₦20 million was allocated for small scale credit scheme. The amount earmarked for the small scale credit scheme during the third Development Plan (1981-85) rose to about ₦295 million.

This effort can be seen as a positive step by the government and indeed by the organised private sector of the economy. It also points to the fact that the nation needs to shift from the earlier practice of establishing gigantic and in several case, very costly white elephant industrial projects to the development and promotion of sound and sustainable small and medium scale industrial sector.

The country's balance of payment rose from ₦1,860.9m in 1979 to ₦2,402.6m in 1980. The Nigerian oil revenue was put at US $23 billion in 1980. However, in order to ensure increased activities of the small scale sectors of the economy, Commercial Banks were required to allocate a minimum of 16% of the 70% loan allocated to the indigenous borrowers to small and medium scale indigenous enterprises on the basis of their business turnover (CBN 1980:4). For instance, businesses with turnover of up to ₦25,000 will attract bank credit allocation of about 1.6%; over 25,000 - ₦50,000 (1.6%);

over ₦50,000 - ₦100,000 (3.2%); over ₦100,000 - ₦200,000 (4.0%) and over ₦200,000 - ₦500,000 (5.6%).

This strategy has positive consequencies or indigenous entrepreneurship especially in such sectors as construction, import/export, clearing and forwarding, as well as wholesale and retail distribution. Business name registration was said to have increased by over 450% per annum in some states. Thus many individuals who ordinarily would not have ventured into business became business men overnight due to the newly found source of funds.

The negative effect of the foregoing is the gradual neglect of the basic manufacturing and agricultural sectors for importation of finished and semi-finished goods. The concommittant effects are: (a) the imbalance of payment, (b) the introduction of SAP and Second Tier Foreign Exchange Market (SFEM) in 1986 as a by-product of fall in oil revenue in 1985 from ₦10 billion to about ₦7 billion; the stagnation or folding up of businesses and (d) sudden rise in inflation and food prices up to about 400%.

Some of the measures taken to arrest the situation by the Federal Government include (i) the establishment of National Directorate of Employment (NDE) at Federal and State levels for school leavers and graduates; (ii) introduction of Entrepreneurship Curriculum for institutions of higher learning to be monitored by the NDE under the auspices of Federal Ministry of Employment, Labour and Productivity, and (iii) the introduction of Entrepreneurship Development Programme (EDP) for the development of entrepreneurs who can successfully establish and manage small and medium scale enterprises in Nigeria.

2.7.1 Nigeria Development Banks

Boskey (1961:ix) defines Development Bank (DB) as public or private institutions, which have as one of their principal functions, the provision of medium and long term investments in industrial projects. Diachavbe (1984:221) sees them as specialised financial institutions established specifically to provide short, medium and long-term capital for some specific purpose such as industrial development. However, while Bhatt (1982) conceive DBs as unique financial institutions in developing countries specialising in the provision of high risk, long-term financing for the purpose of industrialisation, Igba (1986:11) view them as special financial institutions set up basically as promoters of development through investment either directly or in association with others in productive enterprises.

Diamond (1969:4) considers DBs as catalysts for investments in the private sectors, for provision of injection of capital for enterprise; and management rather than merely as administrative devices to handle government's own investments.

According to Uzoa (1981:201), the desire for rapid economic development has been heightened by the realisation of the fact that the level of industrialisation in the developed nations of the world has been enhanced by development banks. The banks are suppose to operate on different grounds from Commercial Banks. Beside provision of capital, he contended, they would also provide scarce technical and managerial expertise required to stimulate and sustain rapid economic growth.

The foregoings presuppose that, by and large, DBs are financial institutions mainly established for the mobilisation and channelasation of small, medium and long-term capital into productive sectors of the economy to serve as technical assistance and source of entrepreneurship. Regardless of the form of the DBs, their common objectives is the provision of small, medium and long-term finance for productive investments as well as technical assistance/advice for the formulation and management of investments. This leads to the creation of new assets or the expansion or modernisation of existing assets for creation of greater employment opportunities, goods and services and enhanced income.

The essence of DBs in any economy could thus be seen from the perspectives of response to growing demand for rapid economic development, especially where such development is in variance with the desired speed for fostering the growth of the private sector. It could sometimes be for the creation and finance of public enterprises or carrying out national development programmes/plans.

In another dimension, the establishment of DBs could be seen as alternative means for providing requisite capital considered as critical and complementary factor to other factors of economic development such as entrepreneurship, competent management, modern technology and techniques and skilled labour. It could also serve as channel for addressing the shortfalls from the existing financial institutions in meeting the financial needs of small and medium business enterprises, farmers, traders, etc.

The basic factors that could have necessitated the establishment of DBs in Nigeria and indeed in other developing nations can centred around:

i) Vacuum Filling Strategy: This is the vacuum created by the traditional financial systems in the country such as the Central Bank of Nigeria (CBN) and Commercial Banks in financing industrial sectors in the forms of provision of short, medium and long-term financial capital for investment. This is against the provision of working capital as it is being done by commercial banks; as well as against the control or regulation of financial systems as it is being done by the CBN.

Although the banking sector of the economy has been one of the fastest growing sectors of the Nigerian economy, it is still relatively inadequate, underdeveloped and urban centred. According to Cladele (1988:53), before the commencement of rural banking scheme in 1977, the person-to-bank branch ratio in Nigeria was about 1:170,000 people. This is against that of U.K. and USA which are 1:4000 and 1:600 people respectively. Although the Nigerian ratio has been reduced to about 1:41000 in 1989, banking services is still a mirage to most rural communities in Nigeria. Adekanye (1984:15) contended that there was an urgent need for financial institutions capable of providing medium and long-term capital to fill the gap in the financial structure which, at that time, the Merchant Banks were even less equipped to meet than they are now.

Commercial Banks are reluctant to establish branches in rural areas and thus prefer establishing them in urban areas where better promises of increased economic activities are assured. Like the Industrial Finance Corporation and Industrial Commercial

Finance Corporation of Britain, DBs are established in Nigeria to provide small medium and long-term finance for industrial investment in the country.

ii. Administrative Exigency

Development Banks (DBs) are established in Nigeria and in other developing economies to enhance and facilitate the operations of the International Bank for Reconstruction and Development (IBRD) and International Monetary Fund (IMF) at the grass-root levels. In effect, the DBs obtain government guaranteed loans from the IBRD and IMF to be allocated to local projects based on the favourable appraisal report of their technical, managerial, economic and financial viability.

iii. Economic Development Stimulant

Uzoaga (1981:201) remarks that, in view of the problems impeding the pace of economic development of the nation, the establishment of development financial institutions was most imperative to assist in providing a sound financial infrastructure to stimulate rapid economic development. The DBs are therefore expected to stimulate the rate of economic growth and development by way of removing the tight financial constraints associated with commercial bank financing of such endeavours. Hence, the DBs are usually owned wholly or partially by government to reduce bottle necks associated with the utilisation of their services. This is more pertinent due to the dearth of capital for investment; low income earning; low savings; inadequate investment capacity and capability of the average citizenery of the country.

The first Development Finance Institution to be established in Nigeria, according to the C.B.N. (1971:153) was the Nigeria Local Development Board (NLDB) established in 1947 for: (1) the provision of loans and grants to governments and government controlled bodies for the purpose of financing the establishment of infrastructure, public utilities, land settlement and land utilisation schemes, and (2) to aid and foster private Nigerian business activities by granting loans to cooperatives, partnerships and companies registered in Nigeria.

The NLDB later gave way to the Colony Development Board (CDB) established in 1949 and the 3 Regional Development Boards (RDB) established in the 1960s. These were the Eastern Nigeria Development Corporation (ENDC), the Northern Nigerian Development Corporation (NNDC) and the Western Nigerian Development Corporation (WNDC). The Federal Government has much earlier established the Federal Loans Board (FLB) to share the responsibility of large loans with the regional development finance institutions in the regions.

The main banks currently operating in Nigeria as Development Banks that are wholely or almost owned by the Federal Government (FG) are:

i) Nigerian Industrial Development Bank (NIDB)

ii) Nigerian Bank for Commerce and Industry (NBCI)

iii) Nigerian Agricultural and Cooperative Bank (NACB)

iv) Federal Mortgage Bank of Nigeria (FMBN) for real estate ventures,

v) Urban Development Bank of Nigeria (UDBN for urban infrastructure and real estate ventures.

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The establishment and continued existence of DBs in Nigeria, despite the odds, points to the fact that they seemingly serve as catalyst to the survival of the SMEs in the country. By extension, they facilitate industrial growth in the Nigerian economy irrespective of the prevailing level of the development.

2.7.2 Performance Appraisal of Nigerian Development Banks

An appraisal study conducted by Akpelan (1992:54) on the activities of the NACB towards the economic development of the Nigeria reveal that the agricultural sector contribution to the Nigerian economy is a function of the level of the NACB's efforts. The NACB provides long-term loans for agricultural development projects which other financial institutions are not readily interested in. The performance of the NACB is however affected by such problems as inadequate financial resources to meet the mounting demands for loans; over centralisation of the NACB activities; low rate of loan repayments and recovery; political influence especially on loans made available to state governments and government agencies/parastatals; inadequate interest margin; and shortage of technical and professional staff especially at the branch offices.

It has been observed that other finance institutions including the pioneer ones could not meet up to expectations due to low coverage of the farming population; inadequate funding; adoption of excessively rigid and time consuming procedures for processing loan applications; political interference; inefficient project appraisal, monitoring and supervision; and low loan recovery and disbursement. Expectedly, the role of the NACB is to enhance economic development through the provision of medium and long-term finance for agricultural

development. The sources of funds for the NACB are: paid-up share capital; loans from the Federal Government, Central Bank of Nigeria; the World Bank; and internally generated funds.

Mundi (1992:55) studied the role of Kaduna Industrial And Finance Company Limited (KIFC) in the industrialisation of the state. It was discovered that the goals of KIFC were industrialisation of the state and the inculcation of investment attitude in the minds of the people of the state. The KIFC tries to fill the gap which private investors could not fill in industrialising the state with particular reference to the Local Government Areas (LGAs) for even development in the state.

The KIFC embarks on joint ventures with private investors within and outside the state for the establishment of viable projects. Most of the projects prior to the state creation stopped operation because of lack of spare parts, raw materials, insufficient operating funds and lack of patronage from the public due to preference for imported goods. The major problems facing KIFC include lack of funds; government intervention in the affairs of the company; managerial problems on the part of indigenous management; unco-operative attitude of indigenous businessmen and women who may be unwilling to invest jointly with the government-owned company. The major source of funds for the KIFC is the state government. Other sources are the returns from investment and interests charged on loans to companies.

Gandu (1992:53) studied the contribution of Kaduna State National Directorate of Employment (NDE) 1987 - 1992. The NDE has Small Scale Industries And Graduate Vocation Programm under which there are such schemes as: Graduate Job Creation Scheme; Mature People's Scheme; and School Leavers Loan Scheme. An analysis of the small scale programme shows that the NDE has performed fairly well during the period of study (1987-92) when the volume of loans disbursed is put into consideration. However, when the number of beneficiaries (43) over the said period of 5 years is reviewed, it gives an average of 8.6 beneficiary per year. This is unsatisfactory. There is decline in fund disbursement due to lack of funds. Loan recovery/repayment is similarly poor even in other schemes/programmes such as the Agricultural Programme; Enterprises Promotion; Youth Employment and Vocational Skills Development Programme; the National Apprenticeship Scheme; School on Wheels Scheme; Waste To Wealth Scheme; and Special Public Works Programme.

Abubakar (1992:69) evaluated the role and contribution of National Economic Reconstruction Fund (NERFUND) in the development and growth of Small and Medium Scale Industries in Nigeria. The study shows that NERFUND contributed about 47.41% of the Small and Medium Scale Industries' (SMIs) funding requirements for about 120 approved projects.

In the disbursement of funds to preferred sectors of the Nigerian economy, NERFUND has prioritised it by allocating about 51.6% to Agro-Allied Industries; 20% to Chemical Industries; and 17.5% to industrial support services. The Analysis of NERFUND disbursement between small and medium scale industries however shows that Medium Scale Industries are more favoured than the small ones.

Hence, the need for revisitation of the disbursement formula and strategy to cope with the increasing demands in the sub-sector.

A study of Commercial Banking Services and Customer satisfaction in Nigeria by Daniel (1992:82) reveal that banks provide such services as: Accident Safe Guard Scheme; Housing Savings and Loans Scheme; Abuja Residential Housing loan Scheme; Statements Savings Scheme; Credit Scheme for Women in Rural Areas; Women Forum Scheme; Joint Liability Agricultural Credit Scheme; Time Deposit Open Account; Savings and Loans Scheme; Savings and Current Accounts Deposits; Fixed Deposit Accounts; Performance Bond; Overdraft; Letter of introduction, safe custody; Night Safes; Safe Deposits; Stops; Executors and Trustees, etc. These services are being provided by the banks depending upon their policies on assisting the customers cope with their respective socio-economic needs and endeavours.

The individual bank's policy and objectives however affect the type and level of services to be provided to their customers. It has been discovered that customer preference of one bank to another is a function of the type and level of services provided by the respective banks. It is also a function of other factors such as proximity of the bank location; recommendation by friends, relations, colleagues and place of work.

The banks studies were found to be providing inadequate facilities for customer's comfort while waiting to be served. Some customers may spend more than 30 minutes in the bank for normal banking transactions. The bank officials tend to be discourteous and adopt non-challant attitudes to the customers. They are more courteous to known customers from whom, perhaps, they get some gratification or are heavy depository of money in the bank.

Unnecessary delays in serving customers has been linked to bank cashiers through discussing unnecessary issues with friends, relations and colleagues instead of attending to customers. The bank officials tend to discriminate amongst the bank customers especially by favouring the wealthy ones who can afford giving them some material/ financial gifts, unlike the low income earners who they deny express services due to obvious reasons.

Other reasons why bank customers tend to be dissatisfied with bank services include; rampant cases of fraud; forgery; impersonation; slow services provision, perhaps due to manual systems of operation; lack of electricity supply in an automated environment; and over concentration of banking outfits in urban and sub-urban areas of the country. These state of affairs will not entice the average rural dwellers to patronise the banking services, but rather would prefer the services of the informal/ traditional financial institutions where such predicaments rarely exist.

The above findings however pre-suppose that the DBs in Nigeria are still not doing badly in the financing of SMEs. They yet still have to device other effective ways and means of recovering the loans disbursed to beneficiaries. Similarly, effort should be made to ensure that the loan beneficiaries actually utilise the funds as per the terms of agreement. In order not to further discourage the rural dwellers from patronising the banking services, what is urgently required therefore include continuous customer education/enlightenment and manifestation of positive staff attitudes to customers as well as delibrate attempts to improve bank-customer relationships. This is relevant to the framework of this study.

2.7.3 Rural Banking Services in Nigeria

In an attempt to be relevant in the scheme of meeting the financial needs of the rural communities in Nigeria, the Conventional Commercial and DBs metamophosized into what could be referred to as Rural, Community and Peoples' Banking Systems. Concerned about lack of spreading banking facilities and services to the rural areas of the country, the Federal Government, through the CBN introduced the rural banking scheme in 1977. The commercial banks were thus required to establish a number of branches in the rural areas over a period of time and to disburse certain percentage of funds mobilised as loans and advances in the areas where such funds were mobilised.

By 1990 when the third phase of rural bank branches were to have been established, the 28 commercial banks operating in the country have established about 765 rural branches as against the 766 branches expected of them to have established throughout the country within the stated period. At the last stage of the scheme, about 50% of funds mobilized were to be disbursed locally. According to the CBN (1992:125), the rural branch deposits mobilized in the rural sector increased from ₦131.2 million in 1983 to about ₦8.3 billion in June, 1991. The loans disbursed also rose from ₦44.4 million in 1983 to ₦5.1 billion in June, 1991. This is a positive improvement in the lending and savings habits in the rural areas.

This development has dismissed the commercial banks' views that the income levels of the rural communities are very low and the banking habit was far from being developed to sustain banking institution in these areas. Similarly, this could be seen as a positive step towards the realisation of the objectives of the rural

banking scheme which include: encouraging banking habits in rural areas; mobilisation of savings in the rural areas for development therein; transformation of the agro-economy of the rural areas through provision of investment finance; creation of employment in the rural areas; and arrest of rural - urban imigration.

In another dimension, concerned about the need to cater for the banking needs of the rural and the under-privileged urban communities, the Federal Government established the Peoples Bank of Nigeria (PBN) and encouraged the establishment of Community Banks (CBs) throughout the country in October 1989 and December 1990 respectively. Both the Peoples Banks and Community Banks are essentially established to promote rapid economic growth at the grassroot level with the active participation of the local community. They are to provide banking facilities to such people/entrepreneurs as road-side mechanics, coblers, small-scale entrepreneurs, peasant farmers, rural women, etc at the rural and urban areas to enable them participate fully in the economic recovery and sustainable growth of the country. Thus, while the PBN is seemingly a non-conventional bank exempted from all banking act regulations and its capital base wholly subscribed by the federal government, the CBs are owned by cooperative unions, farmers and trade groups; Community Development Associations, etc in the community they operate.

The PBN and CB systems are seen as catalyst to problems enountered by rural communities, underprivileged urban dwellers, small and medium scale entrepreneurs such as the road-side mechanics; petty traders; urban and rural market men and women etc in obtaining credit facilities from the orthodox/conventional banking systems operating mostly in urban and semi-urban areas of the country. Some of the obstacles hindering them from obtaining such loans include:

(i) lack of physical and liquidable collateral securities as guarantee against loans and advances and

(ii) inability to cope with the cumbersome formalities of loan instrument.

Patterned along the line of 'Grameen Bank of Bangaladesh' and 'BKK of Indonesia', by June 1992, the PBN has established about 204 branches nationwide with about 508 satellite centres, 31 mobile bank units and 550,000 beneficiaries. Its cumulative disbursement rose to about ₦242 million while ceiling of ₦5,000 as loan has been removed to be subjected to available funds without any collateral securities (NN: 1992). The 5% service charge has also been risen to 15% while the rate paid on savings deposits was 17%.

A study conducted by Sabo (1993:57) on the operations, problems and prospects of Community Banks and Peoples Bank of Nigeria in Kaduna and Zaria Local Government Areas (LGA) of Kaduna State revealed that the Community Banks in Zaria and Kaduna LGAs have over 7,000 customer accounts. They have mobilised about ₦10,320,000 as deposits and disbursed over ₦5,500,000 as loans and advances to their customer as at December 1990. Similarly, the three PBN in the LGAs have over 9,000 customer accounts. They also mobilised over ₦20 million as savings and disbursed about ₦10 million as loans and advances for small and medium sized projects. Loanable amount rose from ₦1,000.00 to ₦50,000. The major problems facing the banks studied are: loan recovery; dearth of loanable funds; ownership; location; personnel and correspondent relationship with the conventional banks. Over 40% of the loans granted in March 1990 by the banks studied were not recovered by September 1992. The banks also experience dearth of funds as over 17,000 applications for loans as at September 1992 could not be approved.

The above findings suggest that even though the PBNs and the CBs have significantly facilitated the spread of banking facilities, services and habbits amongst the under-privileged in the society, they are seemingly having similar problems with the orthodox/conventional banks. This is especially in terms of lack of qualified personnel; location; loans recovery; and rise in service charge. These could lead to the provision of unsatisfactory services and consequent reduction in attracting prospective customers in one hand and continued patronisation of the informal financial institution on the other hand. This outcome has some relevance to this study.

2.7.4 Family Economic Advancement Programme

Another dimension in the rural banking system is the Family Economic Advancement Programme (FEAP) established by the Federal Government of Nigeria for the purpose of uplifting the standard of living of the citizenry as well as enhancing the nation's industrial advancement. The FEAP is concieved as a development strategy medium for providing opportunities for the people to choose and conceptualize development projects suiting the peculiar circumstances of their localities, and a mechanism for confidence-building among local and potential entrepreneurs at the grassroot levels. The FEAP's blueprint describes it as an empowerment programme designed specifically for locally-based producers of goods and services and for potential entrepreneurs in the establishment of cottage industries. The FEAP has been given a legal backing with the enactment of a decree (decree 1 of 1997).

The FEAP, is aimed at tackling problems associated with entrepreneurship skills, capital; accessibility of capital; organised

skills; functional institutions; appropriateness of technology; awareness on investment opportunities and collateral . The FEAP's ₦4.3b revolving loan granted by the Federal Government in its 1997 budget is designed for all Nigerians especially the low income families, co-operative societies, military and para-military families directly engaged in productive activities and registered with FEAP.

The FEAP's major activities are to be focused on:

1) provision of loans directly to people at ward level with the capital needed to set up and run cottage enterprises
2) provision of opportunities for the training of ward-based business opportunities;
3) encouragement of the design and manufacture of appropriate plants, machinery and equipment;
4) creation of employment opportunities at ward levels;
5) encouragement of producers at ward levels to form cooperative societies, and
6) promotion of production and development consciousness (Aliyu 1997).

As a spring board for the advancement of SMEs in Nigeria, FEAP is expected to:

1) reduce wastage of farm products through improved processing, recycling; preservation; storage; packaging and marketing;
2) increase expectation of locally processed goods;
3) enhance utilization of locally available mineral resources for cottage industries,
4) act as spring board for technological advancement through the fabrication of appropriate machinery, and
5) provide opportunities for the development of technological self-reliance through training and exchange programmes.

In order to benefit from the FEAP's loans, the applicant must

1) have an operational account with the participating bank branch nearest to him/her or the group, and
2) commit or show evidence of the commitment of his/her funds/ resources to the project to the tune of at least 10% of the required capital. The Federal Government provides the take-off funds to the participating banks under the auspices of FEAP Board. The participating banks are some selected commercial banks, and Peoples Bank of Nigeria with their branches in the LGAs.

The FEAP Board has approved 5 participating banks for its credit scheme, based on the following criteria viz:

i) adequate capital base;
ii) competent management;
iii) sound asset quality;
iv) good liquidity position in the last six (6) months, using the current account balance of the mainsteam banks with central bank of Nigeria.

Using the above criterian, the FEAP Board approved the following banks in the first phase of the programme, viz:

Name of Bank	No. of Branches
i. Union Bank Plc (UBN)	248
ii. Bank of the North Ltd. (BON)	106
iii. First Bank Plc (FBN)	277
iv. United Bank for Africa (UBA)	203
v. Afri Bank Plc (Afribank)	140

The 5 approved banks are expected to:

i) Provide counterpart funding equal to the amounts deposited by FEAP in that bank;

ii. Manage the total fund in a call deposit amount;

iii. disburse as loan to beneficiaries both the FEAP fund and counter part fund at FEAP loan conditions;

iv. ensure effective monitoring and supervision of projects;

v. take 60% of the interest being charged on the loans for the administrative, monitoring and supervision costs;

vi. carry 25% proportion of risk in the event of credit losses which is subject to review after 6 months; and

vii. enjoy a concessionary tax incentive to be approved by the Honourable Minister of Finance.

The People's Bank of Nigeria (PBN) has also been selected as one of the participating banks to:

i) be used as condiut pipe for the release of and recovery of loans such that funds are only released to the banks as and when projects are approved;

ii) ensure effective monitoring and supervision of projects;

iii) take 60% of the interest being charged on the loans for administrative, monitoring and supervision costs; and

iv) carry 25% proportion of risk in the event of credit losses which is subject to review after 6 months.

It is believed that the branches of the selected banks could adequately cover every part of this country. Three of the banks have been assigned to cover every State of the Federation.

All the funds under the Revolving loan scheme are to be disbursed to the various states of the Federation based on the guidelines for fund allocation to states approved by the FEAP's Board viz:

1. Population - 40%
2. States poverty level 40%
3. Equal disbursement 20%

One of the laudable strategies adopted by the FEAP management is the creation of about 200 viable resource-based cottage industries/ projects in areas of farming, traditional processes, industrial processes and manufacturing. The execution/implementation of most of the projects may not necessarily require machines but rather, simple implements to work with. Therefore, in order to ensure that the projects have more socio-economic relevance to the rural and sub-urban population, they are categorised into:

i. Farming: This include the production of about 28 farm products ranging from the production of Benniseed, cassava, castor seed, cotton, ginger, Honey, to Wheat, Vegetable, Sunflower, Yam and Rice.

ii. Traditional Processes: It covers the production of about 45 different types of traditional meals, snacks and processed products. They range from the production of Adudu, Beads, Metal Craft, Blacksmithing/ Goldsmithing,to Agidi, Kilishi, Alkaki, Alawa, Dambu, Tsire, Tuwo, and Zobo drinks.

iii. Mineral Grinding: About 5 items were listed. They are: Bone meal, gypsm, Kaolin, Limestone and Oyster shell.

iv. Processing: About 91 assorted list of process-based products have been identified for production. These include Adhesives, Beancakes; Black soap; candle; Biscuits; cassava flour; chalk, crayfish powder; dried spices; fried fish; Gari; Maize flour; pepper soup; yam flour; roofing tiles; sand paper; shoe polish etc.

v. Craft/Manufacturing: About 21 traditional products have been listed for production. These include: Akushi; Azara; Furniture; pottery; local salt; Zana; Mat; Morter and Pestle; etc.

In order to ensure the smooth take-off of most of the cottage industries aimed at alleviating poverty and enhancement of the socio-economic and political status of the less privileged, about 75% of the ₦7.4 billion Federal Government proposed grant to FEAP in 1998 as well as the ₦3.7 billion grant from the five selected participating banks for counterpart funding are to be disbursed as loans to the beneficiaries. The 75% of the total grants (₦11.1 billion) is expected to establish about 15,000 big and small cottage industries in the country in 1998.

The ultimate plan of FEAP is to ensure even spread and impact of the cottage industries across the nation. Therefore at least one industrial project costing about ₦500,000 and fifteen other smaller projection each costing about ₦50,000 are to be established in every state (about 8,000) of the federation. The disbursement criteria and allocation of the loans for each of the states are in table 2 below:

Table 2: FEAP Disbursement Criteria and Funds Allocation to States

S/No.	States	Population	Poverty Index	Amount (₦ million
1.	Abia	2,338,487 (Abia/Ebonyi)	14.4	78.98
2.	Adamawa	2,102,053	13.7	127.77
3.	Akwa-Ibom	2,409,613	33.0	136.77
4.	Anambra	2,796,475	16.3	92.28
5.	Bayelsa	———	37.9	140.15
6.	Bauchi	4,351.007 (Bauchi/Gombe)	55.6	168.94
7.	Benue	2,753,007	36.8	152.13
8.	Borno	2,536,003	49.8	168.69
9.	Cross-River	1,911,297	33.0	125.30
10.	Delta	2,590,491	16.2	114.04

S/No.	States	Population	Poverty Index	Amount (₦ million
11.	Ebonyi	_____	16.3	78.98
12.	Edo	2,172,005	16.2	104.86
13.	Enugu	3,154,380	16.3	127.97
14.	Ekiti	_____	26.6	114.90
15.	FCT	371,674	49.5	117.72
16.	Gombe	_____	55.6	168.94
17.	Imo	2,485,630	14.4	117.99
18.	Jigawa	2,875,525	53.6	181.75
19.	Kaduna	3,935,618	24.7	160.00
20.	Kano	5,810,470	50.8	243.75
21.	Katsina	3,753,133	24.7	155.40
22.	Kebbi	2,068,490	52.6	161.77
23.	Kogi	2,147,756	31.4	129.58
24.	Kwara	1,548,412	31.4	115.81
25.	Lagos	5,725,116	32.0	210.87
26.	Nasarawa	_____	42.6	136.32
27.	Niger	2,421,581	44.4	155.32
28.	Ogun	2,333,726	26.3	125.88
29.	Ondo	3,785,338 (Ondo/Ekiti)	26.6	114.90
30.	Osun	2,158,143	26.6	121.77
31.	Oyo	3,452,720	22.9	145.59
32.	Plateau	3,312,412 (Plateau/Nasarawa)	42.6	136.32
33.	Rivers	4,303,557 (Rivers/Bayelsa)	37.9	140.15
34.	Sokoto	4,470,176 (Sokoto/Zamfara	52.6	166.36

S/No.	States	Population	Poverty Index	Amount (₦ million
35.	Taraba	1,512,163	31.7	114.01
36.	Yobe	1,399,687	45.5	134.16
37.	Zamfara	_____	52.6	166.36

Sources: 1) National Population Commission
2) Federal Office of Statistics and National Consumer Council
3) Family Economic Advancement Programme (FEAP) 1997 Annual Report.

It is expected that the 15,000 cottage industries to be established in the rural and sub-urban areas of the country will create about one million job opportunities for the less privileged in the society. It is projected that this will improve the growth of the GDP by about 2% annually between 1998 and the year 2010. Thus, the utilization of the locally available raw materials to produce products which are hitherto imported will drastically reduce government's import bills.

All projects being executed/implemented by the FEAP have been given additional security through comprehensive insurance by the NAIC for agro-allied projects and by the NICON for non-agro-allied projects. Similarly, Project Monitoring And Evaluation Division has been established for gathering and assessing technical data, nationwide to ensure that no FEAP projects suffer due to lack of effective, efficient and well co-ordinated monitoring and evaluation activities.

There is no doubt in the fact that government's programmes and institutions such as Operation Feed the Nation (OFN), Green Revolution (G Better Life, Family Support (FSP) and accompanying institutions such as

the NACB, NIDB, NERFUND, NDE, PBN, CB, FEAP, etc were instituted to alleviate the economic problems of the citizenry. The beneficiaries of these programmes have contributed to their failures through such action as: change of address of contact, diversion of money loaned for other things, etc to get away from repaying the loans. Loans need to be repaid to ensure continuity. These and other activities of the banks' managers led to the institution of tribunal for the recovery of bank loans.

Thus, in order not to fall into the same trap entered by the previous economic institutions, the FEAP participating banks are expected to assist the beneficiaries in the repayment of their loans by ensuring that all loans disbursed are properly utilized for the purpose for which they were meant. Because it will be fairly difficult to repay loans by the end of the 3-year stipulated period for loan recovery especially when the beneficiaries are unable to dispose of their products, readily available market are expected to be provided in the country for local products while relevant institutions such as the Nigerian Export Promotion Council (NEPC) would ensure fair prices and good market for export products. According to Reuben (1991), Donaldson identified 3 possible methods of monitoring loan portfolio. These are:

1) continuing quality control of the loan and the project involved
2) establishment of loan audit department to deal with matters of loan, and
3) constitution of inspection team for loans inspection and follow-up of payment or collateral. These observations are relevant in this study especially as it relates to the management of the informal financial institutions and systems.

2.7.5 Informal/Traditional Financial Institutions and Systems

Informal/traditional financial institutions and systems are those indigenous thriving savings and rural credit systems/schemes such as the Daily Savings Scheme; Thrift and Credit Association; Co-operative Credit Societies; Cycle Saving Schemes/Clubs etc organised and managed especially by rural communities and the unpriviledged urban and sub-urban dwellers of the society. It is usually established by a group of individuals who voluntarily come together to contribute specified amounts at fixed regular intervals and the total amount contributed at any given period is given to an individual member on rotational basis until the cycle is completed.

The membership of thriving and credit schemes/systems usually cut across age, sex, religion, tribe, occupation, and socio-economic and political status in the society. There are however those organised specifically around occupational groups; age, religious and cultural, groups or socio-economic class, etc. The informal financial institutions are conceived as catalyst to rural development efforts which the National, Development Plans (NDP) need to focus on. Regretably, the NDPs seemingly fail to involve local people in either the determination of development priorities or in the execution of projects designed to improve the life and properties of the rural dwellers and the under privileged.

The traditional savings, thrift and credit institutions and systems can be broadly categorised into two. These are:

1. The Daily Savings (Adashi) whereby an individual voluntarily takes upon himself/herself to go round petty traders, market men and women, housewives, farmers, roadside mechanics, etc daily to collect whatever amount a contributor may wish to deposit with him/her.

As no interest is paid for deposition, at the end of a specified period (usually end of the month) the total amount deposited is returned less a day's deposit to be retained by the collector. Usually, a record of the transaction is kept by contributors/depositors while the collector may use the funds so collected for say short-term interest-bearing loans to others. For security reasons, a collector registers with local authorities.

2. Cycle Savings Scheme

This is a system whereby a group of individuals not necessarily having the same economic level nor socio-cultural bonds jointly contribute part of their earnings to provide themselves with credit at a reasonable rate of interest. Alternatively, members contribute specified amount at regular periods, the sum of which is pooled and paid to each contributing member at predetermined order until the cycle is completed. Therefore, depending upon the objectives of the group; the money so collected could be utilised/disbursed in the following manners:

a. the entire money collected periodically is given to individual contributors in turn without interest until the cycle is completed.

b. Certain percentage of the money pooled is set aside to provide soft loans to both members and non-members while the rest is given to members in turn until the cycle is completed.

c. The money pooled is solely dedicated for the provision of soft loans to non-members (third party), whereas the interest acrued is shared to members at maturity stage while the base sum is reinvested for continuity.

Commenting on the advantages of the rotating savings and credit association over the private money lender, Geertz (1962:254) observes that in the latter case, the money rests while the interest runs, whereas in case of the association, the capital destroys with the payment of part payment of the loan particularly if it were by the members. Odozi (1982:16) adds that, unlike the hierarchical structure of formal financial institutions, the rotating credit association is structured horizontally with powers of members diametrically neutral. Osaze (1993 :12) also remarks that the advantage of the rotating savings and credit associations over modern financial institutions and rural banks, particularly in the rural areas, lies in their ability to give quick credit in the rural community who require their services, the freedom they give their debtors to deploy extended credit to whatever use they desire, the repayment flexibility and adaptability to the peculiar needs of borrowers and their low overhead and transactions costs.

On the importance of rural credit, schemes generally, Padmanablan (1988:ix) argues that over the past seven years, Rural Credit has emerged as a powerful policy instrument to deal with the problems of rural development in the Third World.... Any lever (such as the rural credit schemes) which can trigger a process of hope for them should not be allowed to antrophy. He is of the view that if rural financial institutions can show better way of managing rural people's financial resources, they should become more deeply rooted in the rural community.

Nevin (1989:22) remarked that however poor an economy may be and the poorer a country is, the greater is the need for agencies to collect and invest the savings of the broad mass of persons and institutions within its borders. Such agencies will not only permit small amounts of savings to be handled and invested conveniently, but will allow the

the owners of savings to retain liquidity individually and finance long-term investment collectively. The International symposium on 'Mobilisation of Personal Savings" in Yaounde (1985) also held that the mobilisation of domestic savings has an increasingly decisive role to play because of the magnitude of the international financial crisis.... Furthermore, the developing countries do have untapped savings potentials.

Some notable informal financial institutions available in the country before the advent of modern banking institutions in 1892 include, money lender, Revolving loan scheme, Local Credit Association, Thrift and Credit Cooperative Society, Ajo, Consumer Cooperative Societies conceptually,

a. Ajo - is a daily contribution of people especially within low income group based on their financial strength whereby the contributors receive back their savings at the end of the month but less the initial contribution to be taken away by the collector as commission.

b. Revolving loan scheme - is whereby the money contributed is given to a member at the end of a given or prescribed period on rotational basis till the last contributor. It is more popular among workers, traders, housewives, friends, etc.

c. Money lending scheme - is a traditional conterpart of modern credit institutions. It is popular among business men and women, transporters, traders and elites.

d. Thrift and Credit Cooperative Society (TCCS) - is usually opened to all responsible people in the area, but more particularly among friends, relations, people of the same profession/trade, etc with the objective of accumulation of funds through members' regular savings and deposits into a common fund for lending to the needy members at reasonable low interest rates for provident and productive purposes.

A study of Esus Clubs and their performance in mobilising rural savings and extending credit in Oharzara sub-division of East Central State, Nigeria by Francis and Leonard (1976:32) reveal that organisationally and operationally, the clubs exhibited a high degree of variability. Membership of the clubs averaged 52.6% Clubs built around age groups or church affiliation occasionally had more than 100 members, while these restricted to salaried workers are commonly small, having membership of ten or fewer.

The 25 clubs studied by Francis and Leonard cumulatively mobilised in 1974, about ₦17,925 or ₦13.63 per member. Six clubs composed of higher income salaried workers saved about ₦308 per member. The members indicated that the club provided a strong inducement to save. Monies realised from the savings were invested in farm projects including payment of hired labour, and taxes (21.4%) non-farm investments such as school fees, trade expansion and house construction (44.6%). Festivals and ceremonies (7.2%), food and clothing (18.2%). The members planned to continue their membership because it enable them conserve small amounts of money which might otherwise be wasted. The savings enable them to accumulate funds for large purchases or investments.

In another dimension, it could be argued that the informal financial institutions and systems have great role to play because of the inability of the formal financial institutions to effectively service the rural areas and other sectors of the economy. This is due largely to high cost of dealing with geographically dispersed small borrowers and savers in the scatered rural areas; the urban orientation of the formal institutions and systems, the cultural gaps between traditional lenders and borrowers versus the formalised systems; the cumbersone and inflexible requirements and procedures for securing loans/credit of

which an average rural entrepreneur may not easily satisfy etc. This is albeit the inelastic and limited capacity of the informal financial systems such as the cooperative credit societies to supply adequate loanable funds or expand and provide appropriate volume and range of financial services required. There is also the issue of the traditional money lenders' usual inability to effectively mobilize liquid funds required by the average entrepreneurs and enterprises; and the borrowers' conception of the entire formal financial institutions borrowing systems as being anti-developmental and exploitative.

A study on the integration of formal and informal financial institutions in Nigeria particularly the Thrift and Credit Cooperative Societies and Commercial Banks by Babatunde (1995:47) shows that there is no water-tight distinction between the activities of the informal and formal financial markets/institutions. The informal financial market performs legitimate economic functions and their operations are frequently more cost effective and useful for the poor. This finding is in variance with the popularly held view that informal capital market is exploitative, anti-developmental and incapable of expanding to provide an appropriate volume and range of financial services needed to meet the ever increasing population of Nigeria.

The inherent weaknesses of the formal financial institutions in providing financial services especially, the cumbersome processes of granting loans and advances or opening an account, has been taken care of by the informal financial institutions such as the TCCS. Thus, since the operations and services of the two systems are basically the same except with slight differences in the mode of operation, the integration of the two systems, according to Babatunde, is feasible. He

He argued that it will increase the rural dwellers' opportunity to enjoy modern banking services and increase capital accumulation and formation to ensure efficient distribution of available resources among the competing financial demands and needs.

It has been observed that many Nigerians who were once apprentice to or have worked for some skilled and enterprising craftmen and women as well as traders have eventually gone into business for themselves and become successful. There abound entrepreneurs who have started their lives as house boys and girls but who later saved enough from the allowances realised from their places of work to become successful hawkers or get apprenticed to an enterprising trade or profession. Through a combination of self determination, hardwork and perseverance, they amassed wealth for themselves and their family.

Similarly, it is evident that majority of Nigerians who were apprenticed to a trade such as bricklaying, cabinet making, mechanic, electrical repairs; knitting, sewing, etc or who work for, say, drug store owners, traders, animal husbandary, etc end up becoming entrepreneurs. The traditional practice in Nigeria to-date especially in some trades and profession is for the entrepreneur (i.e. the boss) to help his/her servants or the apprentice set up business of their own; help them locate viable business sites; and give them some initial capital or inventory to start with. The mastersusually take pride in relating how many entrepreneurs they have successfully groomed and help them start their personal businesses and are equally successful.

It is within the above context and other similar others that made this study very relevant especially in this present Nigeria where the gap between the rich and the poor is widening leading

to the extinction of the middle class and more importantly non-availability of other viable income augmenting sources to cope with the increasing hardship in the economy. The study is to justify the viability of informal financial institutions and systems as reliable sources of financing SME. They are usually not too capital intensive to start and manage.

2.7.6 Conclusion

Attempt has been made to review related literature to the study. From the analysis of the findings in the Literature revicwed, it could be said that majority of the rural and sub-urban dwellers do not effectively utilise the facilities and services of the formal financial institutions and systems, particularly loans and advances. This is principally due to the stringent conditionalities attached to such loans as well as the urban-oriented nature and location of the institutions and systems. Government's efforts towards encouraging the utilisation of formal financial institutions especially by the rural people is yet to have any significant impact on their socio-economic activities. The only viable option for sourcing funds to finance the socio economic and political activities of the rural dwellers as well as the underprivileged urban and sub-urban low income earners is the informal financial institutions and systems which tend to have relaxed conditionalities that they can easily satisfy.

Regardless of the structure of the informal financial institution, it is by and large a system whereby individuals with common interest, rather than necessarily having common socio-economic and political status, willingly pool financial resources together to assist the contributing members finance investments/activities of their desire. The system has the capacity to easily mobilise savings and extend credit to contributing members and other credible members of the society who might be unprivileged

to finance their socio-economic and political activities. The informal financial institutions and systems are mostly organised and managed by the rural and sub-urban dwellers as well as the low income earners who are usually financially handicapped to engage in other viable income augmenting venture such as the SMEs to cope with the increasing financial commitments and demands of the time.

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CHAPTER 3

3.1 Introduction

This chapter discusses the method adopted for conducting the research. The discussion is based on the following headings:

3.2 Research Method Adopted

3.3 The Population

3.4 The Sample and Sampling Procedure

3.5 The Instrument for Data Collection

3.6 Pilot Study

3.7 Data Collection Procedure

3.8 Data Analysis Procedure

3.2 Research Method Adopted

The research method adopted for the study is the survey method. The choice of the method was based on the nature of the research problems invested. The research covered a wide spectrum of the Nigerian society with the research subjects running into hundreds. Goldhar (1972:16) observes that this type of research method consists of those techniques which serve to gather temporary data either by direct measurement or by solicitation from others. The study investigated the efficacy of Cycle Savings Scheme (CSS) as a viable source of funds for financing Small and Medium Scale Enterprises (SME) in Nigeria. Hence the appropriateness of the choice of the method adopted for the study.

3.3 The Population For The Study

The population of the study are the proprietors/collectors of the Cycle Savings Scheme and the members of the saving scheme in Nigeria.

3.4 Sample and Sampling Procedure

The Cycle Savings Scheme (CSS) is widely practised by Nigerians irrespective of their socio-cultural, economic, religious and political status. It is however more particularly practised among the rural and sub-urban dwellers and the low and middle income strata of the society.

Ideally, in a research of this nature one would like to study the entire Nigerian population to give more weight to the findings of the study. However, because of human, economic and time constraint, the researcher is unable to study the entire population and thus settled for a sample. Consequently therefore, a simple random sampling technique was used to select twenty (20) CSSs represented by their proprietors/collectors and twenty (20) contributing members from each of the 20 CSSs selected from Kaduna and Zaria environments. This gives a sample size of 20 CSSs (represented by 20 proprietors/collectors) and 400 contributing members used for the study. The membership of the sample is not limited by the educational backgrounds, socio-economic, cultural, religious and political affiliation of the members. This sampling procedure is in consonant with that Krejcie and Morgan (1970:30) advocated for, to ensure accurate and fair representation of the population being studied. The areas selected for the study are cosmopolitan in nature where there are different people from all walks of life across the country and beyond.

3.5 The Instrument for Data Collection

The membership of the sample studied are scattered across the areas chosen for the study. That is, Kaduna (Kaduna North and South Local Government Areas) and Zaria (Sabon Gari and Zaria Local Government Areas). In order to ensure privacy and create confidence in the members of the sample studied, the major instrument used for the data collection was

questionnaire for both the collectors/proprietors and members of the CSS. The questionnaire was structured to reflect the objectives of the study and the research questions raised for answers.

However, in order to verify some of the observations made in the completed questionnaires returned, unstructured interviews was conducted on the respondents. The documents of the CSSs stud'ed were also examined for th same purpose.

3.6 Pilot Study

A pilot study of 2 CSSs and 5 members from each of the CSSs in Soba and Yakawada Local Government Areas of Kaduna State was conducted in January 1997 to validate the instruments used in the data collection exercise for the study.

The result of the study shows that about 2 weeks is required to distribute, complete and collect back the completed / questionnaires. Also, research assistants from different educational backgrounds; and socio-economic, cultural, religious and political affiliations are needed to assist in the distribution and collection of the completed questionnaires as well as in the interpretation and/or translation of questions for clearity to the respondents.

3.7 Data Collection Procedure

The researcher personally administered the questionnaires meant for the proprietors/collectors of the 20 CSSs studied. The same method was applied for interviewing them and studying the documents of the CSSs. The collectors were given one week within which to complete the questionnaires served them.

The questionnaires administered on the members of the CSSs studied were served by the researcher and the research assistants. However, the researcher personally interviewed some of the responding members to clear ambiguities identified in their responses. The contributors were also given one week to complete their questionnaire.

In situations where some of the respondents could not understand some of the questions asked in the questionnaire, both the researcher and the research assistants come to their rescue. The researcher and the research assistants also assisted to verbally translate the questionnaire into the languages of the respondants who could not read nor understand English language used as medium of communication in the questionnaire; The languages are: Hausa, Yoruba, Ibo, Fulani and Kaje. These shortcomings in particular, and the scattering nature of the respondants as well as the poor nature of the Nigerian postal services system compelled the researcher and the research assistants to personally administer the questionnaires. The research assistants are from different tribal and educational backgrounds, socio-economic, cultural, religious and political affiliations.

All the questionnaires served the 20 CSS proprietors were completed and returned. This represents 100% response. However, of the 400 questionnaires served the 400 CSS contributors, only 300 were completed and returned. This represents 75% response.

In research of this nature, it is usually obvious that 100% return of completed questionnaires is not expected. This observation is supported by Babbie (1973:165) when he states that "if a high response rate is achieved there is less chance of significance response bias than if a low

rate is achieved". He added that "response of rate of 50% is adequate for analysis and reporting, when it is 60% it is good and 70% or more is very good. Thus, since the response rate is over 70%, it could be concluded that it is very good for the analysis and report of the findings of the study.

3.8 Data Analysis Procedure

The statistical technique applied for the analysis of the data collected through questionnaires, interviews and personal observations is simple descriptive statistics particularly percentages and frequency tables. The choice of simple descriptive statistical technique for analysis of the data collected for the study is based on its appropriateness for cases involving the summation of varied responses to specific questions. The percentages derived from the summation of responses to the questions asked, as reflected in the frequency tables, was used simply for rating and interpretation of the responses of the respondants.

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CHAPTER 4

DATA ANALYSIS AND DISCUSSION OF THE FINDINGS

4.1 Introduction

This chapter deals with the analysis and discussion of the data collected for this study. The study was undertaken to identify why people engage in Cycle Savings Scheme (CSS) as against utilising the facilities and services of the modern banking systems to finance their ventures; how CSS are being organised and managed; and what the proceeds (shares) realised from CSS are being used for.

The analysis and discussion of the data collected answered the following research questions. viz.

1. Why do people engage/participate in CSS?
2. How are CSSs managed?
3. What do members of CSSs use their proceeds (shares) from the scheme for?
4. How viable is CSS as a source of funds for financing Small and Medium Scale Enterprises (SMEs)?

The study covered twenty (20) CSSs and twenty 20 members from each of the 20 CSSs selected using simple sampling procedures. The data for the study were collected principally from the questionnaires administered on both the collectors and contributors of the CSSs selected for the study. Other methods for collecting data employed were unstructured interviews and personal observation of the records of the CSSs selected for the study. The questionnaires were administered personally by both the researcher and the research assistants while the interviews and records observations were done by the researcher in person.

The questionnaires administered on the 20 CSS collectors were all completed and returned. This represents 100% response. The questionnaires administered on the 400 CSS contributors, only 300 were completed and returned. This represents 75% response. This percentage response is adequate enough to make meaningful judgements and interpretations of the outcome of the results obtained with over 70% degree confidence. Besides, some of the questions in the questionnaires made room for more than one possible answers to allow the respondants indicate their varied responses based on the true judgement of the prevailing circumstances and the realities of the time.

4.2 Occupation/Profession Of The Respondants

An analysis of the data collected from both the proprietors and members of the CSSs studied shows that they belong to several occupations and professions ranging from trading, teaching, farming, carpentry, housewife, driving, down to dying.

Table 4:1 Occupation/Profession of Respondents

Occupation	Proprietor		Member	
	Score	%	Score	%
Housewife	15	5.4	-	-
Civil servant	18	6.5	20	7
Trading	19	7.0	23	8
Teaching	-	-	10	3
Business Entrepreneur	10	3.6	-	-
Hair Dressing	-	-	17	6
Craftmanship	8	3.0	-	-
Hawking	12	4.4	14	5
Car washing	-	-	10	3
Studentship	17	6.2	-	-
Farming	4	1.5	36	12
Tailoring	17	6.2	15	5
Mechanic	16	5.8	16	5
Barbing	12	4.4	-	-
Load carrier	14	5.0	-	-
Carpentry	7	2.6	10	3
Driving	11	4.0	5	2
'Going (Kabukabu)	16	5.8	-	-
Poultry farming	-	-	16	5
Curbling	5	1.8	10	3
Knitting	9	3.2	9	3
Firewood selling	13	4.7	8	3
Meat selling (Butcher)	12	4.4	12	4
Grossery	9	3.2	10	3
Blacksmithing	7	2.6	18	6
Gardening	14	5.0	12	4
Drycleaning/Laundering	6	2.2	5	2
Dying	4	1.5	15	5
Total	275	100	300	100

In order to indicate the type of profession and occupation the respondents belong, they were given opportunity to indicate all possible professions/occupations they are engaged in. There is unanimity on most of the professions/occupations the respondents belong. From the above table, it could be said that majority of the respondents are traders, civil servants, farmers, mechanics, poultry farmers, tailors, blacksmiths, hair dressers, hawkers, and teachers. This suggests that there is no restriction as to who should organise and manage a CSS, or to the membership of the CSS.

Further discussion with the proprietors of the CSS showed that there is indeed no restriction to the religion, culture, tribe/ language and place of work of the members. The membership of the CSS is also not tied to academic/professional qualification. It is however discovered that majority of the members of the CSS (25%) have no formal education. About 15% of them are WASC/SSE/TC II certificate holders; 13% have Elementary/Adult Literacy Education/ Islamiyyah Education/Diploma, HND and NCE Education, while 10% have postgraduate qualifications.

4.3 Reasons Why People Participate In Cycle Savings Scheme

Attempt was made to identify the reasons why people engage in CSS either as a proprietor or member of the scheme. Several reasons have been advanced for engaging in such venture.

From the questionnaire, both the proprietors and members were given the privilege to indicate all possible reasons for their actions.

Majority of the CSS proprietors (15%) engage in the venture principally as a business outfit; to assist in the development of the society; to make contact with people and also to keep themselves busy. About 6% of the proprietors engage in the CSS venture to assist in the development of people; as a hubby and to enrich themselves. However, 3% of them do so as a fun or to assist the needy.

Majority of the proprietors (40%) indicate that money/capital is required to start the CSS venture. This may range between ₦250.00 to ₦5,000.00. What are also required to start the venture include: safe facilities (20%), assistants and guarantors (15%) and transport facilities (10%).

The members of the CSS indicated several reasons why they participate in the scheme. This ranges from sourcing funds to train themselves, to making it a hobby. This is clearly reflected in Table 4:2 below.

Table 4:2 Reasons For Engaging/Participating in CSS

Reasons	Score	%
To Train Myself	27	5
To Start Business	90	16
To Maintain Business	84	14
To Build House	22	4
To Get Married	14	2.5
To Pay Child's School Fees	26	5
To Buy Child's School Materials	25	4
To Farm	50	9
To Maintain Self	12	2
To Assist Others	20	3.5
To Provide Gifts During Ceremonies	12	2
To Furnish House	22	4
To Meet Religious Obligations	16	2.8
To Meet Goverment Directives	12	2
To Trave, On Pilgrimage	14	2.5
To Meet Community Directives	18	3
To Participate in Tribal/Ethnic Activities	17	3
To Pay House Rent	24	4
To Undertake Special Projects	25	6
See it as a hobby	18	3
I don't know	12	2
Total	570	100

The respondants were allowed to indicate all possible reasons why they engage/participate in CSS. Table 4:2 above shows that majority of the CSS members participate in the CSS due to economic reasons. About 16% of them participate in the CSS to enable them source for funds to start business or to maintain their existing

businesses (14%). In order of priority and ranking, farming (9%), undertaking special project (6%); and self training (5%) were other reasons advanced by the respondants.

About 4% of the CSS members consider it as a source of funds for building and furnishing their houses; 3.5% as a means for assisting others; 3% as a hobby, as a means of participating in their tribal/ethnic activities and for meeting their community directives. While 2.8% of the respondants consider CSS as source of funds for meeting their religious obligations, about 2.5% of them consider it as means for getting married and for travelling on pilgrimage. About 2% of the respondants consider CSS as source of funds for maintaining themselves and for meeting ceremonieal commitments. The same percentage of the respondants do not have any specific reason for participating in the CSSs.

On how the CSS is being publicised to attract new members and also retain the existing ones, majority of the CSS proprietors (30%) studied use their friends to do so. About 20% of the CSS proprietors make announcements at public gatherings and at places of work to attract new members. Some of them (15%) however use their neighbours and place notices at strategic places to advertise the CSS.

Majority of the CSS members studied (22%) confirmed that they get to know of the existence of the CSS they belong to through personal contacts, through friends (20%), through neighbours (16%), through relations and colleagues (10%) and through share coincidence (7%). Very few of the CSS members (2%) became aware of the CSS through media outfits and notices placed at strategic places to attract new members.

The foregoings suggest that the methods used by the CSS proprietors to advertise their products is effective and appropriate.

The average income of the CSS members studied ranged from ₦2,400 per annum to about ₦100,000.00 and above. This suggests and confirms that the membership of CSS is not restricted to economic status. What is however certain from the analysis of the CSS records, interviews conducted and the analysis of the completed questionnaire is the fact that, the level/extent of a member's contribution in the CSS is a function of the economic power of the member, particularly his/her average income per month, year or/any other given period of time. The amounts being contributed by the CSS members studied per given period/session per head range from ₦10.00 to ₦5,000.00 and above. The frequency of contribution also range from daily, weekly, forthnightly, monthly to annually.

Some of the CSS members indicated that they have been on the scheme for decades or couple of years. This suggests that the CSS is a reliable source of funds for financing their commitments. The returns on investments are appreciable. It could also be said that there is some appreciable level of acceptance and reliability on the doctrine of the CSS as viable source of funds for the people.

4.4 Management of Cycle Savings Scheme

Depending upon the nature and type of the CSS, the size of a typical CSS membership range from 2 (usually among friends) to 20 and sometimes up to about 100 members and above. The size of the CSS membership is largely a function of the objectives, capacity and ability of the proprietor, particularly as it relates to the human, financial and material resources required to start and maintain the venture.

The duration of a cycle/regime range from one month to a year while the frequency of contribution per session/period range from daily to monthly, quarterly and annually. Majority of the members of the CSS under study (50%) contribute their dues monthly. About (26.7%) of the members contribute their dues daily; 7.3% of them contribute on market days (4 days interval); 6% weekly; and 5% quarterly and annually. The CSS proprietors also confirm that majority of the CSS members (35%) contribute on monthly and weekly basis. About 20% of them contribute on daily basis while 10% forthnightly.

The CSS members mostly contribute money (cash/cheque) to be given to members in turn till the cycle is completed. However, in cases where materials are to be given to the contributors directly or the money collected is to be used to purchase the items to be given, majority of the members (37.5%) go for house wares; 30% for foodstuff; 20% for wears/clothes, and 12.5% for cash crops per/session until the cycle is completed.

It has been discovered that most of the CSS proprietors (60%) go round the members in person to collect their dues. While some of the CSS members studied (30%) would prefer/their dues to the proprietor/collectors themselves, some of the proprietors (10%) use their assistants to collect the members' dues.

Where money is involved, most of the CSS members (45%) do give cash when due. About 20% of the members prefer giving cash/cheque in advance while 15% of them give cheque when due.

The modalities for the disbursement of the shares/proceeds from the savings to the benefitting CSS member is usually a function of the objectives for which a proprietor establishes the CSS. While most of the

proprietors (40%) studied do not give all the shares to the benefitting CSS members when due or in advance, 30% of them assist in clearing/ cashing all cheques before handing over to the benefitting members. About 10% of the CSS proprietors studied give all cash/cheques to the benefitting members when due, while about 5% of the proprietors give cash/cheques to the benefitting members in advance. Where money collected is to be used to purchase certain agreed upon materials for the contributing members, such items are usually bought and given to the benefitting members together with the cash balance where available.

The benefits a typical CSS proprietor derives from the scheme is largely a function of the objectives establishing it; the policy adopted for running/managing the scheme; and the share size of the membership. Sometimes, the policies are mutually agreed upon in-between the members and the proprietors. The benefits derivable from the scheme by the proprietors could be in kind and/or in cash. It could also be in form of commission/gratification depending upon the policy and materials/items being contributed.

About 33.3% of the CSS proprietors studied indicated that they are satisfied with the pleasure they derive from assisting others. However, about 26.7% of them indicated that they get monetary commission or use the money so called for their self development before handing it over to the benefitting contributor when due. Others (13.3%) only get material gains.

It has been observed that the amount of monetary gains a CSS proprietor could get depend upon the size of the membership of the CSS, the frequency of contribution and the amount being contributed. It ranges from ₦20.00 to about ₦50,000.00 per draw in a given cycle/regime.

Usually, money collected instalmentally per draw in a cycle by the proprietor will almost amount to a complete share to be drawn by each of the contributing members at the end of a cycle. Thus, while some of the proprietors might be contented with collecting their share/commission at each draw, others would prefer collecting the first instalment or the last one in a cycle.

It has also been discovered that members of some CSS prefer mutual agreement on the percentage of the / share a proprietor should get. It could range from 2%, 5% to 10% of a share. The general observations from the members are that the proprietor has to be given some reward due to the efforts and risks involved in the exercise. Such money/materials are/to expected serve as morale beaster and source of building more confidence in-between the members and the proprietors.

From the analysis of data collected, it has been discovered that some of the members of the CSS do default in one way or the other. This creates problems in managing the scheme. Some of the problems range from non-regular payment of dues to refusal of the members to share any liability that might have arisen.

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Table 4:3 Problems Encountered by CSS Proprietors in Managing Cycle Saving Scheme

Problems	Score	%
No Problem At all	20	20
None Regular Lodgements	14	14
Contributors Abscond	6	6
Contributors Contribute in piecemeal when due	10	10
Contributors feel uncommitted after collecting their share	10	10
Contributors do not continue contribution on receipt of their share	12	12
Frequent requests for change of position	10	10
Loss of item/money collected	10	10
Contributors refuse sharing liability	8	8
Total	100	100

The respondants were allowed to indicate as many problems encountered as possible. Although majority of the proprietors (20%) indicated that they have no problem of managing their CSSs, about 14% of them have problems of non-regular payment of membership due/contribution. About 8% of the proprietors indicated that the members are unwilling to share any liability arising from the management of the outfit. Reasons advanced by the contributors for such negative attitude include:

(i) the collector gets commission from their shares;

(ii) the proprietor knows all the contributors and the best strategy to apply;

(iii) the proprietor fails and therefore should face the music alone;

(iv) the proprietor already has the mandate of the members to recover any defaulted contribution, and

((v) it is the proprietor's outfit and therefore should face any liability arising from it.

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Some of the measures adopted by CSS proprietors in handling defaulting contributors include:

(i) reporting the case to the elders/relations/employers of the erring contributors (18%);

(ii) reporting the case to the law court and/or persuation of the defaulter to oblidge (16%);

(iii) reporting the matter to the law-enforcement agents such as the police and/or employing physical attack to collect the items/money (10%); and

(iv) auctioning the defaulter's properties to pay for the items/ recover the money and/or encouraging the benefitting member to collect his/her share from the defaulter.

Despite the above problems associated with the management of the CSSs, (table 4:3), the proprietors under study still feel very comfortable to continue with the venture.

Some of the reasons advanced for their continued action include:

(i) It is a means for their livelihood;

(ii) The venture helps them meet their pressing needs;

(iii) the Commission derived from the venture augment their income;

(iv) CSS serves as a source for financing their business;

(v) CSS serves as source for maintaining their family; and

(vi) CSS helps in meeting their financial obligations and commitments.

The members of the CSS also encounter some problems during the course of contributing to the scheme. The problems range from reluctance of the contributors to continue paying their dues on receipt of their shares to difficulty in cashing cheques lodged by members.

Table 4:4 Problems Encountered by Members of C.S.S.

Problems	Score	%
Proprietor uses the money before giving to contributors	60	11.5
Contributors are reluctant to pay their dues after collecting their shares	136	26.2
Contributors fail to pay their dues as at when due	64	12.3
Contributors pay their due in piecemeal	40	7.7
Proprietors insist on collecting dues in advance	16	3.1
Proprietors insist on payment of dues in cheques	4	0.8
Proprietors insist on payment of dues in cash	24	4.6
Difficulty in cashing cheques paid in	8	1.5
Payment of commission on cheques cashed by proprietors	20	3.8
Non-readiness of proprietors to pay shortages/liabilities from defaulting contributors	28	5.4
Proprietors' insistence on sharing liabilities	8	1.5
Contributors abscond after collecting their shares	28	5.4
Payment of commission to proprietors	28	5.4
Non-payment of shares to benefitting contributor	12	2.3
Payment of shares to benefitting contributor in piece-meal	8	1.5
No problem at all	36	6.9
Total	520	100

The respondants were allowed to indicate as many problems encountered as possible. The above table reveals that the major problem (26.2%) encountered by the CSS members is contributor's reluctance to pay their dues on collection of their shares. This is followed by contributors' failure to pay their dues as at when due (12.3%). The least problem encountered by the CSS

members is proprietors' insistance on payment of dues in cheques. This is seen as a problem perhaps due to the cost of cheque leaves especially when several leaves have to be issued to all contributing members in the cycle scheme.

The CSS members do have several measures to be taken against defaulting contributors and proprietors. They range from doing nothing at all to handing them over to the police for prosecution.

Table 4:5 CSS Members' Actions Against Defaulting Proprietors And Contributors

Actions Against Defaulters	Contributors		Proprietors	
	Score	%	Score	%
Do nothing at all/I don't know	60	14.0	12	2.6
Hand over to Police for prosecution	30	7.0	90	19.2
Charge/report at law court	55	12.8	66	14.1
Auction defaulter's properties	30	7.0	42	9.0
Report to elders/community leaders	30	7.0	24	5.1
Report at defaulter's place of work	85	19.8	78	16.6
Physical attack to recover items/money	15	3.4	24	5.1
Persuade defaulter to oblige	110	25.6	114	24.4
Benefitting contributor to decide what to be done by him/her self	15	3.4	18	3.9
Total	430	100	468	100

The respondants were allowed to indicate as many actions they would otherwise take against defaulting contributors and proprietors as possible. Majority of the members (25.6% and 24.4%) would prefer persuading the defaulting contributors and proprietors respecitvely to honour their obligations. About 19.8% of the members would report defaulting members to their places of work while 19.2% would rather hand over defaulting proprietors to police for prosecution. The least action likely to be taken against

defaulting member is physical attack (3.4%) as against doing nothing to the defaulting collector (2.6%).

Inspite of the above problems, most of the members of the CSS still have confidence in the proprietors. Some of the reasons for their confidence include:

1. The proprietors'/contributors' faithfulness.
2. The proprietor's/contributors' trustworthiness
3. The proprietor's/contributors' reliability
4. The proprietor's/contributors' honesty
5. The proprietor's/contributors' responsiveness

They observed that the proprietors usually provide sound account of the transactions. Some of the CSS members felt that there was no need for the proprietors to provide them with collateral or guarantor. Their reasons include: (i) They come from the same place; (ii) They belong to the same profession; (iii) They are working the same place. Other members however demand for collateral/guarantors from the proprietors. This is due to unforseen circumstances. Thus on such premise, agreement papers are signed by all the members and counter-signed by the proprietor. The agreement signed is considered as legal tender to be respected by all the parties involved in the scheme.

Although most of the CSS proprietors do not provide the members with collateral or guarantors at the start of the transactions, they keep a record of all the members and their contributions for accounting purposes. The register is thus considered as safety valve in cases of eventualities.

Majority of the CSS members are however made to sign an undertaking not to default in any way before joining the membership of the scheme.

This is considered as legal tender to be complied with by all the parties in the scheme. Some of the terms of agreement signed include:

(i) regular payment of dues as at when due;

(ii) handing over defaulter to appropriate authorities;

(iii) payment of cash/certified cheque when due/in advance;

(iv) charging of interest in cases of default;

(v) each contributor to have record card indicating performance;

(vi) members'/proprietor presentation of guarantor/collateral;

(vii) commitment to abide by the rules and regulations of the game;

(viii) payment of membership registration fee;

(ix) payment of proprietor agreed percentage from the shares of members as commission;

(x) promise not to default in any way; and

(xi) being of sound character; etc.

The analysis of data collated show that none of the CSS studied was registered with the Corporate Affairs of the Federal Ministry of Trade and Industries nor with any other government agency. The proprietors argued that the venture is locally-based and it is solely based on mutual trust and respect between the members and the proprietors. Infact, some of them consider the CSS as mere local arrangement or gentleman's arrangement to generate/source for funds to meet their needs. Therefore, the CSS proprietors see the outfit as not being a true business outfit that would require formal registration with any government agency. Besides, there is no defined capital required to start or maintain the venture; and not even reasonable revenue derivable to attract government taxation.

4.5 Use Of The Proceeds From Cycle Savings Scheme

An analysis of what CSS members use their shares for was made. It has been discovered that the proceeds are being used for acitivities ranging from maintaiming business to satisfying government's directives.

Table 4:6 Uses of Returns (Shares) from Cycle Savings Scheme by Contributing Members

Uses	score	%
To trade	80	14
To start business	75	13
To maintain self	52	9
To maintain family	60	11
To get married	8	1
To assist friends and relations	16	3
To assist others in need	20	4
To farm	50	9
To pay child's school fees	46	8
To buy child's school materials	14	3
To train myself	8	1
To pay house rent	25	4
To build house	16	3
To travel on pilgrimage	8	1
To satisfy tribal/ethnic directives	8	1
To satisfy religious obligations	16	3
To satisfy country directives	4	1
To undertake special projects	65	11
Total	570	100

The respondants were allowed to indicate all possible uses they made of the proceeds from the scheme. It has been discovered that majority of the CSS members (14%) use the proceeds to trade, start business (13%), undertake special projects and/or maintain their families (11%).

The major focus of the uses made of the proceeds could thus be said to be economic. The least avenue (1%) for using the proceeds include; going on pilgrimage; satisfying tribal/ethnic directives; satisfying country directives; getting married; and training self.

Further discussion on the uses of returns (shares) from the scheme by the contributors with the collectors/proprietors showed that majority of the proprietors (20%) are of the view that the members use it to start business. About 15% of the proprietors opined that the contributors use their proceeds for maintaining their families. Others (10%) however felt that the contributors use their shares to finance their business; to trade; to settle debts and other financial obligations; pay their children school fees and/or children school fees and/or buy them school materials. Only about 5% of the proprietors thought that the members use their shares to farm or cater for their personal welfare. To a large extent, this finding support the fact that most of the members of the CSS use their shares for economic endeavours.

The sources of funding the CSS contributions by the members range from monthly salary to gifts from friends and relations.

Table 4:7 Sources Of Funding CSS Contributions By The Members

Sources of Funds	Scores	%
Salary	300	52.6
Sale of farm products	48	8.4
Returns from business	150	26.3
Gift from parents/guardian	18	3.1
Gift from brother/sister	6	1.1
Private engagement/initiative	42	7.4
Gift from friends	6	1.1
Total	570	100

The respondents were given opportunity to indicate all possible sources available to them for funding their contributions. It has been discovered that majority of the CSS members (52.6)) finance their contributions through their monthly salaries. About 26.3% of them do so from the returns from their businesses, while 8.4% of them from the sale of their farm products. The least source of funding the contributions (1.1%) is from the gifts from brothers/sisters and/or from friends. This suggests that majority of the CSS members are salary earners; business entrepreneurs; and farmers particularly gardeners who tend to produce farm/garden products all the year round. This observation has been confirmed by the proprietors of the CSS studied.

4.6 Viability Of Use of Cycle Savings Scheme In Financing Small and Medium Scale Business Enterprise

From the analysis of the data collected, it has been discovered that almost all the contributors of CSS (95%) consider that the scheme is a viable means of starting or financing business. However, the size of the share could be a function of the type of business enterprise to start/ finance.

Some of the reasons advanced by the CSS members for making the claim include:

(i) One would get additional money;

(ii) Bank loans are not easily obtained;

(iii) Bank loans have interest charges;

(iv) One can collect a reasonable amount of money at a time;

(v) It is a reliable source of financing or starting business especially if one is not indebted to anyone;

(vi) It is a way of saving money to start business no matter how small;

(vii) It is the best means of sourcing money especially for the low-income earners.

In the light of the above, majority of the CSS contributors consider the CSS as a reliable means of sourcing funds to start or maintain a business outfit.

About 95% of the CSS members agree that, based on their experiences, they would advice anyone looking for funds to start or maintain a business outfit to join the membership of any reliable cycle savings scheme.

Some of the reasons provided by the CSS members for making such observations include:

(i) The CSS is helpful to low income earners;

(ii) It is difficult to obtain soft loans from banks;

(iii) It is the only way to gather reasonable money as initial capital for business;

(iv) It helps the poor to maintain themselves and family;

(v) Nobody is ready to give out loans to people in these days of economic hardship;

(vi) It is an avenue for getting capital;

(vii) It is a way of preventing poor people to rely too much on the rich ones;

(viii) It is helpful provided that one is not indebted in any way to someone; and

(ix) It is helpful especially if the participants and proprietors/collectors are reliable.

Attempt was made to seek for the opinion of CSS proprietors on whether the CSS is a viable means of starting and/or financing a business enterprise.

About 90% of the respondents indicated on the affirmative. Like the CSS contributors, the collectors/proprietors also share the same positive opinion over the viability of CSS in financing business enterprises. Some of the reasons advanced by the CSS proprietors/collectors for their positive remarks include;

(i) It is a simple way of generating money to start or finance a venture;

(ii) It increases the finances of the business whenever the individual collects;

(iii) It is a quick way of getting capital to start a business;.

On the reliability of CSS as a source of funds for starting and/or maintaining a business outfit, the CSS proprietors (90%) confirmed the reliability. They see the CSS as a means of financing a business enterprise especially in rough weather/hard times without necessarily having to rely on anybody or bank. Thus, based on their experiences, the CSS collectors/proprietors would rather advice anyone particularly a low income earner wishing to start or maintain a business outfit to join the membership of CSS.

The respondents were requested to suggest other viable and realistic sources of funds for the less privileged/poor/unemployed to start/maintain a business outfit. Both the CSS proprietors and members suggested several options. These include engaging, in the first instance, in such endeavours as farming and manually paid labour such as selling water and firewood; house-keeping, load carrying, guarding; washing of wears; etc. where no initial capital is required for take off. This is to get some

returns to be used eventually for financing CSS contributions where reasonable returns could be got at a go to start any meaningful business enterprise. Other suggestions advanced by the respondants include:

(i) borrowing from relations; friends; community/cooperative societies; and

(ii) seeking for assistance from philanthropists, etc. to get some money to start some form of small scale business enterprises.

4.7 Conclusion

The analysis of the findings of the study pointed to the fact that the subjects of the study are by and large unanimous on the fact that, sourcing for loans from financial institutions, especially banks, is difficult to obtain due to the numerous processes and procedures involved. The only viable means through which an individual irrespective of his/her socio-economic background could start or maintain small and medium scale business enterprise is to engage in Cycle Savings Scheme where bulk amounts in form of share can be easily obtained for such purposes. They also affirm that CSS is a reliable and viable source of funds for financing SME. In the light of the above therefore, it could be concluded that CSS is indeed a reliable and viable source of funds for financing SME irrespective of the socio-economic and political status of the prospective entrepreneur.

Chapter Five
SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter deals with the summary of the findings of the study, conclusion and recommendations on effective management of CSS as well as areas for further studies.

The study was undertaken to find out the viability of CSS as a reliable source of funds for financing SMEs. The study was based on the premise that:

i) the socio-economic base and orientation of low-income earners and the rural dwellers who constitute the majority of the Nigerian population would not allow them to benefit fully from the secured and unsecured loans/credit provided by formal financial institutions, particularly the banks, to finance the SMEs they would otherwise want to establish and/or manage; and

ii) the returns (shares) from the CSSs can be used to finance SMEs.

Using a survey method and with the aid of questionnaires, interviews and personal observation of the CSS documents, the study found answers to the research questions viz:

i) Why do people engage/participate in CSS?

ii) How are CSSs being managed?

iii) What do members of CSSs use the returns (shares) from the CSSs for?

iv) How reliable and viable is CSS as a source of funds for financing SMEs?

5.2 Summary of Findings

From the analysis of the data collected for the study, it has been discovered that:

i) majority of the CSS members (16%) engage/participate in the savings scheme for economic reasons particularly to get some money in bulk to start and/or maintain their business enterprises.

ii) Majority of the CSS proprietors (15%) organise and run the CSSs as a business outfit and also to assist in the development of the society in general.

iii) Although the CSSs are not registered with any government agency, majority of the CSS proprietors have Rules, Regulations and Procedures as legal tender governing the CSS matters to be strictly observed and complied with by both the members and the proprietors.

iv) Majority of the CSS members (14%) use their returns (shares) from the CSS to trade.

However, some of them (13%) use their shares to start some business venture or undertake some special projects (11%).

v) Majority of the CSS proprietors (20%) confirm that most of the CSS members use their shares from the savings scheme to start and/or maintain some business venture.

vi) inspite of some problems associated with the management of CSS, majority of the CSS members (95%) belief in the viability and reliability of CSSs as source of funds to finance SMEs.

vii) Similarly, inspite of the problems in managing the CSSs, majority of the CSS proprietors (95%) share the same positive opinion with the CSS members on the viability and reliability of CSSs as source of funds for financing SMEs.

5.3 Conclusion

Based on the analysis of the above findings and within the constraints of the study, it can be concluded that majority of the Cycle Savings Scheme members engage/participate in the savings scheme for economic reasons especially to secure some money in bulk to finance their business enterprises. Despite the availability of secured and unsecured credit/loan facilities from the formal financial systems, particularly the banks, majority of the CSS members and proprietors still belief in the viability and reliability of CSSs as source of funds to finance SMEs.

5.4 Recommendations

In order to ensure effective and efficient management of CSSs so as to stand the test of time,

i) all Cycle Savings Schemes should be registered with government agencies, at least the state ministry / Local Government Affairs for or Local Government Social Welfare Office, for easy monitoring and documentation of their activities.

ii) The proprietors and members of CSSs should be encouraged to deposit their monies with banks at least for security purposes.

iii) The socio-economically less privileged who would ordinarily not be qualified to secure any form of credit/loan facilities from formal financial institutions such as the banking systems should be encouraged to participate in CSSs from where they can easily secure some money in bulk to finance the business ventures of their choice.

iv) Constitutionally accepted processes and procedures should be observed in dealing with delinquent/defaulting CSS proprietors and members.

v) Members and proprietors of CSSs should be encouraged to invest their returns in viable and reliable ventures so as to reduce or avoid incidences of relapsing back into poverty syndrome or become unable to fulfill the CSS obligations such as continuation of payment of membership dues after collecting their due shares.

5.4.2 Further studies should be conducted on:

i) the institutionalisation of CSS into formal financial institutions and systems;

ii) integration of CSSs with formal financial institutions and systems particularly the Peoples Bank of Nigeria; Community Banks; and the Family Economic Advancement Programme (FEAP).

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APPENDIX I

Faculty of Administration,
Department of Business Administration,
Ahmadu Bello University,
Zaria.

5th March, 1997.

Dear Sir/Madam,

REQUEST TO COMPLETE PROPRIETOR'S/COLLECTOR'S QUESTIONNAIRE

I am conducting a research on informal /traditional financial institutions and systems, particularly the Cycle Savings Scheme, as a reliable and viable source of funds for financing small and medium scale Business Enterprises.

I therefore appeal to you Sir/Madam, to kindly assist to respond to the questions raised in the questionnaire. I assure you that the answers provided will strictly be used for academic exercise only.

I sincerely thank you very much for your anticipated cooperation and understanding.

Yours sincerely,

(Signed)
Zakari Mohammed

INSTRUCTION ON HOW TO FILL THE QUESTIONNAIRE

(a) Please kindly tick ( ) as many optional answers as found relevant to the questions asked.

(b) Where space is provided for further answers, please kindly respond if found necessary.

1. Name of the outfit .....

2. Owner(s) of the outfit _____

3. Why do you engage in this venture?
   (a) Just for fun
   (b) as a hobby
   (c) As a business outfit
   (d) To assist the needy
   (e) To assist in the development of the people
   (f) To assist in the general development of the society
   (g) To enrich self
   (h) Specify other reasons _____

4. What is required to start the venture?
   (a) Money
   (b) Transport facilities
   (c) Bank credit facilities
   (d) Safe facilities for keeping the countribution at home
   (e) Bank account
   (f) Assistants
   (g) Guarantor
   (h) Specify others _____
   (i) Nothing _____

5. What is the money capital required to start/maintain the venture?

6. How do you get contributors to participate in the venture?
   (a) Through friends
   (b) Through neighbours
   (c) Through placement of notices
   (d) Through advertisements in media such as radio, TV and newspapers
   (e) Through announcements at public gatherings
   (f) Through announcements at place of work
   (g) Specify others _____

7. What is the number of contributors required for a cycle/period of contribution? _____

8. Duration of a cycle/period of contribution _____

9. Who are the contributors?
   (a) House wives
   (b) Civil servants
   (c) Petty traders
   (d) Business entrepreneurs
   (e) Craftment
   (f) Hawkers
   (g) Students
   (h) Teachers
   (i) Farmers
   (j) Carpenters
   (k) Drivers
   (l) Tailors
   (m) Mechanics
   (n) Caterers
   (o) Barbers
   (p) Lead carriers
   (q) Workers
   (r) Specify others _____
   (s) No restriction to place of work/occupation

10. What is the educational background of the contributors?
   (a) First Degree and above
   (b) Diploma, HND, NCE
   (c) WASC/SSCE/G.II
   (d) Adult Literacy Education
   (e) Islammiyyah formal/information education
   (f) Non formal education of any sort
   (g) No restriction to educational background

11. What is the tribe of the contributors?
   (a) Hausa (b) Fulani (c) Yoruba (d) Ibo
   (e) Specify others _____
   (f) No restriction to the tribe of the contributors

12. What is the religion of the contributors?
    (a) Christianity (b) Islam (c) Traditional religion
    (d) No restriction to the religion of the contributors
13. What do contributors contribute?
    (a) Money (b) Material goods
    (c) Specify others _____
14. If contributors contribute money, how much is it per head?
    _____
15. If contributors contribute material goods, what is the quantity per head? _____
16. What is the frequency of contribution?
    (a) Daily (b) Weekly
    (c) Once in 2 weeks (d) Monthly
    (e) Quarterly (f) Bi-annually
    (g) Annually (h) Specify others _____
17. What is the method for collecting the contribution/dues?
    (a) The proprietor goes round to the contributors personally
    (b) The assistant(s) to the proprietor go round to the contributors
    (c) (a and b) above do the collection together
    (d) The contributors themselves give the proprietors/assistants the contributions/dues
    (e) Specify others _____
18. How do contributors contribute?
    (a) They give cash when due
    (b) They give cash in advance
    (c) They give cheque when due
    (d) They give cheque(s) in advance
    (e) They give the material goods when due
    (f) They give the material goods in advance
    (g) Specify other means _____Y_____
19. What is the method of disbursing the shares/returns to the contributors?
    (a) Give all the cash to the contributor as at when due.
    (b) Give all the cash to the contributor in advance
    (c) Give all the cheques to the contributor as at when due
    (d) Give all the cheques to the contributor in advance
    (e) Clear all the cheques and give the contributor cash as at when due
    (f) Give all the material goods to the contributor as at when due

(g) Give all the material goods to the contributor in advance

(h) Do not give all the cash/cheques/material goods ~~to advance~~ to the contributor as at when due or in advance

(i) Specify others _____

20. If the money contributed is to be used for the purchase of identified material goods to be given to the contributors, how are they shared?

(a) Buy the material goods and give to a contributor when due

(b) Buy the material goods and share among the contributors when due

(c) Buy the material good and give all to the contributor while the collector/proprietor gets part of it/then as commission

(d) Buy the material goods and share among the contributors while the collector/proprietor also gets part of it/then.

(e) Material goods bought and given to the contributor/contributors while the collector/proprietor gets money as comission.

(f) Specify others _____

21. If you adopt the methods in 19 above (a-g) explain why

_____

22. If you adopt the method (h) in 19 above, explain why

_____

23. What do you benefit from engaging in this venture?

(a) Only pleasure of doing it

(b) Only the pleasure of assisting others

(c) Get some money (cheque/cash) in form of commission

(d) Get some material goods in form of benefit

(e) Possibility of using the money so collected for my personal activities/projects before giving it to the contributor when due

(f) Specify others _____

24. Please indicate the approximate amount realised from a contributor as commission on receiving his/her package/share _____

25. What do you think the contributors use the contribution for?

(a) I don't know

(b) Build house

(c) Finance their business outfits

(d) Start business outfits

(e) Pay school fees

(f) Buy school materials such as books, uniforms etc.

(g) Travel for pilgrimage

(h) Finance funeral activities

(i) Finance marriage

(g) Settle debts and obligations

(k) Maintain family

(l) Pay medical bills

(m) Cater for personal welfare

(n) Assist eh needy in the country/society

(o) Assist in community/peer group development

(p) Buy animal(s) and food items to share among contributors during festivals and ceremonies

(q) To farm

(r) To trade

(s) Specify any other _____

26. Do you consider this venture a realistic outfit? Yes/No

(a) If yes, why? _____

(b) If No, why? _____

27. Do you provide the contributors any collatoral or guarantee for them to have trust in the outfit? Yes/No

(a) If yes, why? _____

(b) If No, why? _____

28. What problems do you encounter in managing this outfit?

(a) No problem at all

(b) Non regular remittance/lodgement of the membership dues

(c) Contributors get absconded

(d) Contributors not giving full dues as at when due

(e) Nonchallant attitudes of the contributors

(f) No further contribution of dues after contributer receives his/her share

(g) Frequent request for change of positions in receiving the shares/returns

(h) Loss of the money/material contributed through loss, theft, fire and other natural disasters

(i) Proprietor having to take the responsibility of handling all liabilities

(j) Contributor(s) refusing to share any liability with the proprietor

(k) Specify others _____

29. How do you handle defaulting contributer?

(a) I do nothing

(b) Hand over the matter to the police

(c) Report the case to the law courts

(d) Report the case to any lawyer, to prepare litigation processes

(e) Proprietor/collecter handles the problem in his/her personal ways found necessary, such as physical combat etc.

(f) Report the case to elders/relations/employers of the contributor for redress

(g) Allow the defaulter go scot free

(h) Auction defaulting contributor's properties with the assistance of the law enforcement agents

(i) Persuade defaulting contributor to meet his/her obligations

(j) Left with the contributors to get back their money

(k) Specify others _____

30. Do contributors sign an undertaking before engaging in the savings scheme? Yes/No

(a) If yes, why? _____

(b) If no, why? _____

31. Please state the terms of the agreement/undertaking contributors have to abide by _____

32. Is your outfit registered with the relevant government agencies/bodies such as

(a) Local government's, why? _____

(b) State Government's, why? _____

(c) Federal Government's, why? _____

33. If 32 above is yes, why? _____

34. If 32 above is no, why? _____

35. Do you consider cycle saving scheme as a viable means of financing business ventures?

(a) I don't know

(b) If yes, why? _____

(c) If no, why? _____

36. Would you consider cycle savings scheme as a reliable source of funds for starting/maintaining a business outfit?

(a) I don't know

(b) Yes, why? _____

(c) No, why? _____

37. As an experienced cycle saving scheme proprietor/collector, will you advise anyone wishing to start/maintain a business outfit to join the membership of a cycle savings scheme?

(a) I don't know

(b) Yes, why? _____

(c) No, why? _____

38. How do contributors finance their contributions?
    (a) I don't know
    (b) From salary
    (c) Proceeds from business
    (d) From proceeds from farm product
    (e) Specify others _____

39. Suggest other viable and reliable options for poor people to source funds to finance/start their business ventures _____

APPENDIX II

Faculty of Administration,
Department of Business Administration,
Ahmadu Bello University,
Zaria.

5th March, 1997.

Dear Sir/Madam,

REQUEST TO COMPLETE CONTRIBUTORS QUESTIONNAIRE

I am conducting a research on informal/traditional financial institutions and systems, particularly the Cycle Savings Scheme, as a reliable and viable source of funds for financing Small and Medium Scale Business Enterprises.

I therefore appeal to you Sir/Madam, to kindly assist to respond to the questions raised in the questionnaire. I assure you that the answers provided will strictly be used for academic exercise only.

I sincerely thank you very much for your cooperation and understanding.

Yours sincerely,

(Signed)
Zakari Mohammed

INSTRUCTION ON HOW TO FILL THE QUESTIONNAIRE

(a) Please kindly tick ( ) as many optional answers as found relevant to the questions asked.

(b) Where space is provided for further answers, please kindly respond if found necessary.

1. Name of the outfit _____
2. Where do you work? _____
3. What is your occupation? _____
4. What other work(s) are you doing?

(a)	Trading	(h)	Dry cleaning/washing
(b)	Knitting	(i)	Capentary
(c)	Farming	(j)	Blacksmithing
(d)	Driving	(k)	Building
(e)	Gardening	(l)	Mechanic
(f)	Fishing	(m)	Teaching
(g)	Catering	(n)	Specify others _____

5. What is the average income per month/per annum you get from your formal place of work? _____
6. What is the average income per month/year you get in your other place(s) of work? _____
7. What is your academic qualification?

(a)	1st Degree	(e)	Adult Literacy Education
(b)	Diploma, HND &NCE	(f)	Islamiyyah Education
(c)	WASC/SSCE/G.II	(g)	Non-formal Education
(d)	Primary education	(h)	Specify others _____

8. When did you become a member of the Cycle Savings Scheme? _____
9. How did you know about the existence of the cycle savings scheme outfit?
   (a) Through relations
   (b) Through friends
   (c) Through neighbours
   (d) Through public announcements at gatherings
   (e) Through advertisements in media outfits such as radio and TV
   (f) Through notices placed at strategic places
   (g) Through posters placed at strategic places
   (h) Through handbills distributed
   (i) Through personal contact by the proprietor/Collector
   (j) Just share coincidence
   (k) Specify others _____
10. Why do you engage/participate in the Cycle Savings Scheme?
   (a) I don't know
   (b) To be able to train myself
   (c) To be able to start business
   (d) To be able to maintain my business
   (e) To be able to build my house
   (f) To be able to marry
   (g) To be able to pay school fees and school levies
   (h) To be able to buy school materials such as uniforms, books, etc.
   (i) To be able to farm
   (j) To be able to do burial ceremony

(k) To be able to furnish my house
(l) To be able to feed myself
(m) To be able to assist others in need
(n) To be able to participate in the distribut on of goods/materials during festivals and ceremonies
(o) To be able to participate in the religious directive
(p) To be able to meet government directives
(q) To be able to participate in the community directives
(r) To be able to travel on pilgrimage
(s) To be able to participate in the tribal/ethnic activities
(t) To be able to pay house rent
(u) I see it as a hobby
(v) Specify others _____

11. How much do do you contribute per head? _____

12. What is the frequency of the contribution?

(a) daily (b) weekly (c) fortnightly
(d) monthly (e) quarterly (f) Bi-annually
(g) Annually (h) Specify others _____

13. If it were materials/goods you contribute, what are they?

(a) Food stuff (d) House wares
(b) Clothes (e) Specify others _____
(c) Cash crops _____

14. What is the frequency of the contribution of the materials/goods?

(a) Daily (e) Quarterly
(b) Weekly (f) Bi-annually
(c) Fortnightly (g) Annually
(d) Monthly (h) Specify others _____

15. What is the quantity of materials/goods a contributor gets when due?

_____

16. Do you give all the materials/goods to the collector/proprietor? Yes/No

(a) If yes, why? _____

(b) If no, why? _____

17. What quantity do you give to the collector/proprietor and why? _____

_____

18. If you contribute money, how much do you receive as share when due?

_____

19. Do you give all the money to the collector/proprietor? Yes/No

(a) If yes, why? _____

(b) If no, why? _____

20. How much do you give to the proprietor/collector and why? _____

_____

21. What do you use the money from the contribution for?

(a) I don't know
(b) To trade
(c) To start business
(d) To maintain myself
(e) To maintain my family
(f) To get married
(g) To feed

(h) To assist others in need
(i) To farm
(j) To pay school fees and levies
(k) To buy school materials such as books, uniforms, etc.
(l) To train myself
(m) To pay house rent
(n) To build house
(o) To travel on pilgrimage
(p) To satisfy tribal/ethnic directives
(q) To satisfy religious directives
(r) To satisfy country demands
(s) Specify others _____

22. Do you trust the collector/proprietor?

(a) I don't know

(b) If yes, why? _____

(c) If no, why? _____

23. Does the collector/proprietor provide any collateral/guarantee to convince you to participate in the cycle savings scheme? Yes/No

(a) If yes, why? _____

(b) If no, why? _____

24. Do you sign an agreement/undertaking before becoming a member of the Cycle Savings Scheme? Yes/No

(a) If yes, why? _____

(b) If no, why? _____

25. Is the outfit registered with any government agency?

(a) Yes ( ) (b) No ( ) (c) I don't know

26. What are the terms of agreement/levy for becomig a contributing member?

_____

27. Do you consider Cycle Savings Scheme as a viable means of starting/financing business? Yes/No

(a) I don't know

(b) If yes, why? _____

(c) If no, why? _____

28. Would you consider cycle savings scheme as a reliable source of funds for starting/maintaining a business outfit? Yes/No

(a) I don't know

(b) If yes, why? _____

(c) If no, why? _____

29. What do you consider to be the major problems of cycle savings scheme?

(a) No problem at all
(b) The collector/proprietor does the contribution for personal gains before he/she gives to the due contributor
(c) Some of the contributers are reluctant to pay their contribution/dues whenever they have already collected their shares
(d) Some of the contributers fail to pay their dues as at and when due

(e) Some of the contributors do not always pay their dues in full as at when due but rather, in piece-meal
(f) The collector/proprietor insist that contributors pay their dues in advance
(g) The collector/proprietor insists that cheques dues are paid ~~a~~ in cheque only
(h) The collector/proprietor insists that dues are paid only in cash
(i) The collector/proprietor insists that cheques paid are cashed by the due contributor himself/herself
(j) The collector/proprietor insists that some commission is paid to him/her for cashing cheques lodged by contributors
(k) The collector/proprietor is not ready to take care of liabilities arising from defaults in the contribution
(l) The collector/proprietor insists that liabilities arising from defaults in the contribution are shared between the collector/ proprietor and the contributor(s).
(m) Some of the contributors escape on collecting their shares
(n) I feel cheated by the amount to be given to the collector/ proprietor as commission
(o) The collector/proprietor abscends away
(p) No paymantn of the package/dnossdnosts shares due to contributor promptly
(q) The contributors are paid their shares in piece-meal
(r) Specify others _____

30. How are delinquent/defaulting contributors dealt with?

(a) I don't know
(b) Handed over to the police
(c) Charged to court of law
(d) Allowed to go scot free
(e) Auction their properties
(f) Report to the elders/ward/community heads for redress
(g) report to their places of work for redress
(h) Physically attack to get what is due
(i) Persuaded to meet their obligations
(j) Left with the contributors to get back their money
(k) Specify others _____

31. What do you do to the collector/proprietor when he/she defaults?

(a) Nothing at all
(b) Handed over to the police
(c) Charged to the court of law
(d) Allowed to go scot free
(e) Persuaded to meet his/her obligation
(f) Report to his/her place of work for redress
(g) Report to elders/ ommunity/ward leaders for redress
(h) The contributors handle him/her in their ways
(i) Physically attack him/her to get back the money
(j) Auction his/her properties to recover the money
(k) Specify others _____

32. Who takes care of the liabilities arising from any default in the contribution?

(a) Nobody

(b) The Collector/proprietor, why? &&_____

(c) The contributor. Why? _____

(d) Both the collector/proprietor and the contributor, why?

_____

33. From your experience, will you advise anyone looking for funds to start/maintain a business outfit to join the membership of cycle savings scheme? Yes/No

(a) I don't know

(b) If yes, why? _____

(b) If no, why? _____

34. Where do you get the funds to pay for your contribution?

(a) Salary
(b) Sale of farm products
(c) Sales from my business
(d) Gifts and donations
(e) Parents/guardians
(f) Brothers/sisters
(g) Private engagements/initiatives
(h) Friends
(i) Relations
(j) Neighbours
(k) Proceeds from begging
(l) Specify others _____

35. Please suggest other viable and realistic sources of funds for the less privileged/poor/unemployed to start/maintain a business outfit

_____

_____

_____

_____