TITLE PAGE

"THE CURRENT PRACTICE OF FINANCING PRIVATE MEDICAL CLINICS/HOSPITAL IN THE URBAN CENTERS OF NORTHERN STATES".

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DEPARTMENT OF BUSINESS ADMINISTRATION,

FACULTY OF ADMINISTRATION,

AHMADU BELLO UNIVERSITY, ZARIA.

JULY, 1994.

DECLARATION

I hereby declared that this project has been written by me, and that it is a record of my own research work. Where materials of other related researches, books, journals and likes have been used, the sources of such materials have been duly acknowledged in the reference.

HASHEEM M SAIDI .... Hasheem .... 18 - July 1994

NAME OF STUDENT SIGNATURE DATE

CERTIFICATION

This project titled "THE CURRENT PRACTICE OF FINANCING PRIVATE MEDICAL CLINICS/HOSPITALS IN THE NORTHERN STATES." by HASHEEM M SAIDU meets the regulations governing the award of the degree of Master of Business Administration (MBA), of Ahmadu Bello University, Zaria and it is approved for its contribution to business knowledge and literary presentation.

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DEDICATION

DEDICATED TO ALL THE PEOPLE WHO SACRIFICE THEIR TIME FOR THE PROGRESS OF MANKIND FOR THE SAKE OF ALLAH (SUBHANAHU WATA'ALA) AND TO MY PARENTS (SAIDU AND MAIMUNA).

ACKNOWLEDGEMENT.

My thanks and gratitude to Allah for sparing our lives and guiding us in the right direction. My appreciation and sincere regards to my friend and supervisor Mallam Abu - Abdissamad who has been most supportive throughout this work and for his guidance and useful criticism and valuable corrections which have helped greatly in the completion of the work.

I am also indebted to the ever-so-busy doctors/clinic owners who spared their time to discuss with me and completed my questionnaire. Here I will want to make a special mention of Dr. E.B. Mama, whose clinic, Lafia Clinic was established in 1962, Dr. Ishaku D., Dr. Joe Chidi, Dr. Alao and numerous other doctors who space will not allow me to include their names.

My gratitude also goes to my numerous friends who stood by me throughout the duration of the MBA Course and a special regard to my family who allowed the time and gave support through out the period. Special appreciation to Murtala Aliyu, Usman Arabi Bello, Sam.Fagga, and Ahmed Dasuki for the unrelenting morale support. My regard also goes to Abdulsalam Zubair Kwa, Esq. who tirelessly typed the work over to achieve its present quality.

Finally all those that contributed in one way or another to the success of this project, too numerous to be mentioned, I pray that Allah reward you all.

ABSTRACT

The quality of service rendered by the private medical are in relation with the fees they charge, the conditions in public hospitals that forced dry dweller to turn to private medical services: and the ability of this sub-sectors to shoulder the additional burden of maintaining professional ethics in the current economic condition of the Nation prompted the researcher to look at the funding and ownership structure of Private Medical Clinics and Hospitals in Urban Centers of the Northern States.

The work has established that the ownership of Private Medical Clinics or Hospitals is predominantly sole-proprietorship. Funding is generated mainly from personal savings and retained earning with very little use of bank facilities. This has restricted growth and development in this sub-sector, Funding problems is further compounded by the attitude of doctors to the ownership of clinics and hospitals. Doctors form the majority of clinic owners and majority of

them are not willing to let go the sole ownership siructure they currently operate even when they agree to the advantages of group ownership to the practice. Finally recommendations are put forward for the aggressive financing of private medical service whith a call for government to recognise the contribution of private medical services to National Health Plan and to put forward policy that will make funding private medical practice attractive. Doctors are also advised to acquire some management and financial education, in order to modify their attitude to business ownership. It is the researcher's believe that when the recommendations are fully and objectively implemented, funding of private medical care will improve greatly and the improvement will reject on the quality of service provided by the Sub-sector.

TABLE OF CONTENTS.

CONTENT	*PAGE*
1. TITLE PAGE.	*i*
2. DECLARATION.	*ii*
3. CERTIFICATION	*iii*
4. DEDICATION	*iv*
5. ACKNOWLEDGEMENT	*v*
6. ABSTRACT.	*vi*
7. TABLE OF CONTENTS	*ix*
8. LIST OF TABLES	*x*
9. CHAPTER 1. INTRODUCTION.	*1*
10. CHAPTER 2. LITERATURE REVIEW	*9*
11.CHAPTER 3.DATA PRESENTATION AND ANALYSIS	*54*
12. CHAPTER 4. SUMMARY, CONCLUSION AND RECOMMENDATION	*76*

LIST OF FIGURES.

TABLE 1. Year of establishment of private clinics and hospitals in Northern States. p.55

TABLE 2. Types of private clinics/hospitals in Northern states. p.58

TABLE 3.Ownership structure of private clinics in the Northern states. p.65

TABLE 4. Source of funds for private medical clinics in the Northern states. p.67

TABLE 5. The most crucial requirement by the banks, before granting loans.(Respondents Opinions). p.69

TABLE 6. Comparison of the number of public hospitals/clinics with the number of private hospitals/clinics in some selected cities in Northern states. p.72

CHAPTER 1. INTRODUCTION

1.1 Introduction 1

1.2 Statement of the problem 3

1.3 Purpose of study 4

1.4 Significant of study 5

1.5 Limitations and Delitations 6

1.6 Research Methodology 7

References 9

CHAPTER 1.

1.1 INTRODUCTION

National Health policy of the Federal Republic of Nigeria has clearly allocated responsibility among the three tiers of Government. Primary Health Care is the Local Government responsibility, Secondary health care centre and General Hospital are to be taken care of by the State Government while the Tertiary Health Institution including Teaching and Specialist Hospitals are the responsibility of the Federal Government. Until recently, the policy was silent on the role of Non-governmental Organisation especially the Profit oriented Private Health Institution. However, their contribution to health care delivery has been significant, especially in the urban centres where the demand for Health care supersede the capacity of the Public Institutions. With recent political, social and economic development of the nation, the level of awareness has increased *tremendously, so far the demand for Modern Health Care along with all its sophistication. At the same time there has been a phenomenal deterioration of the public health institution, resulting in general loss of faith in their services and massive exodus of highly skilled Health Professionals in search of greener pasture within the private sector or beyond the boundaries of our beloved country. The up-surge of demand for private medical care coupled with relaxation of requirement for starting medical clinic by Federal Government (removal of the five years post-qualification requirement), and the fall-out-of the Federal Government and Nigerian Medical Association clash of 1985 resulted in the proliferation of all kinds of private medical clinics.This development has brought the private medical clinic into sharp focus. And, as is usual, with the press and the vocal few, the highlight were mainly on the excessive fees charged, low ethical standard, use of unqualified staff and poor service. The clinics are also observed to be poorly managed and poorly financed, resulting in stunted growth and development of the private* *medical sector. However, with the current trend in economic realities, and the era of deregulations and privatization, the only viable Health care system is the Private Health Institutions. But in order to achieve this herculean task, there must be re-orientation of the management and most importantly funding of the Private Medical Clinics.*

1.2 STATEMENT OF THE PROBLEM.

With all the changes that our National economy is undergoing, and despite the effort by the Federal Government in setting-up special financial institution to help small scale business, the funding of Private Medical Clinics in the urban centres in Northern State has remained essentially sole proprietorship.

This primitive mode of funding, has contributed in no small way to the proliferation of mush room Private Medical Clinics in the urban centres of the Northern States. Due to the traditional problem of sole proprietorship, Private Medical Clinics have failed to bring together good calibre of professionals essential for *running good clinics. Limitations associated with sole ownership funding is also militating against growth and expansion of these clinics. As a result, the clinics are poorly equipped; they are staffed by unqualified personnel; their environment are poorly maintained, drug supply is inadequate and a times fake drugs find their way into such clinics. The way out of this predicament is a thorough assessment of the funding opportunity available to private medical clinics and utilizing them for optimum growth and development of this very important sector.*

1.3 PURPOSE OF THE STUDY

The study is designed to identify the current ownership structure of the private medical practice in the urban areas of the Northern States, assess their attitude towards the utilization of available source of funding and their constraints in using them, and finally to make recommendations based on the findings.

1.4 SIGNIFICANCE OF THE STUDY

This study will introduce doctors, who are the majority owners of private medical practice to sources of fund hitherto not known to them or are reluctant to use. The study should also define the items required by the financial institutions in order to help with funding of projects. The study will also be useful to various levels of Government in helping them set standards of private medical practice and find ways of integrating it into the National Health Policy. Others that will benefit from the study are genuine entrepreneurs interested in Private Medical Practice. They can now come forward and take opportunity of funding Private Medical Practice.

1.5 LIMITATION OF THE STUDY.

The study is limited by time and finance. These vital resources have restricted the number of clinics involved in the study. The validity of the conclusion of this research will be only as good as the sincerity of the answers by the respondents. Secondary data were also used, any limitation of these sources will also affect this study.

DELIMITATIONS

This project work focused mainly on the current practice of funding private clinics in the Northern States and less than fourteen (14%) percent of the clinics were studied. Therefore any conclusion drawn will be affected by the size of the sample.

1.6 RESEARCH METHODOLOGY.

This project was conducted by assessing both Secondary and Primary Data. The Secondary data formed part of the literature review and the basis for further assessment of the current practice in financing private health institution.The Primary data were obtained by conducting an initial interview with some selected private hospital in Kaduna. This formed the basis for designing a questionnaire for general data collection. The questionnaire was completed by various owners of private medical clinics. In most cases in the presence of the researcher. Interviews were also conducted in areas where details of the information were not contained in the questionnaire. Forty copies of the questionnaire were distributed out of which thirty six were filled and returned.The research covered eleven cities in the Northern States namely; Kaduna, Zaria, Kano, Gusau, Bauchi, Jos, Maiduguri, Abuja, Minna, Gombe and Yola. Finally, data were collected from banks and some government agencies like NDE were properly serialized and used where it was relevant.

The sources of secondary data are duly acknowledged through the means of references.

CHAPTER 2. LITERATURE REVIEW.

2.1 DEVELOPMENT OF PRIVATE MEDICAL PRACTICE 9

2.2 MEDICAL INSTITUTIONS 13

2.3 IMPORTANCE OF PRIVATE MEDICAL CLINICS 17

2.4GENERAL PROBLEMS OF PRIVATE MEDICAL CLINIC 18

Management.

Staffing.

Finance.

Cultural and Enviromental.

2.5 FUNDING PRIVATE CLINICS. 25

Personal savings. Reteined profit.

Other internal sources of fund.

Permanent and long-term funds.

Bank credit. Over draft. Trade credit.

Other sources.

2.6 GOVERNMENT ASSISTANCE. 49

CHAPTER 2.

LITERATURE REVIEW

2.1 DEVELOPMENT OF PRIVATE MEDICAL PRACTICE

The Nigerian Traditional healers still attend to a substantial proportion of the Nigerian population, of this rural population contribute 70 per cent. Despite this, there is a tremendous demand for modern medical services. This can be attributed to the raised level of awareness of Modern Medicine due to some of its dramatic achievement in the early part of this century. Example of this achievement can be traced to the use of penicillin and other antibiotics to drastically reduce the menace of infectious diseases. Immunization has also reduce the incidence of some disease to zero, that is,eradicating it completely from the face of the globe, like Small-pox. The Government has been the *main provider of Health care Services in the country, and its services have been free or heavily subsidised. The Government's effort was supplement by Non-governmental voluntary organisations,like the Missionaries and Philanthropic Organisations. Profit-oriented Private Medical Service was the latest source of medical care. This development came as a result of frustration matted on the few Nigerian doctors by the expatriate doctors. "Those who could not stand the type of ignominious treatment being matted out to them boldly resigned their appointment from the civil service to go into full time Private Medical Practice."(2) It is obvious from this scenarios that the first Group of Private Medical Practitioners did not have profit as a major motive for opting out for Private Medical Practice, even though it was noted by Quadri in his article that "There was too great a disparity both in salary and position between an expatriate and a Nigerian granted that both qualified about the same time."(2).*

The early Private Practitioners were people with long experience *in General Medical Practice. They had few clients and need very little capital to start clinics. Their capital-outlay was small because medicine was at its simplest state.There was very little specialization and equipment were simple and cheap. Moreover, Private Practitioners hardly earned better than the Public health workers. Needless to say that the Government did not reckon with their contribution to Health care delivery and their colleague see them as decedents. Infact the government could only notice and over pronounce their short comings, and the activities of the bad eggs among them, such as abortions, high charges, utilization of unqualified staff etc (3). With the country's political, social and economic development, a lot has changed in the situation outlined above.Industrialization has led to urban- isation with little planning by Government to take care of the general welfare of the population and in particular their health care.This lack of adequate plan coupled with economic recession have compounded the problems of the Public Health Care Service Public Health Institutions have been described at various times by prominent* *people with various objectionable adjectives. These institutions have also become very popular campaign targets both by the civilian and the military administrations. The situation of Public Health Institutions deteriorated with successive regimes. This sad development has lead to dramatic exodus of medical health workers to the private sector and foreign countries in search of greener pasture which include job satisfaction and better remunerations. The peak of this disaster was noticed during the clash between Buhari/Idiagbon duo (4) with the Nigerian Medical Association which lead to the sacking of 64 doctors most of whom found solace in Private Medical Practice. These are fine and well trained Physicians who never thought about profit-oriented private medical practice, but found themselves with no other option but to set-up small sole proprietorship clinics with the little funds they have been able to save.*

2.2 *MEDICAL INSTITUTIONS (5)*

Medical Institutions have been classified arbitrarily as follows:

CLINIC. This is:-

a) An institution where only consultation and out-patient treatment are conducted and practiced.

b) An institution where the practitioner or practitioners restrict their consultation and out-patient to his or their particular areas of specialist discipline. eg.ophthalmology clinic.

c) Where more than one specialty is practices it may be referred as Polyclinic.

PRIMARY HEALTH CENTRE.

This is an institution in which "Out-patient consultation"takes place,but there is also definite programme of care involving the components of primary health care as follows: Health education,Maternal and child health,Family planning Nutritional education, Immunization,Diagnosis and treatment of common ailment,use of appropriate technology and essential drug *list.Records keeping and case reporting,effective communication and patient referral promotion of mental health."*

COMPREHENSIVE HEALTH CENTRE.

This incorporates the facilities of Primary health care but in addition there is also simple surgical services supported by up to thirty (30) beds.

GENERAL HOSPITAL/ MEDICAL CENTRE.

An institution in which a full complement of curative care is provided.There are :-

1. *An accident and Emergency Unit.*
2. *Diagnostic Unit comprising of Radiology and Pathology services.*
3. *Out-patient consultation unit.*
4. *Wards divided into Surgical,Medical,Paediatric,Antenatal and postnatal.*
5. *Treatment facilities featuring:*

Pharmacy department including a Pharmacy shop,operating theater,Diet kitchen and Physiotherapy.There *should be a minimum of three doctors all of whom are really experienced General Practitioners and Specialist able to provide medical,surgical,paediatric and obstetric care e.t.c.*

They cover emergency in rotation, even though each may develop an interest in one specialty or the other.

SPECIALIST HOSPITAL.

A hospital is not a specialist hospital because its owner possesses a specialist diploma or fellowship. A Specialist hospital is an institution featuring the following major components:

1) *Accident and Emergency Unit*
2) *Diagnostic Unit*
3) *Out patient Consultation Unit*
4) *Wards Unit*
5) *Treatment Unit*

The major difference from general hospital or medical centre being that all the facilities of the institution are devoted to the practice of one specific discipline of medicine e.g. paediatrics, *orthopaedics, dentistry, obstetrics and gynecology, etc.*

TEACHING HOSPITAL.

An institution that is fully developed, accredited for teaching and organised along departmental lines so that there is any combination of the following departments: Surgical, internal medicine, obstetrics and gynecology, paediatric, psychiatry etc. Each department may have any number of consultation units, each with its own out-patient consultation sessions; such as:

- *Ward Units*
- *Theatre sessions (where appropriate) etc.*

Basically, patients do not come primarily to the clinic of the referral hospital, but they are usually referred from lower order institution. The only exception being the casualty or accident and emergency unit. Teaching hospital is the most sophisticated form of health institution.

2.3 *IMPORTANCE OF PRIVATE MEDICAL CLINICS.*

With the deterioration of the public health institution, the private medical clinics have become major contributors to the health care delivery system of the country. The contribution of this unit can be seen in terms of providing alternative employment opportunity to dissatisfied health worker from the public health institution, they also provide an alternative source of medical care for a good number of Nigerians especially the urban dwellers. The private medical clinics also serve as a training ground for enterpreneurs in general, and in health care sector in particular. Most of all the private medical clinics contribute tremendously in providing secondary and sometimes specialist care, and to a lesser extent, primary care to the urban population.

The private health institution also contribute in enhancing health care standard by encouraging healthy competition among practitioners to deliver the best service at a standard cost.

2.4 GENERAL PROBLEMS OF PRIVATE CLINICS.

Private medical clinics are generally small set-ups, with few workers and employ very limited amount of capital and mostly solely owned, and they may bee registered as private limited liability companies. Infact, private medical clinics as a business fit perfectly in to the definitions of small scale business.

Variously defined as:-

- Those businesses with "total investment of between one hundred thousand naira (N100,000) and two million naira (N2million) exclusive of land, but including working capital." (7)

- "Investment in plant, machinery and equipment not exceeding one million (N1,000,000) naira." (8)

- "an enterprise whose total cost excluding cost of land, but including working capital,is above one million naira (N1,000,000) but does not exceed Ten million (10,000,000) naira" (10).

- "one which is independently owned and operated and not dominant in its field of operation." (9).

Private medical clinics fit into all the above definitions with very few exceptions. That is some private hospitals, that are owned and managed by an individual, may have total investment of over Two(2,000,000) million naira. Also with the deterioration of the public health institution, private medical clinics are becoming dominant is their field of operation. The problems of private medical clinic can therefore be equalled with those of small scale businesses with few additions, such as the traditional concept of what medical services should be.

2.4.1. LACK OF MANAGEMENT ABILITIES.

Doctors' training generally ignore management skills. Since most private clinics are small and most of the time the owner sets up the clinic in order to be 'free' from one influence or the other, the management of private clinic tend to be one person management team. Even with the assistance of a small management staff, the doctor must 'spread himself thin'. He will have to attend to his ever demanding clinical duties as well as *oversee the plumbing problem, staff discipline and make sure revenue is collected and liabilities attended to. He has to decide the general policy of the clinic, define his strategy and also outline and ensure implementation of the plan from idea to execution. Unfortunately, these require a diversity of talent and no individual has superior ability in all areas of management. Infact, a talented surgeon is most unlikely to see patient as a customer but rather as another disease inflicted figure that needs to be opened-up and rectified. The doctor-turned-manager does not gives serious attention to management problems. He does not understand the intricacies of maintaining adequate business records or preparing financial statements or how financial data are presented. He lacks the necessary knowledge or appreciation of their value. These short-comings in management skill can be a serious handicap to effective running of a clinic. This owner-manager is usually over stretched that he is unable to follow development in both clinical method or management style. This usually results in developing a traditional method with no* *scientific backing e.g. some clinics will list out a cocktail of medication to be administered to all patient that come to the clinic even before the doctor has the opportunity of seeing the patient. Clinics like these are also likely to run in to the hands of the unskilled second generation manager who may inherit the clinics for whatever reason. This kind of successor may have no interest in running the clinic and therefore may sell it to pursue his own chosen career, or he may try running it only to end up in bankruptcy. Large corporate hospitals are not likely to suffer this type of problems.*

2.4.2 STAFFING

The staffing in small business is generously inadequate coupled with poor managerial skill will lead to shortage of time in which to manage the clinic as well as perform clinical duties effectively. Due to the type of control the manager wants to exert on the clinic, most of the staff are temporary, this leads to high staff *experienced by the smaller and medium-sized businesses in raising the capital which they from time to time require even when the security offered is perfectly sound." (7).*

In 1959 the Raddliffe Report commented:

".... there is a danger, which is socially, economically desirable to avoid, that the growth of small firm may be impeded because they lack some of the facilities open to large companies for obtaining capital."(7).

Since this period, a great deal has been done to fill the Macmillan-Gap, but there is still room for improvement before the special financial problem of small business are entirely solved. Government in Nigeria is aware of the problems of small scale businesses and has made several efforts to meet some of these problems. It is however, not very clear if the Government has in mind private medical clinics when making policies about small scale business. Most emphases of Government policy are on easing delays for traditional industries like the manufacturing industries. Even the specialised banks established by the *government to help small scale businesses does not seem to have any special consideration for private medical clinics despite the uniqueness of this sector.Due to the size and scale of operation of private medical clinics, their access to capital market is limited. So far only one private hospital was quoted in Nigerian Stock Exchange i.e. Eko Hospital. We must note however that doctors in Nigeria who go into private practice seem to be satisfied with the freedom of managing their affairs and therefore are reluctant to release their equity holdings.*

2.4.4 CULTURAL AND ENVIRONMENTAL PROBLEMS.

The general attitude of Nigerians to health care especially in the North is such that they do not see the need to pay for medical services. This attitude might have been developed from the time when medical care was supplied free by the government or missionary workers, or further still when services were rendered by the traditional healer for near-to-nothing. People do not appreciate why the cost of medical services should raise along *with other services. When doctors in February, 1992 decided to hike "Patient/Clients Bill Of Rights And Approved Tariff", the public reacted with disapproval and gave the exercise and doctors all sorts of names. One Mr. James K. Ogunbiya in the Financial Post argued that "the traditional medical practitioners even perform better than orthodox medical practitioners, arguing further that doctors only condemn their services in order to get more patronage. " (4). Even with the confession of top government officials about the fact that government can not fund medical service alone, most Nigerians expect health care services for free from whoever provides it.*

2.5 *FUNDING PRIVATE CLINICS.*

Private clinics as we demonstrated earlier, fits very well as small scale business and like it, has all the problems that characterized small scale business. Financial problems of small scale business are mainly reflections of general managerial problems; many small scale business enterpreneurs need to spend some time on *these problems. Though financial management is just part of the overall management, a very important one at that, time given to it can reduce financial problems to manageable dimension.*

There is no single way of financing a private clinic. Each clinic has individual circumstances which makes its requirement unique:

- Circumstances that motivate or push the Enterpreneur to start a private clinic.

- The location of the clinic, is it in urban centres like Kaduna, Kano or in the rural setting like Gadan-gayan.

- The rate at which the owner wishes it to expand.

For above reasons, and many more factors not listed, each clinic's decision about finance has to be made in the light of the particular circumstances. However, there are some basic guidelines in making financial decision, some of which are:

- You decide how much money is needed;

- the proper timing of the required fund;

- the purpose of which it is needed;

- the form of finance to be used;

- *whether the venture is profitable.*

The main sources from which the private clinics might seek finance are examined here and the characteristics of each source is discussed along with the pros and cons associated with the use of each source.

Personal savings are particularly important in setting up private medical clinic, while retained earning form most of the running cost as well as funding any expansion. Attention is also focused on long-term, short-term and medium-term sources of fund, particularly attention is given to problems in the financing of expansion. The various sources of public sector assistance are described.

2.5.1 PERSONAL SAVINGS.

The most important source of finance in setting up private clinic is the personal savings of the enterpreneur. This is also true in all small scale businesses where the viability of the business idea is clearly visible only to the enterpreneur initially. Personal savings *is particularly important in starting private clinics due to the ways most medical personnels dabble into business. Most of them go into business as a protest to the pressure in working places rather than as properly planned business venture. Personal Saving could also include contributions from families and friends, usually as "gift" or interest free loan with long period of recovery. As noted by Raymond, personal savings is not just money that has been accumulated in a savings account. It includes everything of value that an individual has gained. This may consist of family land, buildings, fixture and fittings and even the owner's reputation in the community.*

As we have mentioned earlier, this is interest free source hence it is funds free of expenses.

2.5.2 RETAINED PROFITS.

Simply this is the portion of net profit that is put back into the business. It is also the most important source of funds for the typical small firms, like a clinic. Profit has two main functions in the business enterprise. It is the source of payment in form of dividends and other drawings to the owners of the clinic; it is also a source of fund. It is therefore available for the maintenance and expansion of the business. The availability of this source of funds depend partly on the profitability of the firm, partly on the extent of payments to outsiders, and partly on policy with regards to distribution of profits. A profit figure in isolation may be fairly meaningless.The magnitude of the figure may depend partly on the accounting convention used and partly on interpretation of the element which go to make such profit. The figure is likely to be more meaningful if it is related to asset and operations which generate it, it is even more meaningful if read in conjunction with other ratios. It is even more meaningful still *if its movement over time are calculated and comparisons are made. It is also useful to have basis for comparison with the profit of similar business. Financial analysis provides a set of tools with which to interpret profit figures. The detail of financial analysis is however beyond this text. In attempting to answer the question - what is a healthy profit, however, one will have to consider the figure aim of the clinic owners, as to what they want to achieve; is it expansion, or remaining small. Whichever is the target the profit is healthy if it is able to sustain the target. In Nigeria, owners need to resist the temptation of helping themselves to the profit in terms of generous maintenance allowance for the owner-manager at the expense of the firm. Some enterpreneurs may insist that they are in business to raise their standard of living, however there is one objective fact, that money taken out of the business by owners, in dividend or non-dividend form, is money which might have been available for expansion. A small private clinic is unlikely to be able to expand without substantial equity participation in the expansion, some of which* *must come from profits. But profits are unlikely to be sufficient alone, and the number of businesses with good growth records which have been entirely financed from profits is relatively small.*

2.5.3 OTHER INTERNAL SOURCES OF FUNDS.

Strictly speaking, profits are the only source of internal finance. But the firm may wish to consider freeing funds through the management of its assets.

Trade investment or marketable securities might be put to more profitable use in the purchase of plant and machinery. For short-term financial purposes, one aspect of asset management-credit control and rapid collection of debts - can release funds which may be tied up. Improved inventory control may work in a similar way, freeing current assets. These forms of assets management do not generate funds, they merely free them, and usually on once-for-all basis (although the cash-flow benefit will continue). In effect, to some extent, internal financial management can make available additional internal funds. This asset management style *should be looked into very carefully in Nigerian private clinic where a good percentage of the revenue is usually stalked with debtors. As time goes on help can come from relatives, friends and acquaintances. Credit from suppliers and from banks can also come in handy but the difficult decision of how much to save and what to do with excess fund will always feature in management decisions. It is worth noting that one way small firms like private clinics can solve their financial problem is by generating more earnings for retention.*

2.5.4 PERMANENT AND LONG-TERM FINANCING.

Retained profits are one form of new equity, for long periods they may well be the only source of new equity raised for small clinics. There is however, an occasion when new permanent capital is needed, for expansion or financing of innovations; or when for other reasons it is desirable to re-assess the ratio between equity and debt. Obtaining such new permanent capital is frequently one of the stumbling blocks in the growth and *development of private clinics. Small clinics have particular difficulty in the field of long-term finance; many of the problems are due to the scale of operation, but many are due to the difficulty in persuading potential equity participants to put money. Shares issue are not a major source of funds for small private business: typically the only significant issue of shares by a private company are made when the company is formed and when it need funds for development, expansion, or the exploitation of some technological innovation. Long-term debt has traditionally been a relatively minor source of funds for smaller businesses, this usually shows in the balance sheet as a relatively high equity to debt ratio. Many owners of small firms are not aware of long-term debt financing; many are reluctant to use it because of what they consider onerous conditions. But long-term debt offers possibilities for financing of such assets as major plant and machinery which are becoming increasingly prominent in hospitals and clinics. Hence to overlook long-term loan is to neglect a potential source of long-term funding. Some form of* *security will always be required for a long-term loan, and it is not uncommon for a businessman to be expected to show some personal commitment to a project, possibly by securing some of his own assets against the bank loan. Generally speaking, in order to obtain a long-term loan, a company must offer the lender a reasonable prospect of good and stable earnings in the future, and its assets must be realisable if the enterprise should fail. There are few reliable guidelines to the small business which seek to raise long-term external finance. Suggestion might fall along the following lines.*

a) Sound long-term financial planning is essential; a potential lender will want to know what the money is needed for (capital equipment, working capital, funding of bank loans etc); he will also expect to see reasonable cash-flow forecast, market assessment and audited statement for recent years.

b) Long-term needs should be financed from long-term capital and not from short-term sources.

c) It is essential to know how much money is wanted.

(d) Outside lender will rarely put money into a business in which the owners' present and projected future equity participation is considered inadequate.

e) A good profit record is a good recommendation.

f) Help is unlikely to be provided for a sinking ship, or when things have been left too late.

g) Leases, much bank borrowing and loans from individuals may be treated by the lender as part of the long-term structure of the business.

h) Good management is the main thing that long-term lenders will back.

i) Shop around, there are more opportunities than most businessmen realise.

2.5.5 BANK CREDIT.

There is a general misconception about bank loans among Nigerian enterpreneurs especially those involved in running Private Medical Practice. This misconception is so entrenched that they tend to ignore this traditional source of short-term funds for business. Bankers are usually not quite so hard on their smaller customers as they are frequently held to be, and indeed many small businesses owe their life to bank support at crucial times.

It is important to appreciate that a bank is not in business as a commercial undertaking, using money deposited with it on short-term and making profit from lending it. To successfully obtain bank loan therefore, you must demonstrate to the banker that you are safe to deal with, which means banks requires security, but not necessarily physical security; the next is liquidity, which means that the bank can recall if it *is necessary and last, but not the least is profitability, which means that banks will only lend if they expect that the borrower will be able to make profitable use of it and be able to pay the interest without difficulty.*

A bank manager will therefore want to know about the history, structure of assets and liabilities, and profit records of a business when assessing it's eligibility for a loan. It is usual to ask for audited balance sheets and profit and loss accounts for several years past; nowadays the more progressive bank manager will also want some information on the expected cash flow of the business.

Security for long-term loans is usually required in form of some of the company's assets. In the case of overdrafts less tangible security may be required and the bank manager will base his assessment on the credit worthiness and profitability of the firm, although if these are in doubt he may require a fixed or floating charge. Sometimes guarantees may be required from owners,directors or outside persons.Bank credit provides *a better illustration of usefulness of sound planning and internal financial control.*

Borrowing from a bank is always easier if businessman can indicate to the bank manager in advance that loan will be needed; good budgets show this and also tell the bank manager that the firm is not trying to borrow merely because it is in difficulty but because of aconscious intention to grow and an awareness of what is involved.From the foregoing discussion,it is obvious that bank credit is a very convenient form of finance for the firm with a good standing at the bank. Bank managers want to know a great deal about a firm; but in anew firm which obviously can give very little evidence of profitability and prospects,credit-worthiness is frequently based on the bank manager's personal assessment of the applicant. The new firm has special difficulties in providing evidence, and the firm with relatively small equity capital is in a particularly disadvantaged position because banks are reluctant to have a bigger stake in the firm than the owners themselves.

2.5.6 OVERDRAFT

Overdraft are relatively cheap form of finance because interest is paid only on the debt outstanding and not the total permitted overdraft. In addition, in many cases, unused overdraft facilities represent a potential ready supply of fund which can be used before the firm has to look for outside capital.The general practice is that small, young, rapidly growing business rely heavily on bank credit; they tend to be rather illiquid and to be extensive user of all other forms of short and medium-term money including hire-purchase and trade credit. They are business which are hungry for funds,may have inadequate savings, but may impress the bank manager with their potential profitability. Business which do not use bank credit are, by contrast, older, larger and static or declining. Many owners have objections to any sort of borrowing outside the business and prefer to finance their development out of resources; this frequently takes much longer and such concerns grow slowly.

Bank borrowing is the source of funds which most businessmen are familiar. The main guidelines associated with it are:

1. *The bank is likely to be the first source of which the business will consciously look for funds.*
2. *Bank borrowing is best seen as short-term and the overdraft is not for long-term capital.*
3. *Longer-term borrowing from the bank may be possible, and is worth trying.*
4. *The banker will want financial statements, budgets and cash flows; the businessman should therefore go along either with such statements already prepared or with his information from which they can be prepared.*
5. *It is better to anticipate the need for borrowing than to ask in emergency.*
6. *If one bank will not help, another one might, and the businessman should be prepared to look elsewhere.*

2.5.7. TRADE CREDIT.

Many businessmen do not give this very significant source of fund the attention it deserves. Credit extended by businesses to each other and to customers in the normal cause of business is indeed a very important source of funds in the economy and especially so to small business. Indeed it has been said that one can run a business without cash, but not without credit and debt. Trade credit works in two directions. The firm grants credit to its customers; it receives credit from its suppliers. Trade credit is just one further form of credit which small growing firms use in their "credit hunger." Banks are frequently prepared to lend against account receiv- able and sometimes indeed regard debts as better security than goods awaiting sale. Debtors who have been covered by credit insurance are particularly good and secure assets on which funds can be raised. The business should also keep close watch on its debtors, and it may pay to induce customers, by means *of substantial discounts, to pay more quickly.*

Trade credit is an area in which a great deal of money can be saved and in which funds can be raised; it is much more complex than any businessmen realise, and a financial adviser might suggest the following appreciation:

a. Decide how much credit can be given and for how long.

b. Assess customers

c. What are normal trade terms, and is it desirable to change them?

d. Establish a regular collection procedure for overdue accounts

e. Bad debts, although some are inevitable, are very expensive, because the loss is of the whole cost, not merely the profit.

f. Consider credit insurance

g. Consider factoring

h. Credit received must also be managed; it is important to avoid overtrading or at the very least to be conscious of what *one is doing if accounts payable are allowed to accumulate. Liquidity and solvency hand in hand.*

i. The timing and amount of payment by customers and to suppliers are integral part of cash-flow forecast.

2.5.8 OTHER SOURCES OF FUNDS.

DIRECTORS' LOANS

This is a way of borrowing from a director without giving him an extra share in the equity of the firm; and this may be an important reason for the use of this form of finance in private companies. Such loans are temporary and the money may merely be lent in order to tide the company over a difficult period. In such instances, although the amounts may be relatively small they are of great strategic importance and may mean the difference between survival and death of a firm. Frequently, once lent, the money in the firm, in which case the director usually receives interest on it, at approximately the same rate as on a deposit account.

Directors might have different motives for lending money to the firm. Some may simply loan the money in form of loan and hope time will come when he will be given shares in lieu; others may use the loan as a weapon to gain control of the firm. Whatever is the motive, directors' loan may be strategically or technically very useful to the small business.

HIRE PURCHASE.

Hire purchase is a form of medium-term credit which has come into increasing use in business in recent years; it is fairly commonly used for purchase of industrial plant and especially by small business for purchases of machinery and motor vehicles.

Hire purchase is particularly useful because it is one of the ways in which a new business may become established and survive difficult initial stages of setting up and growth. As the firm grows and as its financial strength improves, its needs for such method is less, and bigger companies rarely use hire *purchase.*

Hire purchase has several advantages for small firm. From the borrower's point of view it is fairly easy to arrange and although this may seem illogical, many businessmen prefer to borrow in this fairly routine, impersonal way than to go cap in hand to the bank manager and have to explain or defend the request. This does not mean that hire purchase finance companies do not want to know about a firm's affairs , and the first transaction always involves some inquiries into credit status, although latter transaction may well be rather easier.

EQUIPMENT LEASING.

Leasing have several benefit in common with hire-purchase. Budgeting is relatively easy because commitments are known in advance, and it is also easier in many firms to fit a leasing rental into a departmental budget than it is to buy a new machine. Capital is economised, working capital is freed, and the bank overdraft and short-term sources are left for normal *operating needs. The problems of obsolence are minimised, so are the heavy maintenance cost associated with the old machinery which may be the only practical alternative. In addition, the whole cost of leasing can be charged against tax but, since leasing company owes the equipment, the lessee cannot charge wear and tear allowances.*

Leasing requires just as careful an assessment and decision as does the financing of any capital outlay. Most accounting textbooks provide standard calculation for the lease-or-buy decision, they are essentially based nowadays on similar criteria to the discounted cash-flow approach to capital expenditure appraisal. Assuming that rates return are the same whether the equipment is bought or leased, the question to answer is whether the net cash flow is smaller for buying or for leasing.

CAPITAL MARKET.

Issue of share, by private placement or through the Nigerian Stock Exchange, provide the least expensive form of equity finance. Additional funds can also be raised in form of rights issue where existing shareholders are given the opportunity to contribute additional fund. Other means of accessing funds from the capital market are from preference shares and debentures stock issues. These are forms of debt financing and are used where there are objections from business owners for diluting the original share-holding of the firm. Nevertheless, convenient access to equity and debt finance through public issue is not without constraints. The strict requirement of Nigerian Stock Exchange prevent start-up companies from raising funds from the exchange. Such companies would have to patronize the second-tier securities market where the listing requirement are less onerous. The comparable listing requirement for both listed securities and second-tier securities market (SSM) are as follows:-

LISTED SECURITIES.

* *Trading Records - 5 years*

* *Date of which the latest audited figures referred must not be more than nine months.*

* *Not less than 25 percent or N125,000 (one hundred and twenty five housand naira) of the issued share capital must be made available to the public.*

* *Annual quotation fees based on the share capital of the company.*

* *The amount that can be raised is limitless depending on the borrowing power of the company.*

* *Companies to submit quarterly, half-yearly and annual statements of accounts.*

* *Number of shareholders must not be less than 500.*

SECOND-TIER SECURITIES MARKET.

* *Trading records - 3 years*

* *Date of which the latest audited figures referred must not be more than nine months.*

* *At least 10 percent or N50,000 (fifty thousand naira) of the equity capital must be made available to the public.*

* *Flat annual charge of N2,000 (two thousand naira)*

* *Amount that can be raised may not exceed N5million.*

* *Companies to submit half-yearly and annual statement of accounts.*

* *Number of shareholders must not be less than 100.*

There is however the need to reduce the cost and to simplify the process of listing a company on the Stock Exchange. (12).

2.5.9 GOVERNMENT ASSISTANCE.

The Nigerian government has demonstrated her willingness to assist the small business in more ways than one. Various schemes have been popular at one time or the other. The latest institutions added to earlier ones are the Peoples' Bank, the Community Bank and the National Directorate of Employment. The earlier institutions set specifically to help enterpreneur big or small are the Nigerian Industrial Development Bank

(NIDB); Nigerian Bank for Commerce and Industries (NBCI) and National Economic Reconstruction Fund (NERFUND) to mention but a few.

1. Nigerian Industrial Development Bank (NIDB)

Provide medium and long term finance to industrial enterprises ascertained to make significant contribution to economic development of Nigeria.Such financing can be in form of either equity, or loan or both.The bank also assists Nigerians and Foreign Enterpreneurs to prepare acceptable industrial proposals and offer advice on managerial and technical aspect of the project.

2. Nigerian Bank for Commerce And Industry :

Has the function of providing equity capital and loans to indigenous businessmen. It can offer loans on medium to long-term basis. It lays emphasis on the establishment of industrial, agricultural, and service projects. The 1989 Federal Budget also stipulated that the Nigerian Bank For Commerce And Industry creates a small scale industrial departments with *management capabilities to permit easy access to credit and management advice to small enterpreneurs.*

3. Directorate of Employment And Enterpreneurship Development Program. Established in 1988 by the Federal Government and charged with the provision of loans to young graduates to establish their own choice of business. This programme spawned the highest number of small scale business in Nigeria. Other Government assistance come in several forms:

TRAINING: as organised by the Industrial Training Fund (ITF) or subsidizing the training of the staff of participating company.

INVESTMENT INCENTIVES: State and Local Government now develop areas for industrial purposes.They make the lay-out and provide water, roads, and electricity to the area for easy access.

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CHAPTER 3.

DATA PRESENTATION AND ANALYSIS.

3.1 History **54**

3.2 Nature of business 58

3.3 Sources of revenue 60

3.4 Ownership structure **63**

3.5 Sources of finance 66

3.6 Contribution of private clinics **72**

3.7 Financial problems 75

CHAPTER 3.

DATA PRESENTATION AND ANALYSIS

3.1 HISTORY

The Private Medical Practice in Northern States started very early after Independence. The oldest clinic form the information collected was established in 1962 barley two years after independence. Since then however, the number of Private hospitals have grown rather slowly until the exodus of Doctors from Public and Teaching Hospital in 1985 and the severe economic condition that follows. With the introduction of Structural Adjustment Program (SAP) there was a general urge for self-employment that further boost the establishment of Private Medical Clinics. These factors are reflected in Table 1. Showing seventy percent (70%) of Private hospitals were established from 1985 and beyond.

TABLE 1

YEAR OF ESTABLISHMENT OF PRIVATE CLINIC AND HOSPITALS IN THE NORTHERN STATES.

YEAR	*NO. OF HOSPITALS/CLINICS ESTABLISHED*
1960 - 1964	*1*
1965 -1969	*NIL*
1970 - 1974	*NIL*
1975 - 1979	*2*
1980 - 1984	*5*
1985 - 1989	*12*
1990 1994	*10*
TOTAL	*30*

In the early post-colonial days the doctors were frustrated in Public Hospital but were reluctant to move out for *private practice for many reasons, among which are:-*

i. There was very little market for Private Hospitals,at that time, this made it difficult for the Private Practitioners to survive economically. This is as a result of the high level of poverty and low levels of awareness of the health services.

ii. The Public Hospitals were well equipped and well stocked with drugs.

iii. The value system then respected professional like Doctors, Lawyers and Clergymen even if they were poor.

iv. There was no encouragement from either the Government or Financial Houses for Doctors to go into private practice.

The oil boom in the seventies provided a conducive atmosphere for working in Nigerian Public hospitals and clinics, however, by early 80's economic difficulties have started rearing their ugly heads due to the so called oil glut. The first casualties of this unfortunate development was the social services, most especially the

Health Services. The situation in the Public Health Sector deteriorated to a level that the health worker felt insecure and began to make demand for improved condition of service and also improvement in equipment and materials. These developments were not taken kindly by the then no-nonsense Buhari - Idiagbon Military Government. The result was the massive exodus of medical personnel into private medical practice in 1985/86, from both the Government General Hospitals and University Teaching Hospitals. Some medical personnel who could not immediately go into private practice escaped to the developed countries, made some money and came back to establish private clinics. However, some never came back. Historically therefore Private Medical Institutions came into being as a result of pressures of different types that pushed the practitioners to start private practice. They had no carefully thought-out plans for the financial implications and funding of the services. This historical fact is still relevant to the way Private Medical Institution seek for funds today.

3.2 NATURE OF BUSINESS

Private medical services covers mainly secondary health care services, and barely touched on the specialist care, completely ignoring the primary health care service

TABLE 2

TYPES OF PRIVATE CLINICS/HOSPITAL IN NORTHERN STATES

TYPES OF CLINICS/HOSPITAL	NUMBER	%
PRIMARY HEALTH CARE CLINIC	NIL	0%
SECONDARY GENERAL MEDICAL CLINIC/HOSPITAL	27	84.4%
SPECIALIST CLINICS/HOSPITAL	5	15.65
TOTAL	32	100%

The bias in favour of secondary and specialist care may not be unconnected with the mode of training the medical practitioners received at the university. Some of whom trained in the developed countries were primary health care receives very little attention. Most of their training is hospital based. Furthermore, secondary care being a hospital based practice is a more acceptable form of care to the city dwellers who use medical service only when they are compelled by ill health. Lastly, the health care providers, be it Government or private companies place more emphasis on secondary care rather than "Health Education, maternal and child health, family planning, Nutritional education, Diagnosis and treatment of common ailments, use of appropriate technology and essential drugs list, record keeping and case reporting, effective communication and patient referral, and promotion of mental health" which define primary health care as declared by World Health Organization during the Alma-ata declaration for Health for all by the year 2000.

The specialist care clinics/hospital are becoming fashionable, most however, combine general medical care with their specialist clinics which are more difficult to establish, not only because it takes a long period to specialize, but because the equipment required are quite expensive and rare, furthermore the patronage of such clinics are usually not adequate to sustain their existence.

Their charges are most of the time excessive making them more unpopular. They account for about fifteen (15%) percent of private clinics/hospital in this study.

3.3 SOURCE OF REVENUE.

Services by private clinics/hospital are rendered for cash or on credit to retainer who could be companies or families. The main component of the revenue include Registration Fees, consultation Fees, cost of Drugs and Laboratory investigations; also fees for Nursing service and bed space provided. Cash payment are made in most cases on arrival in form of deposit or registration fee and *consultation fee. Other payment are made by the patient on his way out when he pays for his drugs and laboratory investigations in case of out-patients or patient may balance their cost of stay in the hospital after admission. A good number of clinics/hospitals ask for a substantial amount as deposit on arrival in order to take care of patients that abscond when they get better. This mode of payment provide ready cash for the clinic and may consciously or unconsciously attract some discount when you compare with the charges meant for credit client. Credit client usually attend the clinic with some form of authority to enjoy medical services by the sponsor in case of companies or by other forms of introduction in case of family facilities. Charges for this patients are usually recorded and sent to the company or the sponsor concerned at an agreed interval of time, usually monthly. Charges for this type of arrangement are usually higher than the cash payment. This is to take care of time value for money. But due to the fact that the margins are* *arbitrary some retainers tend to pay more than a reasonable margin. Especially retainers that are known to be able to pay, either individual or company. This mode of charges can cover for the cases that come to clinics without means of paying for treatment. It may create problems between the hospital and the retainer and in most cases the retainer may use this charging procedure to delay payment as long as is convenient to do so. Most clinics in this study are of the opinion that clinics need retainer to survive. More than sixty (60%) percent of clinics in this study have over fifty (50%) percent of their revenue as credit sales. When the debtors finally pay, they pay in bulk and the money may come in handy for executing some meaningful projects. Since most private clinic avoid banks, so they have no interest charges against their incomes. Those that use bank, can easily get ruined by debtors' long delay in settling bills. This is unfortunately very common because most firm consider medical bills last when settling their liabilities.*

Practice by some unscrupulous clinic owners in connivance with some managers in a debtor companies has helped make matters more difficult. Settlements and kick-back future prominently in the process of collecting revenues form debtor companies by private medical clinics. Thanks to the guild of Medical Directors, a body out to specifically fight this unfortunate development. There is hardly any other source of revenue to private clinic outside these traditional source. Few innovations like hiring ambulances and mutuary space are not quite popular in the Northern state. From the information collected only two clinic out of thirty five had no credit sales. All others have at least twenty five percent of their revenue as credit sales.

3.4 ***OWNERSHIP STRUCTURE***

The information collected has shown clearly that the ownership structure of private medical institution are still pre-dominantly sole proprietorship. Even when the business is registered as a private limited liability company, the *ownership is still single handed or at best a family affairs. There are however few cases of partnership and geniune limited liabity companies. It is note worthy that of all private clinics and hospital that responded to the questionnaire except two were owned by doctors. One by a doctor and businessmen as partners and the other solely owned by a businessman. While all the limited liability companies were owned by doctors. Majority of clinic owner are satisfied with the sole proprietorship structure and have no plans of changing to any other form of structure. Some however, want to move from sole ownership to partnership or limited liability company i.e to involve more investors. All respondents are of the opinion that, for the private medical clinics to adequately cater for their new responsibility of providing primary, secondary and tertiary health care services, there is need for additional funding in equipment and infrastructure. This amount of money, it was agreed that it can not be raised by individuals or small group of friends. So there is need for a more formidable source of finance.*

TABLE 3

OWNERSHIP STRUCTURE OF PRIVATE CLINICS IN THE NORTHERN STATES.

TYPE OF STRUCTURE	*No*	*%*	*CLINIC THAT WANTS TO CHANGE OWNERSHIP STRUCTURE*	*%*	*REMARK*
Sole-proprietor ship	*19*	*59%*	*6*	*31%*	
Partnership	*8*	*25%*	*3*	*37.5%*	
Limited Liability Companies.	*5*	*15%*	*1*	*20%*	
TOTAL	*32*	*100 %*	*10*		

All Limited Liability Companies are 100% family-owned.

3.5 **SOURCE OF FINANCE.**

As is common with the small scale businesses, most respondents used personal savings as their main start up capital. There are however two respondents(5.5%) that used bank loan as the sole start up capital, others gave their sources as combinations of gift from their families, interest free loan and personal savings. Only one clinic used equity share of a private limited liability company as a start up capital. The funds referred to as personal saving may not necessarily be money deposited in the bank, but all that is in the possession of the enterpreneur when he decided to start private clinics. These possessions may include cash, inherited property like buildings or plots and personal relationship of the enterpreneur with his potential clients. However, the relationship with the Community cannot be quantified in monetary terms. Funds for running clinics are commonly obtained from the revenue collected by the clinics during the previous month's activities. Credit purchase and bank overdraft, and short term loans are frequently used. (Table4)

TABLE 4

SOURCE OF FUND FOR PRIVATE MEDICAL CLINIC IN THE NORTHERN STATES.

SOURCE	INITIAL-CAPITAL.	WORKIN. CAPITAL.	CAPITAL. FOR EXPANTION.
Personal Savings	22		
Bank Loans	8	13	4
Gifts	4		3
Equity Shares	5		1
Interest Free Loans	8	1	
Credit Purchase		14	
Revenue		30	
Retained Earnings			28
Others			2

Two clinics(5.5%) want to remain small and are therefore not looking for any funds for expansion. Many more share the same view without voicing it our. However, they have problem in concluding whether such decision is the best to take. Staying small is not the same as remaining stagnant. Some funds are therefore require to implement innovation which is common with companies that remain small. Expansion is mainly financed by retained earnings and loans from commercial banks, or some other combinations.

Few respondents use the banks for expansion i.e. for long-term loan. Most consider banks as hostile to their demand and ignorant of their kind of business and therefore only help them when the enterpreneur has some direct ("Connection") relation to the Bank Management or Bank Directors. When you have no strong relation to the banks, the banks give unnecessary emphasis to collateral. Little attention is given to Managerial competence or evidence of past performance. (Table 5)

TABLE 5

THE MOST CRUCIAL REQUIREMENT BY THE BANK BEFORE GRANTING LOANS, RESPONDENTS OPINIONS.

REQUIREMENTS	NUMBER	%
Value of Collateral	19	53%
Managerial Competence	3	8%
"Connection"	10	28%
Evidence of P.P	4	11%
TOTAL	36	100%

Other factors that deter respondents from patronizing banks are the high interest rate and cumbersome procedure.

REASONS FOR AVOIDING COMMERCIAL BANKS

1. *Bank interest rate too high*

2. Bankers are unhelpful to small enterpreneurs and corrupt.

3. Unstable economy

4. Bureaucracy

5. The financial statement and financial forecast required by the Bank to accompany request for loan are not easy to come by for private clinics.

Almost all respondents are aware of the fact that Government has set up some special financial institution to help financing small scale business. They are however reluctant to use them for various reasons, among which are cumbersome procedures and "Unethical" demand by the Operators of the Scheme.

REASONS FOR AVOIDING SPECIALIZED BANKS. IN ORDER OF IMPORTANCE.

1. The operators think they do not need services.

2. High interest rates

3. Operators are not aware they can help private clinics

Bureaucracy and stringent security requirement.

5. The economy is unstable which make loans very risky

6. The banks do not have adequate understanding of the private clinic financial requirements.

Despite all these borrowing obstacles, few private clinics use banks, mostly as overdraft facility or short-term self liquidating loans.

3.6 CONTRIBUTION OF PRIVATE MEDICAL PRACTICE

The Press and Government of Nigeria hardly see or report any positive contribution of the private medical practice. This is clear in their reports and seminar papers where they only emphasis on the negative virtue of the sub-sector.

It is pertinent to note that the private medical practitioners and the various Governments and partners in progress in delivering health care to the Nigerian population. Private medical clinics are numerous compared with the Public hospital and therefore are scattered all over the cities, hence they bring medical services closer to the people. (Table 6)

The services of Private Hospitals are customized. Opening *hours and facilities provided gives the patient a choice of where and how to obtain medical help. Private clinics provide alternative source of modern orthodox medical service. Patients enjoy shortened appointment and also have an avenue for second opinion.*

TABLE 6

COMPARISON OF PUBLIC HOSPITAL AND PRIVATE HOSPITALS IN SOME SELECTED CITIES IN NORTHERN STATES, IN TERMS OF NUMBERS.

CITIES	*NO. OF HOSPITALS/CLINICS*	
	PUBLIC	*PRIVATE*
KANO	*7*	*73*
KADUNA	*5*	*86*
MAIDUGURI	*5*	*15*

The private medical clinics also provide employment to Nigerians, especially Nurses and semi-skilled workers like

Ward Attendants, General Cleaners etc. Doctors find in private practice not only employment but an avenue for self-actualization as owner-managers of their own hospitals or clinics. It also provide alternative to those that will otherwise go abroad in search for greener posture. Private medical practice may in most cases improve the standard of living of health care workers, by providing better remuneration and other facilities. With the present economic condition of the country, the private medical practice provides an avenue for competitive health care service to the benefit of the patients who can now choose from the different clinics available. The eminent competion has guided the Private Medical Practitioners to come under one umbrella and try to standardize the fees charged by private medical services in order to build an image for themselves, as oppose the previous situation when hospital owners could charge fees as they please. Private Medical Practice also provide an investment opportunity for investors and enterpreneur to the health sub-sector with a market as large as the population of the Nation.

3.6 FINANCIAL PROBLEMS OF PRIVATE CLINICS

Like other businesses with ownership structures, size, number of employee and capital out-lay similar to Private Medical Practice of today, the financial problem is not unconnected with the general managerial problem. Most managers are deficient in economics and management skills. In most instances they are forced to start private clinic by reasons other than its viability as a business. These young brilliant Doctors, as most of them are, came to appreciate financial problem well after they are started operations with their little savings. They soon found out they need a lot more than their savings to purge ahead. They now need funds but have no idea as to how to get about approaching banks or other financial institutions. When they finally get to a bank, they are ill-prepared for the questions that are obvious from the bank manager. Like How much do you want, how do you intend to pay, what securities can you offer and most of all, the financial statement of the business and cash flow forecast in the next two or three years. By the time they go through *this, they have become frustrated and easily conclude they don't need the bank. They are therefore left with whatever funds available to them.They see collateral as the most initial requirement by the banks in order to advance loans. (58%). While others (28%) think you need some sort of connection with the bank manager or other top ranking officers or directors to be able to obtain loans from banks. Some, (about 8%) have discovered that good managerial skills or evidence of past performance in terms of financial statement could earn them financial support from the banks. Other reasons for advanced financial difficulties include poor uderstanding of the peculiarities of their type of business by financial institutions; lack of Government incentives in terms of special concessionaire lending rates. Company/Peoples' reluctance towards paying medical bills also contribute to the financial difficulties of private medical clinics. Specialized financial institutions set by Government to see to small scale financial problems do not include private medical practice as part of their domain, or at least so does over seventy (70%) percent of respondents claimed.*

CHAPTER 4.

SUMMARY, CONCLUSION AND RECOMMENDATIONS.

4.1 Summary 79

4.2 Conclusion 81

4.3 Recommendation 83

4.4 Recommendation for futher studies 85

CHAPTER 4

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

4.1 SUMMARY

Owners of private medical clinics in the Northern States are predominantly doctors who prefer to operate sole proprietorship business. There are few partnership and even fewer private limited companies. Most of the partners are either close friends or members of a family.

This pattern of ownership is predominant today as it was three decades ago. It has therefore affected the growth of the private medical sub-sector in terms of size and complexity, and has encouraged the establishment of numerous clinics. Some of these clinics are inadequately patronized, while others see more patients than is reasonable. e.g. in a town where hospital with two doctors and compliments of other staff claim that they see only an average of three patients a week another clinic with eithght doctor. and supporting staff see up to one thousand five hundred patients a week. This *situation also explains the management difficulties ofprivate clinics, especially financial management. Their sources of finance are limited to personal savings, retained earnings, bank overdraft or short-term loan. Very few private clinics have used the banks for any major expansion, and none in the Northern states has made it to the stock exchange, even if it were the second-tier market category.Financial institution created by the Government to help small business like the Nigerian Bank For Commerce and Industries and Nigerian Economic Reconstruction Fund have totally neglected the private clinics. Most clinic owner deliberately avoid using them, and others claim ignorance of their existence.There is a general consensus on the need for more aggressive financing approach for private clinics. This should be in form of group practice among doctors and other health professionals. This is expected to pool both financial and human resources together in order to stablish hospitals and clinics for the future, where all professionals will benefit from the fruit of their labour, and the community will enjoy* *qualitative medical service at a reasonable cost.*

The Government, due to its early prejudice on the motives of private medical practice have deliberately ignored this sector. No special mention of private medical practice in Nigerian Enterprises Promotion Decree, 1977 which became the Indigenisation Act of 1979 (1).

Finally, a lot can be done to improve the funding of private medical care in the Northern tates.

4.2 CONCLUSION

We have establish the primitive ownership structure currently practiced by private medical clinic owners. We have also seen the extent to which these clinics' owners are opposed to change in the ownership structure. There is no doubt however, the current ownership structure can not support the current trend of development in private medical practices where expensive state of the art equipment, and the availability of specialist in various field is synonymous with good medical services. Furthermore, other health workers, *are re-evaluating the wisdom of working for doctors rather than setting-up their own units ad professional entity.The pharmacist for example will rather open his pharmaceutical chemist than work in a private hospital (only 2 out of the 36 respondents have pharmacist in their employment). The laboratory scientists are also on their own and soon nurses will establish independent Nursing homes. This is not a healthy development in health care delivery. Thus, the professional should see themselves as partners in progress. In other words, there should be a deliberate policy to forge the medical professionals into units before they can be registered to operate as Private Clinics or Hospitals.*

There is an increased demand for a reliable and qualitative Private Medical Service due to the deterioration of the public and teaching hospitals in the country. To satisfy these demand, future Private Medical Clinics must have a proper management structure that will allow medical professionals to practice their trade free from administrative burden. The funding of the hospitals or clinics should not be *limited to sole proprietorship but a balance financial mix to adequately support innovation and expansions of the practice.*

4.3 RECOMMENDATION

No government in the World today can completely provide "free" medical care for its teeming population. It is therefore mandatory of the Nigerian National Health Policy to include Private Medical Service as a major component of its National Health Policy and Plan.

The policy must encourage the establishment of well throughout and funded private medical service that can provide decent service to the community. Private medical clinics and hospital must be seen to have full compliment of various professionals required for a basic clinic or hospital to function. Private Practitioners should be encouraged to go into primary Health Care Service in addition to the areas they already cover.Government should direct the existing specialized financial istitutions such as Nigerian Bank for

Commerce and Industry to give some attention to financing of private medical services. The interest rates to be charged on loans to the health care services should be as low as the other rates on priority sectors. The banks should also be compelled to perform one of their primary functions of advising their clients with respect to the judicious uses of funds borrowed.

Doctors should be taught some management and financial instructions as well as have some insight into economic theories early in their training in order to modify their attitude towards ownership of business. They should be made to appreciate that they can lead a more fulfilling life as doctors if they worry less about hospital ownership and also leave hospital management to the professional managers. While they concentrate on clinical work. Doctors that want to manage hospitals should give-up clinical work and acquire relevant skills in management, thus function as full-time managers.

Enterprenuers should not shy away from funding private medical practice. They should however appreciate the special

intricacies in private Health Care Services. There is a need to study more closely ways of making Private Practice more profitable as a business. The press and the General Public should be educated about the cost of providing Private Health Care. This should go along way in changing the attitude of individuals and corporate bodies in paying for Health Services rendered. Banks should organize seminars or establish a forum where enterprenuers and professionals in medical services can interact and see how they can come together to establish a business. This forum will also serve as a channel for bank to make their requirement for participation in financing Private Medical Services known.

4.4 RECOMMENDATIONS FOR FURTHER STUDY

The problems of Private Medical Care in the Northern States are enormous based on the complain echoed by both the providers and the clients of this crucial and important service. This project on funding of Private Medical Practice in Urban

Areas of the Northern States is by no means exhaustive. There is need for further look into some of the issues raised by this project in detail,e.g.:-

1) Why are enterpreneurs shying away from venturing into Private Medical Clinic leaving doctors to account for over 90% of clinic owners?

2) Can Private Medical clinics generate revenue other than from patients fees?

3) Why are the Private Clinics not interested in providing purely primary Health Care services in the Urban Areas? e.t.c.

Assessment of the whole subsector in terms of its profitability is also essential.

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RESEARCH PROJECT QUESTIONAIRE ON CURRENT PRACTICE OF FINANCING PRIVATE MEDICAL CLINIC IN URBAN CENTRES IN NORTHERN STATES.

Sir,

I would be very grateful if you could supply the information needed below by filling the blank spaces or ticking the appropriate boxes which apply. I sincerely assure you that all the information collected will be used strictly for academic purposes and therefore will be kept strictly confidential.

A. GENERAL INFORMATION

1. YEAR OF ESTABLISHMENT:................................

2. TYPE OF CLINICS

PRIMARY HEALTH CARE CLINIC [ ]

GENERAL SECONDRY MEDICAL CARE CLINIC [ ]

SPECIALIST CLINIC. (Please Specify The Speciality):......................... [ ]

3. AVERAGE BED SPACE

LESS THAN TEN BEDS [ ]

10 - 20 BED [ ]

21 - 30 " [ ]

31 - 40 " [ ]

41 - 50 " [ ]

51 AND ABOVE BEDS [ ]

4. BED OCCUPANCY RATE

BELOW 20% [ ]

21% - 40% [ ]

41% - 60% ☐

61% AND ABOVE ☐

5. AVERAGE OUT-PATIENT ATTENDANCE PER WEEK:............

6. STAFF DISTRIBUTION

~~DOCTORS~~ ....

PHARMACISTS ....

NURSES ....

LABORATORY TECHNOLOGISTS/SCIENTIST..............

OTHERS (SPECIFY)

---

7. CLINIC BUILDING IS

HIRED ☐

OWNED ☐

TYPE OF OWNERSHIP

8. SOLE PROPRIETORSHIP ☐

9. PARTNERSHIP ☐

Under Remark Column Write P If the Partner Participate in running the clinic.

PARTNER	PROFESSION	% HOLDING	REMARK
1.			
2.			
3.			
4.			
5.			
6.			
7.			

P= PARTICIPATE IN RUNNING OF THE CLINIC.

10. PRIVATE LIMITED LIABILITY COMPANY [ ]

MAJOR CONTRIBUTORS	PROPORTION CONTRIBUTED IN %
FAMILY	
FRIENDS	
OTHERS	

11. ANY PLAN FOR CHANGING THE PRESENT OWNERSHIP STRUCTURE OF THE CLINIC? YES/NO

12. IF YOUR ANSWER TO QUESTION 11 IS "YES" TO WHAT STRUCTURE?

. WHAT WAS YOUR SOURCE OF INTIAL CAPITAL?

13. PERSONAL SAVINGS [ ]

14. CONTRIBUTION FROM FRIENDS AS

GIFT [ ] INTEREST FREE LOAN [ ]

INTEREST IN THE BUSINESS [ ]

15. CONTRIBUTION FROM FAMILY AS

GIFT [ ] INTEREST FREE LOAN [ ]

INTEREST IN THE BUSINESS [ ]

16. OTHERS (PLEASE SPECIFY) --------------------------

. SOURCE OF OPERATING CAPITAL

17. PURCHASE OF MATERIALS ON CREDIT [ ]

18. REVENUE FROM PRIVATE PATIENTS [ ] COMPANY PATIENTS [ ]

1° WHAT PERCENTAGE OF YOUR REVENUE IS ON CREDIT BASIS?..................................

20. BANKS

OVERDRAFT [ ] SHORT-TERM LOAN [ ] MEDIUM-TERM LOAN [ ]

21. IF YOU DO NOT USE BANK FACILITIES, BRIEFLY STATE YOUR

REASONS---

----

22. WHAT, IN YOUR OPINION, IS THE MOST CRUCIAL REQUIREMENT

BY THE BANK?

VALUE OF YOUR COLLATERALS [ ]

MANAGERIAL COMPETENCE [ ]

"CONNECTIONS" IN THE BANK [ ]

EVIDENCE OF PAST PERFORMANCE [ ]

23. FUNDS FROM OTHER SOURCES (SPECIFY E.G. FUNDS FROM SOME

OF YOUR OTHER BUSINESSES) [ ]

E. <u>SOURCE OF FUNDS FOR FINANCING EXPANSIONS</u>

24. RETAINED EARNINGS [ ]

25. LOAN FROM INSURANCE [ ]

26. LOAN FROM FRIENDS [ ]

27. LOAN FROM FAMILY [ ]

28. CALL FOR MORE FUNDS FROM SHAREHOLDERS [ ]

29. SALE OF SHARE TO NEW INVESTORS [ ]

30. OTHERS PLEASE SPECIFY....................

F. <u>ARE YOU AWARE OF THE FOLLOWING SPECIALISED FINANCE INSTITUTIONS?</u>

31. NIGERIAN BANK FOR COMMERCE AND INDUSTRIES . YES/NO

32. SMALL SCALE INDUSTRIAL CREDIT SCHEME. YES/NO

33. NATIONAL ECONOMIC RECONSTRUCTION FUND YES/NO

34. NATIONAL DIRECTORATE FOR EMPLOYMENT (N.D.E.) YES/NO

35. PEOPLES' BANKS YES/NO

36. COMMUNITY BANK YES/NO

37. HAVE YOU EVER USED ANY OF THE SPECIALISED FINANCIAL INSTITUTIONS LISTED ABOVE YES/NO

38. IF YOUR ANSWER TO QUESTION 34 ABOVE IS "YES" STATE WHICH ONES.

AND BRIEFLY STATE YOUR DIFFICULTIES.

39. IF YOUR ANSWER TO QUESTION 34 IS "NO" BRIEFLY STATE YOUR REASONS

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RESEARCH PROJECT QUESTIONAIRE ON CURRENT PRACTICE OF FINANCING PRIVATE MEDICAL CLINIC IN URBAN CENTRES IN NORTHERN STATES.

Sir,

I would be very grateful if you could supply the information needed below by filling the blank spaces for ticking the apprppriate boxes which apply. I sincerely assure you that all the information collected will be used strictly for academic purposes and therefore will be kept strictly confidential.

DISBURSEMENT TO PRIVATE CLINICS.

1. How many request did you receive from Private Medical Clinic for all types of funding in the last 3 years?

   4

2. How many of the requests out of those above were able to fulfil your requirement?

   2

3. What are the reason the failure of the rest?

   a) Lack of valuable collaterals. ✓

   b) The enterprenuer is not adequeately known to the bank manager.

   c) The firm has no adequate financial records. ✓

   d) Poor feasibility report. ✓

   e) Others (Please Specify)

   Some were on conditions

   Inadequate experience of the proprietors

4. Does your bank consider Private Medical Practice a viable Venture?

YES/~~NO~~

Please give reason for your answer.

1: Govt could no longer afford to cate for all the Citizens.

2: There has been substantial increase in sicknesses resulting from the social, political and economic hardship.

5. Do you have any special program for funding Private Medical Practice?

~~YES~~/NO