The GB-ROSCA Hybrid Microfinance Model: A Strategy for Small-Scale Development Projects in Nigeria

By

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Abstract

Funds availability has always been a major constraint to micro and small business development projects in many Asian and Latin American countries, and more so for all African countries. An assortment of various credit models has been devised and used over time by policy makers in these countries to bridge the gap between the supply and demand of small business funds. Each of these earlier credit models failed to solve the problem owing to endemic corruption in the system, such as kickbacks, heavy repayment default, over-dependency on subsidies, high transaction costs, etc**.** In recent times, novel models of credit supply have also evolved to benefit millions of micro and small business operators, and the Bangladeshi Grameen Bank (GB) model is the foremost in this regard. This thesis reviews the existing literature on these new generations of credit supply programs pioneered by Bangladeshi GB strategy and highlights the importance of micro-savings in development. The thesis also examines the Revolving Savings and Credit Association (ROSCA) systems world-wide, modelled on the GB's credit supply approaches by the non-governmental organisations (NGOs) in both developed and developing countries, and comes to the view that savings first before disbursement begins is the more effective pathway to help the poor.

The key innovation in the study is the integration of the features of the GB and ROSCA systems, whereby the savings potentials of ROSCA approach and the credit disbursement mechanisms of GB programs are combined to raise your own capital to fund micro and small projects development, which is good. This would require initiating savings first before disbursement can begin amongst the customers of the government intervention programs. This not only benefit several millions micro and small business operators, but will also highlights the importance of gradual safe savings to commence one's own self-development projects without the hardship or distress of the selling of one's own small assets.

The model's applicability has been empirically tested in Nigeria among the managers and beneficiaries of the federal government aid programs. Firstly this research investigates the key achievements and successes as well as the key weaknesses and failures of the Nigerian antipoverty job creation programs since the mid-1980s. This is done by using the principal stakeholders of the Small-Scale Enterprises (SSE) program in the National Directorate of Employment (NDE) as a case study. Secondly, given that the failures of the various antipoverty programs and projects ever implemented in Nigeria have been attributed to lack

of funds (or loan guarantor), breaching of promises, acceptable collateral, delays in loan disbursement, high default rates, corruption in the system, kickbacks, and rent sharing, the research further examines whether the integration of the Nigerian ROSCAs' method of raising small credit for their members on the one hand, and the GB's mechanism of purveying credit to their members on the other, would be an effective pathway to create jobs and reduce poverty in Nigeria.

The issues of the integrated model (GB-ROSCA) in the study have been extensively studied in the Nigerian context. This involved the development of research instruments for study participants, their administration and collection, their analysis and the developing of a new funding model. After analysing the returned survey questionnaires from the participants (30 program managers, 31 program full beneficiaries, and 29 program partial beneficiaries), 100% managers, 96% full beneficiaries, and 65.6% partial beneficiaries would want the SSE program reformed along the lines of the integrated GB-ROSCA model. Furthermore, 90% program managers, 83.9% program full beneficiaries, and 86.2% program partial beneficiaries would want the newly devised methodological model (GB-ROSCA) incorporated into the SSE program. Eighty of 80% managers, 80.6% program full beneficiaries, and 75.9% program partial beneficiaries further asserted that members of such a model should be held jointly accountable for the repayment of any loans sanctioned to anyone of theirs.

The thesis also acknowledges the problems that could be encountered in operating the GB-ROSCA model, particularly in a country like Nigeria, and proposes methods and solutions to forestall and overcome them. Finally, the thesis offers detailed suggestions for further research into the model in Nigeria.

Thus by developing methods which seek to explore and evaluate the opinions of the major stakeholders of the government intervention programs, and, in the process, changing the attitudes and the mentality of over-dependency on intervention aid programs, this research not only makes a positive contribution to knowledge: it also has significance in the development of untapped human, organisational, and institutional resources which, when mobilised and linked, have practical implications for jobs creation opportunities and financial market policies in Nigeria and elsewhere.

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List of Acronyms and Glossary

Acronyms

ASA	Association for Social Advancement
ASCA	Accumulating Savings and Credit Association
BAAC	Bank of Agriculture and Agricultural Cooperatives of Thailand
BRAC	Bangladesh Rural Action Committee
CBN	Central Bank of Nigeria
CGAP	Consultative Group to Assist the Poorest of the World Bank
CIA	Central Intelligence Agency of the USA
FINCA	Foundation for International Community Assistance
GB	Grameen Bank (rural bank for the poor in Bangladesh)
GFF	Good Faith Funds Program of Arkansas of the USA
MFI	Microfinance Institution/Institutions
NARCB	Nigerian Agricultural and Rural Cooperative Bank
NDE	National Directorate of Employment
NYSC	National Youth Service Corps
RFI/s	Rural Financial Institution/Institutions
ROSCA	Rotating Savings and Credit Accumulation Association
SSB	Stabilized Soil Bricks
SSE	Small-Scale Enterprises
SMEs	Small and Medium Enterprises
SYOB	Start-Your-Own Business
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programmes
UNIFEM	United Nations Microfinance Fund for Women

Glossary

Financial System Approach	The building of sustainable microfinance institutions that have the capacity to purvey financial services to those economically active poor who are currently not served or under-served with a view to broadening outreach
Financially Sustainable Program	Same meaning as given above
Flagships	The vanguards (leaders) of the poverty lending system
GB-ROSCA Hybrid Microfinance Model	That model obtained by combining or mixing the mechanisms of the Grameen Bank's joint liability group lending practice with that of the Rotating Savings and Credit Association self-help pool technology to obtain a hybrid microfinance

Group/Peer Lending	Lending methodology or philosophy based on allowing poor individuals in group solidarity settings to borrow small uncollateralised loans with other co-group members acting as guarantors for their repayment; (in other words, solidarity groups effectively become recognised as perfect substitutes for individualised guarantors for lending purposes)
Institutionists	Advocates/proponents of building financially self-sustainable microfinance institutions
Evolving jury	Denotes that situation that group members self-select themselves under an imperfect informational environment and rally round to aid and support any of theirs who becomes a victim of unavoidable economic shocks, but also render harsh judgement of expulsion upon those likely to have misallocated their borrowed uncollateralised capital
Microbusiness/Microenterprise	Income-generating small economic activity undertaken by the poor.
Microfinance	A small-scale transaction in credit or savings or insurance whose primary purpose is to extend instructional financial services to those who are currently excluded due to the lack of unacceptable assets
Microloan/Microcredit	A small or tiny amount of loan or credit extended to the poor or those who are marginalised, but economically active
Microsavings	Small/tiny amount of money set aside as a savings deposit
Outreach	An attempt to actively seek out and interact with the poor clients within a given population; in this case all those who belong to the low-income groups, and are unable to access institutional finance services
Poverty Lending System	Purveying microcredit to the poorest of the poor (particularly women in family household settings or refugees or disaster victims) for self-development enterprises even if the full costs of such programs are not recovered
Self-help Group	Informal organisation whose members voluntarily agreed to come together to form an

	association for reciprocal financial assistance and mutual support for one another
Unit Desa	The village-level branches of the Indonesian government commercial bank (locally called the Bank Rakyat Indonesia) which provide opportunity for the people of low-income class to easily save and borrow money
Welfarists/Welfare Economists	Advocates/proponents of the poverty lending system appeal who argue that funds should be readily made available on a generous concessional terms to those institutions engaged in providing credits to the poorest of the poor

Declaration of Originality

This thesis is submitted in accordance with the regulations for the Professional Doctorate in Business Administration (DBA) of Victoria University, Melbourne, Australia. It reports the research undertaken in the School of Applied Economics and Finance, Faculty of Business and Law at Victoria University between 2004 and 2008.

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or institution, and to the best of my knowledge, contains no material previously published or written by another person, except where otherwise indicated and acknowledged in the text of this thesis.

Signature: ---------------------------- **Date:** -------------------------------------

Ogunedo Basil Nwosu 9 December 2008

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Chapter One

Introduction and Background Information

1.1 Introduction

The current approach to finance in Nigeria imposes constraints on the capacity of the poverty alleviation programs to expand and create more employment opportunities. It is the view of this research that these programs are not achieving their desired objectives, partly due to the lack of active involvement of the people targeted. Most programs were either irrelevant or urban structured or were designed with the inadequate knowledge of who are the poor and understanding the needs of the poor in the Nigerian context (Akanji 2002). The theme of the research, therefore, is an investigation of a microfinance model that can be of relevance and adaptable to Nigerian conditions for job creation and poverty reduction.

Developed from the combined principles and practices of the Bangladeshi Grameen Bank (GB) group-based, micro-lending with joint liability strategy, and the common pooled micro-savings (or micro-contributions) of the Nigerian group-based, self-help Rotating Savings and Credit Association (ROSCA) approach to produce hybrid microfinance, the resulting hybrid microfinance model can be incorporated effectively into the Small-Scale Enterprises (SSE) program of the National Directory of Employment (NDE) to enhance its loans scheme. Based on the data inputs obtained from the major stakeholders of the SSE program (managers and beneficiaries) and the extensive review of several successful and unsuccessful microfinance programs established along the lines of the GB's group-based, micro-lending innovation and the Nigerian traditional ROSCA system, the hybrid microfinance models determined in the research need to be field tested to fully determine their sensitivity and practicability among the SSE trainees. Thus the overall study producing the models was not only based on an extensive review of microfinance development literature, but also relied heavily on the questionnaire data inputs obtained from the study participants (who constitute the principal actors of the Nigerian SSE intervention program), and a dialogue conducted with some practitioners and professionals in the area.

In an attempt to stimulate the Nigerian economy and achieve the goals of employment creation and poverty reduction, every successive government since the mid-1980s has implemented several programs. Of these programs, the few listed below with microcredit schemes had popular and universal appeal to all Nigerians at the time of their inauguration. These federally initiated microcredit schemes targeted towards specific groups of the Nigerian population are:

- the National Directorate of Employment (NDE) – made up of Youth Vocational Skills Development (VSD), Graduate Small-Scale Enterprises (SSE), Agricultural Sector Employment (ASE), and Special Public Works (SPW) programs (1987) – all of which are still ongoing as at the time of the research
- the Agricultural Development Program (ADP)
- the Better Life for Rural Dwellers (later renamed Family Support Program 1987–1990)
- the Directorate of Food, Roads, and Rural Infrastructure (DFRRI 1986–1999)
- the People's Bank of Nigeria (PBN 1987–1990)
- the Community Bank (1990), still ongoing
- the Agricultural Credit and Guarantee Scheme (ACGS), which has been in existence since 1977
- the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB)
- The Nigerian Central Bank's direct policy instructions to commercial banks for improved lending to small-scale industries (Soyode 1990; Akanji 2002; Ogwumike 2002; Carpenter 2001).

While nearly all the programs named above were wholly initiated and financed by the Nigerian federal government in collaboration with the state and local authorities, others were initiated either by the federal or state government but financially sponsored by development partners such as the United Nations Development Programmes (UNDP), International Labour Organization (ILO), and foreign companies operating in the country, particularly in the crude oil-rich areas (Akanji 2002, Okojie 2003; CASSAD 1999). Yet others were wholly initiated and financially sponsored by development partners, but only through the local non-governmental organisations (NGOS). These local NGOs included Lift Above Poverty Organisation (LAPO), Civil Liberty Organisation (CLO), and National United Self-Help Organisation (NUSO – Alter et al. 2002). These efforts, through several approaches that have been advocated and tried, have not yielded any appreciable success, or at best, have only achieved marginal benefits (Carpenter 2001; Akanji 2002; Akinbobola and Saibu 2004). These advocated and tried approaches include those that have microloan and rural-based bias schemes for specific target groups of the Nigerian population (Akinbobola and Saibu 2004). But none has ever achieved much in terms of the intended objectives. The SSE program of the NDE organisation outlined in detail below is a case in point.

1.1.1 SSE program goals

Targeted predominantly towards tertiary graduates, the SSE program's specific goals are:

- to inspire and encourage unemployed tertiary graduates to take up self-employment in lieu of white-collar, waged jobs
- to help them develop their inspirational business ideas through skills acquisition and business management training
- to supplement the acquired skills and knowledge with start-up loans to enable some of the trainees to commence self-employment (but they must surrender their original academic certificates as collateral assets) and as entrepreneurs
- to create jobs for other unemployed persons (Ofong 1990; NDE 2000).

1.1.2 Statements of the problem

Surveys still point to high unemployment rates among Nigerian tertiary graduates, estimated to be around 24.9% in 2002 in a situation where the overall national rates were on the downward trend estimated at around 4% in 2000 and 3.8% in 2001 (Management Systems International – MSI 2003). The graduate unemployment rate was 18.4% nationally in 1996, but this rose to 20.9% in 1997 (Obadan and Odusola 2000). By contrast, the overall national rates during the same periods decreased substantially, estimated at 3.4% and 4.5% in 1996 and 1997 respectively (Obadan and Odusola 2000 – See Table 1.1). Based on the above data analysis, it is clear that the graduate employment program (SSE) has not been effective in generating jobs for its target clientele and at ultimately reducing poverty, which was put at 77.2% in the north-western parts of the country, and 71% for the rural areas (Federal Office of Statistics – FOS 1999 cited in Agbobli and Garba 2007). While this investigation takes cognisance of the additional 1.5 million fresh tertiary graduates that join the Nigerian workforce every year (Diejomaoh 1990; Umo 1990), and the annual population growth of

2.8% in the 1980s and 1990s (Akinbobola and Saibu 2004), evidence presented in Table 1.1 still suggests that the SSE program has not been effective in generating employment for its target group. This would also mean that the program has failed to reduce the overall national poverty rate estimated at 74.2% in 1999 (Akanji 2002; Ogwumike 2002; Obadan 2001), even though it dropped slightly in 2007 to around 70% (CIA 2007) as opposed to the 28.1% it was in 1980 (Obadan 2001; Obadan and Odusola 2000). The inadequate funding constraint has been largely blamed for the poor performance of the graduate program (Ogwumike 2002, Obadan 2001, and Akanji 2002). But there could be more problems other than the funding issue that has been widely reported. This could be so because the funding constraint was known to exist in 1987 when the NDE organisation opened its doors to the public for business. For instance, there were acrimonious demonstrations carried out by the SSE program trainees at the premises of the newly established NDE organisation in 1987/88 for the delays in payment of their overdue loans and other allowances (Ofong 1990). Some contractors of government projects have also complained of difficulties in getting prompt payment of their monies sourced from personal savings or financial institutions upon the completion of the contracts (Onabolu 2003). Clearly the SSE program was not well-resourced financially from the very beginning, and without adequate and regular funding of the program (SSE) and others targeted on the poor, they cannot be expected to generate jobs and reduce poverty, other things remaining constant.

Table 1.1 Nation-wide unemployment rates 1985-1998

Year	**National average rates were around 2%* in the 1960s and 4.5% in the 1970s.**	**National average rates among tertiary graduates in the 1960s and 1970s were almost non-existent.**		
		Graduate unemployment (% est.)	Urban rate (% est.)	Rural rate (% est.)
1985	8.4*	5.4**	4.6**	.0.8**
1986	7.8*	–	–	–
1987	7.4*	10*	–	–
1992	3.5**	4.9**	–	–
1993	2.7**	4.0**	7.6**	3.4**
1994	2.0**	4.8**	4.7**	14.9**
1995	1.8**	5.8**	5.2**	8.5**
1996	3.4**	18.4**	18.6**	18.3**
1997	4.5**	20.9**	21.5**	20.8**
1998	3.4*	–	–	–

Compiled from diverse sources: *Federal Office of Statistics (FOS), Labour Force Sample Surveys 1985, 1987, and 1999; *JU Umo (1990); **MI Obadan and FO Odusola (2000, p.14); **CC Mmereole (1988); **VP Diejomaoh (1990, p.27); **AE Okorafor (1990, p.66); **TO Akinbobola and MO Saibu (2004, p.178); **MSI (2003). Explanation of symbols used: * denotes official government source data; and ** denotes unofficial private research source data.

That the resource endowment for the execution of government intervention programs and projects was not made available on time, or was only made available in trickles, suggests the ineffectiveness of these programs and projects initiated and sponsored by the Nigerian federal government. This raises a couple of fundamental research questions for this enquiry:

(1) What have been the key achievements and successes, and the key failures and weaknesses of the SSE program?

(2) Will the GB-ROSCA hybrid microfinance create more self-employed enterprises in Nigeria?

This research is an exploratory one with some descriptive elements. There were no hypotheses tested. Instead, the study was guided by three specific objectives outlined below.

1.1.3 Specific research objectives

With some questionnaires administered to the study participants (SSE program managers and program beneficiaries), three specific research objectives addressed in the enquiry are:

(i) to evaluate the key achievements and successes, and the key failures and weaknesses of the SSE program based on the opinions of the study participants who constitute its major stakeholders

(ii) to determine to what extent the SSE program funding deficiency can be rectified along the lines of GB-ROSCA hybrid microfinance characteristics based on the opinions of program managers and reflective attitudes of the program recipients

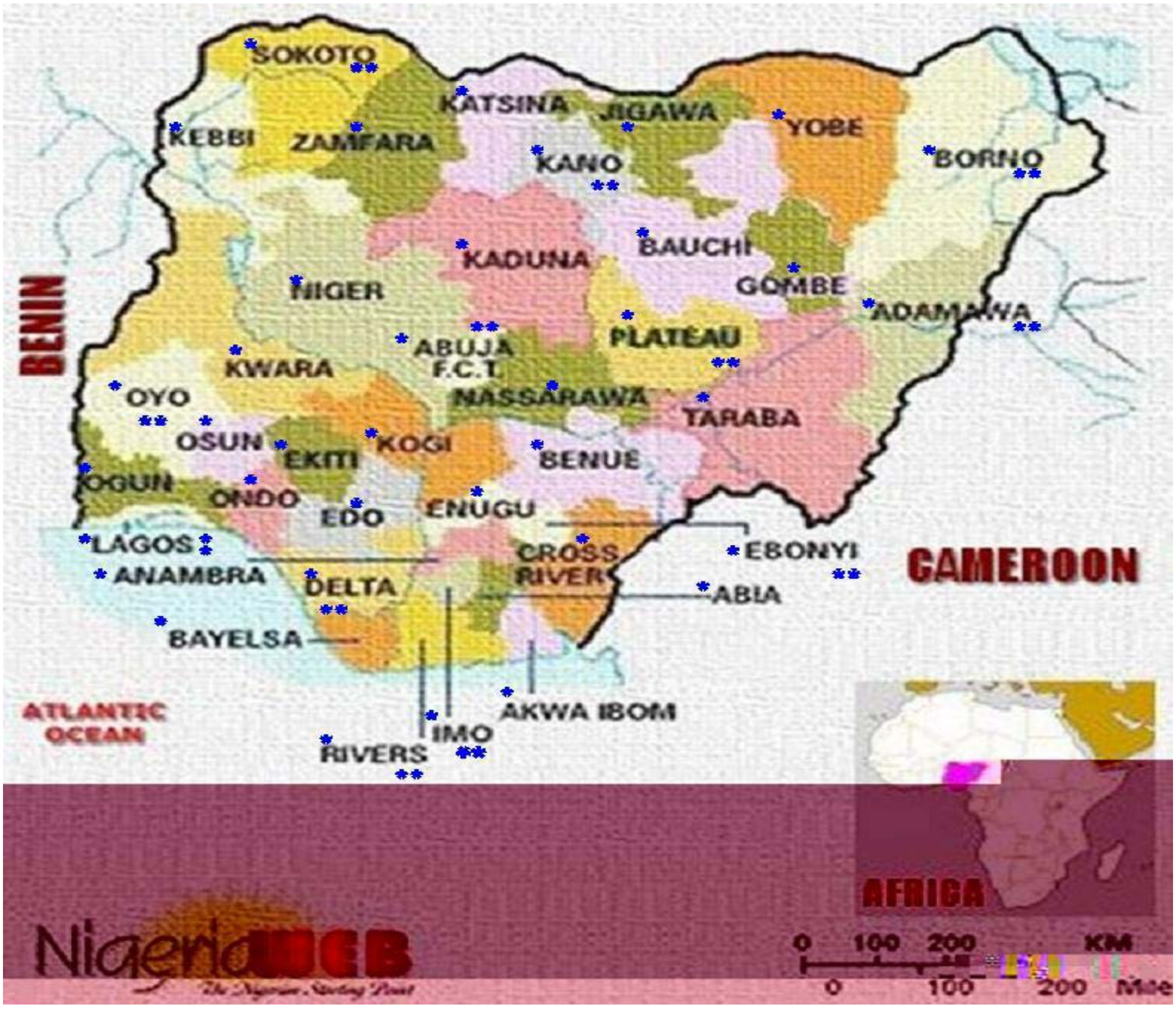
(iii) to design a new program which incorporates the features of GB's joint liability credit system and ROSCA's individual pooled savings approach.

Employment is an important component of development policy that no government can afford to ignore. The SSE program of the NDE organisation was partly chosen in this regard. It was also chosen over other major intervention programs of NDE (VSD, ASE, and SPW) because of its employment generation potential. It is believed that by harnessing the entrepreneurial talents of the newly graduated tertiary students for the productive gains and benefits of Nigerian society, it will put the country on the path of development, which if untapped, could remain latent.

1.1.4 Area of study

As a follow up to an earlier study on the problem of border crime in Nigeria (Nwosu 1985), Figure 1.1 shows the areas of the current study, that is, the SSE program administrative states. The administrative locations where the data input was acquired for the study are: Abia, Adamawa, Akwa-Ibom, Anambra, Bauchi, Bayelsa, Benue, Borno, Cross River, Delta, Ebonyi, Edo, Eketi, Enugu, Gombe, Imo, Jigawa, Kaduna, Kano, Katsina, Kebbi, Kogi, Kwara, Lagos, Nasarawa, Niger, Ogun, Ondo, Osun, Oyo, Plateau, Rivers, Sokoto, Taraba, Yobe, Zamfara, and the Abuja Federal Capital Territory (FCT).

Figure 1.1: Map of Nigeria showing the locations of the fieldwork data collection



*States where the program managers' questionnaires were administered. **States where the program beneficiaries' questionnaire were distributed. Source**: Nigeriaworld**, [Online Internet], <http://nigeriaworld.com/focus/map.html>.

1.2 Current performance of the Nigerian development programs in relation to the United Nations' Millennium Development Goals 2015

From an investment perspective, unemployment and poverty have a lot to do with the level of savings and investments in a country. The nature and extent of the distribution of the power structure in Nigeria are largely responsible for the problems of unemployment and poverty in the country (Akinbobola and Saibu 2004). It is widely believed that the inability of the ruling class to invest the looted money internally not only undermines savings and investments in the economy (Akinbobola and Saibu 2004), but also retards the economic growth that should have been the dividends of many initiatives undertaken by the government to create jobs and reduce poverty since the mid-1980s. On the contrary, these initiatives tend to benefit only a few people at the expense of the masses languishing in poverty (Akinbobola and Saibu 2004). Events and official statistics in Nigeria continue to affirm year after year the 1996 World Bank's Report on the incidence of poverty in Nigeria. Given appropriate policies (promotional and regulatory), it is believed that the rates of graduate unemployment shown in Table 1.1 could be reduced substantially. In a developing country like Nigeria, people are known to devise various coping measures and strategies to become self-employed in one type of economic activity or the other without government financial assistance (Akinbobola and Saibu 2004).

Invariably, anybody who chooses to rely on financial aid (either from the government or donor source) in Nigeria to commence a self-development project would find that it would never take off. As already stated in the introductory section, several programs implemented in Nigeria since the mid-1980s to create jobs and reduce poverty have not achieved the desired goals (Akanji 2002; Obadan 2001). As discussed in section 1.1.2, these programs are failing to achieve their main goals because of the financial constraints bedevilling them. There is no doubt that the majority of Nigerian tertiary graduates are unemployed or underemployed, and ultimately living below the poverty line as defined in the 2000/2001 World Bank Development Report. Oftentimes these programs are not achieving their objectives as a result of the rampant corruption in the system and gross mismanagement by government officials (Akinbobola and Saibu 2004; Carpenter 2001; World Bank Development Report 1996). Most of the programs and policies of each Nigerian government, for example, quickly get abandoned by the successive one, and in so doing, aggravate or exacerbate the unemployment situation (Akanji 2002; Obadan 2001; Ogwumike 2002; Akinbobola and Saibu 2004). No wonder that the 1996 World Bank Development Report regards the case of Nigerian poverty as a paradox in the midst of plenty since the country abounds with natural endowments (Ogwumike 2002; Obadan 2001).

1.2.1 Brief description of models (GB and ROSCA) influencing the design of the GB-ROSCA hybrid microfinance alternative

Both the GB and ROSCA institutions conduct operations on the same basic principles: provision of a flexible guarantee to one's neighbours (neighbours in the sense of a business partnership – Armendáriz and Morduch 2000). Mutual aid and reciprocal support are the two overriding aims of group formation in both institutions (Besley et al. 1993). While the GB institution disburses small credits to poor entrepreneurs on a joint liability contract (or social collateral) basis, ROSCAs conduct operations (pooling small savings or contributions together to lend to one another) on the basis of an individual liability contract. There is a relative ease with which to access funds in both institutions. However, it is fair to assert that flexibility of action is greater in the latter (ROSCAs). Conventional approaches to credit access by poor entrepreneurs are characterised not only by delays in the processing of application forms and disbursement of sanctioned funds but also involve many complex form-filling exercises. There is no demand for collateral assets in both programs (GB and ROSCAs); still, access to funds is much greater in the latter (ROSCAs), understandably because of common pooled funds by members. Therefore, credit access in ROSCAs is faster and more responsive to one's needs as long as one has the right level of savings or equity share commensurate with the ratio of the agreed amount sought and that one possesses a good repayment history (Rhyne and Jackelen 1991).

These two thinkers further assert that ROSCAs rely on character-based assessment, a pragmatic and flexible concept of collateral, non-collateralised lending, extremely simplified documentary requirements, disbursement of a small amount of credit or savings per transaction, extremely rapid and decentralised approvals as well as easy access by clients since all transactions take place at close proximity (Rhyne and Jackelen 1991). Although the GB institution shares some of these features, it heavily depends on external borrowing to conduct operations. Invariably, many MFIs operating now, including the ones modelled on GB's copycat models cannot meet the standards required to measure whether or not an MFI has attained financial sustainability. To meet such standards would require that MFIs maintain good financial accounts and follow recognised accounting practices that provide full disclosure of income, expenses, loan recovery, and more significantly, show potential losses incurred (Yaron 1994; Yaron and Benjamin 2002; Yaron et al. 1998; Morduch 1998b & 1999b; Zeller and Meyer 2002). Some programs modelled on the GB's joint liability approach, with additional novel ideas, in fact have performed much better than the GB programs in terms of financial independence (Morduch 1998b & 2000). This is owing to the lending methodologies employed in these new generation programs that departed fundamentally from the GB's 'credit first focus' approach to designing programs based on 'supplying the ratio of the amount sought first' before a loan or credit can begin, a high enough interest rates operation, and above all, a reduction in overall loan expenses and costs (Morduch 2000, Alter et al. 2002).

After reviewing several successful and unsuccessful microfinance programs established along the lines of the GB joint liability lending innovation in some countries, and an array of self-help financial aid and support strategies based on kinship or friendship ties, there is plenty of inferential evidence that supports the introduction of the GB-ROSCA hybrid microfinance methodological model developed in the study for Nigeria. If no other thing, at least its loan recovery strategy will be more superior to any other program ever tried in Nigeria involving government. Loan recovery rates under a group joint liability lending strategy have been found to surpass those of commercial banks in Bangladesh (Zeller and Sharma and 1999). It is believed this can only happen in Nigeria when certain conditions are met. The self-help methodological model (GB-ROSCA) developed in the study can be recognised and linked to the financial system to help check the rising unemployment trend among Nigerian tertiary and high school graduates.

This model however possesses two important prerequisites. First, it must be recognised up front that the GB-ROSCA model developed in the study is not a panacea for all poverty, but rather an important tool that the economically active poor person can exploit to get out of poverty. Jobs are created by private sector enterprises, but all private sector enterprises need savings and credit to generate jobs. Second, the model (GB-ROSCA) is an instrument for self-development, capacity building, and the building of self-reliant institutions that impress upon its members that they are not alone or helpless, but can surely count or rely on members for financial aid and reciprocal support. Also, it is important to recognise that the GB-ROSCA model is not a panacea that transforms the lives of every poor person, but it can certainly be used to transform the lives of economically active poor entrepreneurs. Hence by integrating the GB joint liability micro-lending contract system and the pooling of micro-savings or micro-contributions approach of the ROSCAs, both institutions (GB and ROSCAs) become complementary to each other. The resulting hybrid models can then be applied to the SSE program to rectify its funding or loans scheme deficiency and make it more effective in funding small business projects, ultimately creating more job opportunities. An effort made in this way (rectification of the deficiencies and shortcomings of the GB and ROSCA systems) is what has given rise to the terminology 'GB-ROSCA hybrid microfinance' used throughout the thesis. Although this is a novel idea in the study, still the models (GB-ROSCA hybrid microfinance) emerging from the enquiry need to be field tested among the larger groups of SSE major stakeholders or any other like programs of the NDE to fully determine their sensitivity and practicability in the Nigerian context. The advantages and benefits of hybrid microfinance models developed in the study are fully discussed in the next section.

1.3 The GB-ROSCA hybrid microfinance model as an improved new device in financing small development projects in Nigeria

Africa is particularly conspicuous for the proliferation of mutual aid groups or organisations with a finance component (Bouman 1995). Studies reveal that Nigerian group-based reciprocal financial support and mutual assistance are usually organised around labour groups, church organisations, and age-grades (Seibel and Damachi 1982; Shipton 1992). After studying these kinds of groups it is believed that 'informal approaches to savings involve the creation of financial structures, such as groups or associations, through which people undertake financial activities such as lending and savings' (Otero 1991). Discussed in detail below are the benefits of the developed GB-ROSCA hybrid microfinance model to Nigerians.

1.3.1 Combining of individual meagre resources to form lump sums to meet demand

Consistent with the findings of other studies (Ofong 1990; CASSAD 1999; Okojie 2003, Akanji 2002), the inadequacy of funding or lack of access to the SSE loans scheme is the greatest constraint to the operation of the SSE program. Of all constraints affecting the satisfactory performance of the SSE program, inadequate funding or lack of access to the SSE loans scheme has been ranked top of the list (i.e. the number one issue – please refer to attachments A2, B3, and B4 of Appendix I). This type of loan or reliance on government-funded programs obstructs the development of the full range of microfinance products such as flexible savings, contractual savings and other lines of credit mobilised by self-help group efforts. Access to finance, or its costs, has also been ranked the top number one problem on the list of ten constraints facing small and medium business (SMB) operators in Kenya and Uganda, and in the top number two in Tanzania, after electricity or energy (World Bank 2006). Studies in Australia (Evans 1996) and in some countries of the European Union, along with Canada and the USA, have also uncovered that accessibility to business finance was the greatest impediment to operating small and medium enterprises in each of the countries (ILO 1998).

By drawing on the innovative feature (joint liability) of the GB's joint liability programs to circumvent the requirement of posting collateral assets for borrowing funds, the developed GB-ROSCA integrated model is well positioned to tap into human, organisational, and institutional resources in Nigeria. Under the model, these resources will become fully mobilised and linked, ultimately leading to the exploitation of their full potential considered critical for creating more job opportunities and promoting income growth. However, this can only occur if the clients of the model (GB-ROSCA) agree to form groups and pool their resources, each one drawing or borrowing from the joint liability account in rotation on the basis of one's own ratio of savings or contributions into the common account. For amounts over and above what one has contributed into the common account over time, members will rally round to back (or support) such demand as long as one's financial records with the group account have no blemish. The joint liability feature of the GB-ROSCA hybrid microfinance developed thus (joint liability credit disbursement + joint liability pooling of savings) is what distinguishes the model from the ways both the GB and ROSCA systems operate individually. This is to say that the GB-styled joint liability credit disbursement out of the ROSCA joint liability savings (or voluntary contributions) account is what spectacularly marks the model (GB-ROSCA) out.

The whole process resembles purchasing something on credit in a Western society and paying it off gradually over time in instalments (Bouman 1995). Consequently, the GB-ROSCA model provides a means by which one can save to accumulate substantial credits over time with the group members' account and can, as well, borrow from it as opposed to the current conventional practice that resigns individual poor entrepreneurs to their own fate after the SSE training schemes. Unlike the existing programs that rely on government or privately sourced funds to commence a project, the GB-ROSCA model compels program participants to examine the problem (scarcity of funds) themselves and identify the possible solutions.

Having been developed partly from the data inputs obtained from the program beneficiaries towards whom the development is targeted, the model not only has the capacity to pool large sums of financial resources (monies) together for member borrowing to commence or expand small development projects, but also has the capacity to operate with financing independence. Studies have revealed that concessional programs have largely failed because of their dependence on subsidies (Seibel and Parhusip 1990). Attempts in Nigeria to create jobs and reduce poverty with these programs fail largely because of government involvement, and the expectations of their participants for government to deliver on their promises, which ultimately they cannot do.

1.3.2 Relying on mutual aid and reciprocal financial support known by tradition as a means to achieve household welfare

Some of the proponents of the poverty lending approach are now beginning to accept that microfinance is not a panacea for all poverty, but it is rather related to development challenges (Woller et al. 1999**)**. Based on the indigenous group methodology, the clients of the model will feel more familiar and comfortable with the concept that borrows from their own traditions. Some links exist in the operational mechanisms of the GB and ROSCA systems: the former (GB) having borrowed the concept of mutual aid and reciprocal financial support from the latter (ROSCA) with only the incorporation of the joint liability novelty (Armendariz and Morduch 1998; Rutherford 1998). Two benefits that can be derived from the new model are as follows: first, the benefits accruing at an individual household level and second, benefits that are accruing at the community level. There is a vast array of literature that tells us why and how the poor save. Otero (1991) has argued that many low-income people have the capacity to save and do so frequently through informal channels that have never entered into the formal financial structures of a country. This has implications for policies that promote or curtail self-help savings through solidarity groups for resource mobilisation for a country's development, and even for financial markets (Adams and Landman 1979; Vogel and Burkett 1986; Seibel and Parhusip 1990; Meyer, Khalily and Hushak 1987, and 1988).

At the household level, for instance, the GB-ROSCA model provides a means to save with one's own joint liability group funds, and have unrestricted access to such funds for small self-development projects. This would mean that the collateral asset requirement that is often used to preclude many of the economically active poor from accessing small funds to commence one type of economic activity or the other and prevent others who are in poorly-paid, waged employment from escaping from such jobs to operate their own business, will be dispensed with. Material poverty is due to the physical deprivation of goods and services and the resultant income to attain them. Due to a lack of formal credits, the poor have developed a wide variety of informal community-based financial arrangements to meet their needs (Brau and Woller 2004). However, the integrated GB-ROSCA model developed in the study may not be an ideal one for every Nigerian, particularly amongst the extreme poor who may not be able to save and maintain savings with the joint liability group funds. This is because admission of persons into any group fold is contingent upon maintaining regular savings or contributions with the group funds: a system that has been described as an adaptive evolving behaviour (Wydick 2001). Some studies that have revealed increased microcredit client dropouts (Wright 1997) serve to inform the researcher of this problem. Due to the inability of some persons to save and maintain savings with the ground funds, the model (GB-ROSCA) has drawbacks. For instance, owing to acute competition in the microfinance industry in Bangladesh, it has been reported that MFI officers were pushing too many loans to people who did not need loans or had no means to repay them, thereby resulting in clients increasingly breaching their repayment obligations and dropping out (Wright 1997), including clients of the MFIs in the East African countries (Hulme 2000b). In designing the GB-ROSCA model, the researcher takes cognisance of this problem, hence the model will be more suitable for micro and small business operators who have quicker turnovers and the educated poor who are seeking funds to develop their inspirational business ideas in Nigeria.

The benefits of the integrated model (GB-ROSCA) can also extend beyond the household level of self-employment and family welfare into the wider community by scaling-up through the MFI network. The relationships network resulting from the developed model not only promotes and accelerates the pace of development projects such as schools, rural roads, health clinics, and civic centres at the local level, but also creates jobs and job opportunities at the local level. Such network relationships, for example, could allow the model operators to integrate individual approaches and better consolidate the sharing and dissemination of human and productive resources that could include technical, traditional and cultural knowledge. Invariably, the model is destined to create more jobs and reduce poverty than the current conventional approaches. As discussed earlier, under the model, unemployed people can count on their group jury intermediated funds to commence one form of economic activity or the other. In essence, the integrated GB-ROSCA model harnesses the age-old traditional ideas and uses them in modern ways (Adams and Landman 1979).

1.3.3 Minimising waste and striving for efficiency that includes shared risks and responsibilities

The lack of personal funds or the indefinite waiting period to access government intermediated funds to commence a project is not only a waste of time, but also a waste of talent. Under the GB-ROSCA model, the dispensing and delivery of loans will be more expeditious in comparison to the current system. For example, the time taken to fill out many complex application forms and secure sanctioned loans will be dispensed with since the group members generate their own funds. The group-based methodological model developed in the study enables members to operate together to save time and reduce costs as well as share their resources and knowledge for the benefit of all and in so doing, this model minimises waste and promotes efficiency. Also, the group joint liability credit or lending method has a strong repayment performance (Besley and Coate 1995; Hossain 1988; Morduch 1999a; Morduch 1999b; Otero 1991). When the repayment performance in the joint liability lending approach is compared with commercial banks in Bangladesh, ASA had 100% repayment in 1992–1993 while BRAC and PROSHIKA reported loan repayments of 98% and 93% respectively in 1992–93 (Zeller and Sharma 1999).

Thus it is believed that the GB-ROSCA model developed in the study would have a positive effect in Nigeria where many government debtors do not bother to pay back the money they owe government. Even in the USA, the publicly funded programs are known to have led to the expectation of ‘entitlement rights’ among the clients of the microfinance institutions, which in turn reduced the incentive to pay back the government funds (ILO 1998). Based on self-financing autonomy, the model (GB-ROSCA hybrid microfinance) would not be expected to impose substantial costs on government except in matters of training, and monitoring the performance of programs operating under the regime (GB-ROSCA hybrid) for accreditation purposes. The efficient functioning of the model is contingent upon the nature of the policy environment under which it operates; hence this is an important and critical factor. This suggests the deregulation of the financial markets (that sometimes undermines savings programs in Nigeria and some other developing countries), and the gradual dismantling of subsidies where subsidies have been used to stimulate the economy.

1.3.4 Linking the GB-ROSCA model with the formal financial sector

The GB-ROSCA hybrid model can be integrated with the formal financial sector to promote savings mobilisation and expedite credit delivery at optimum interest rates. Based on self-help reciprocal financial support, group members are well placed to secure high repayments of loans due to the advantage of local information, and more importantly, owing to the unleashing of social control mechanisms that often plague many formal credit institutions. If the GB-ROSCA model becomes linked with the formal banking sector, it is possible that the self-help entrepreneur groups can deposit part of their funds with the banks for safe storage, and in so doing avoid the possibility of embezzlement by any individual member. Such deposits can also be used as partial collateral for refinancing by formal banking institutions on favourable terms, and these formal banking institutions, in turn, may become linked with the Central Bank of Nigeria (CBN) for refinancing from the bank as an apex bank. Normally, small and medium enterprises (SMEs) enjoy special concessions from the CBN. In financial ratio terms such a linkage could well mean that the operation of savings and credit dynamic ratios by scheduled banks would be contingent upon the amount of savings they (joint liability groups) hold with scheduled banking institutions. This could as well mean that refinancing of programs can be linked to every successful repayment cycle; thereby ensuring that the gradual growth in the amount of credit offered to group joint liability entrepreneurs matches the group’s ability to save, invest, and repay.

Whilst the self-help entrepreneur groups maintain their autonomy and separate identity, this kind of relationship between them (entrepreneur groups) and formal banks confers benefits to both parties. The relationship between the two (i.e. GB-ROSCA hybrid microfinance model and formal banking institutions) also confers another benefit specifically to the GB-ROSCA entrepreneur groups in the sense that they become more invested and participatory in the prudential administration of savings toward credit and other services offered by commercial or scheduled banks. Many microfinance programs worldwide lose their best clients with extensive good credit histories to mainstream banking industry largely because of the failure of these microfinance programs to meet the needs of their new-found rich clients (Wright 1997; Brau and Woller 2004). The GB-ROSCA can thus become a feeder institution to the mainstream banking industry in Nigeria with benefits flowing to both parties.

1.3.5 Re-enforcing microfinance as both a discipline and a practice

While there is inadequate research in Nigeria to promote and foster self-employment growth through group self-help financing intermediaries like the one investigated, lots of microfinance development articles have been written globally about the reduction of poverty with these kinds of group-based programs. The role of the microfinance schemes with active participation of the beneficiaries themselves in their design and management in Nigeria has neither been well understood by the authorities nor well-researched by the professionals. This has been highlighted in the mid-term evaluation report of the UNDP/UNCDF Support extended to Nigeria for the development of a sustainable microfinance sector in the country (Agbobli and Garba 2007). Until recently, there was no effort made by the authorities and professionals to develop and link up informal microfinance institutions in the country with scheduled banks as development agents (Agbobli and Garba, 2007). While this study is a private initiative out of personal interest in the use of microfinance as a development agent, Nigerian academics and researchers may well form associations of practitioners that can liaise and network with counterparts in other countries for information sharing and resource support.

1.4 Significance of the research

The significance of the research is discussed under the following headings:

- filling a gap in the knowledge
- employment creation and income growth in Nigeria

- marking attitudes and motivations of the major stakeholders of aid programs
- implications for management practice and financial policy.

1.4.1 Filling a gap that exists in knowledge

As stated earlier, in the past many development programs have been designed and implemented in Nigeria, but after their implementation, the fundamental character of these programs still remained unchanged because of the flaws inherent in them. These programs were mainly restricted to government agencies. The success of the GB's programs that this research leans on (for its joint liability lending concept) depended to a very large extent on two key elements: the substitution of the human element for physical collateral usually demanded in credit contracts, and the cultural elements of the rural populations under which these programs thrive (Bornstein 1996; Navajas et al. 2000). These two elements, joint liability (social collateral) and the nature of the rural populations, equally apply to Nigeria. With the appropriate safeguards, the features of the GB-ROSCA model can work well in Nigeria. The GB institution, after all, borrowed the concept of reciprocal financial assistance and mutual support from the ROSCAs in the first instance (Adams and Landman 1979; Light and Pham 1998; Huppi and Feeder 1990). Modified on the basis of what works and what does not work in Nigeria, the integrated GB-ROSCA model can easily adapt to the GB's joint liability lending method while retaining the basic characteristics of the ROSCA system. By showing how best the fundamental traits of GB and the ROSCA systems can be integrated into a united whole and strengthened with the Kenyan Accumulation Savings and Credit Association (ASCA), the study makes a contribution to knowledge in three ways.

First, it involves the development of methods that incorporate the two main approaches (Nigerian traditional ROSCA method of raising small funds, and the GB's novel idea of disbursing small credit to those economically active poor entrepreneurs) in an evaluation model for self-development in Nigeria and elsewhere. Second**,** the research projects microfinance as a means to stimulate the economy, promote employment and grow income.
Third, and more importantly, it will help to disseminate the knowledge of and expertise in microfinance, particularly in Nigeria.

There is a growing body of evidence that seeks to explain why a joint liability group lending contract has more advantages over an individual lending contract (Floro and Yotopolous 1991; Besley and Coate 1995; Ghatak and Guinnane 1999; Armedariz de Aghion 1999; Hossain 1988; Stiglitz 1990; Ghosh and Ray 1996; Wenner 1995), particularly when new and better ways are found to manage risk in credit contracts. Therefore, this model seeks to advance that knowledge further, particularly in Nigeria, which if applied there practically, can purvey or dispense small loans and credits to the vast majority of SSE clients who are currently not served or are underserved by government aid schemes. By exploring the opinions of program managers and motivating the mindsets of program recipients at whom development is targeted in the first place to change their attitudes on aid programs, this study contributes to knowledge by filling the gap that currently exists in many developing countries, including Nigeria.

1.4.2 Employment creation and income growth

The research postulates that joint liability or social collateral is as good as physical collateral for lending purposes, if not more valuable than the former in small credit contracts (Zeller and Sharma 1999). Therefore, the GB-ROSCA model developed in the research can be effectively harnessed to create more jobs and check the rising trend of unemployment among tertiary graduates, thereby helping to reduce the high poverty rates discussed earlier (section 1.1.2). By empowering the unemployed tertiary graduates to examine the problems themselves, and come up with solutions as solidarity group entities, the model is significant from an employment generation perspective. The benefits accruing from the model in terms of job creation would be expected to flow beyond the personal and household levels into the wider community if implemented with adequate safeguards discussed in Chapter Six of the thesis.

1.4.3 Marking of attitudes and motivations of major stakeholders of the SSE program in the study

Underlying the research outcomes is a set of assumptions under which the Nigerian government provides credible opportunities to its economically disadvantaged active citizens in the form of enabling laws, policies, and in some cases, start-up capital, the capacity or ability of the poor entrepreneurs to take up these opportunities in solidarity groups, and the overall outcomes resulting from the network relationships. Developed from the opinions of the program managers, and the reflective attitudes of the program recipients, the hybrid microfinance model developed in the study is also significant from the attitudinal and motivational study viewpoint. The questionnaires were designed to trap and mark the opinions of the program managers and the attitudes of the program beneficiaries in relation to the proposed financing model for Nigeria. The study in this way evaluates the opinions of the SSE program managers as well as the reflective attitudes of program beneficiaries based on the combined traits of both the GB group joint liability lending and the ROSCA's individual pooled savings approaches.

1.4.4 Implications for management practice and financial policy

The study is also important from the financial policy and management practice perspective. There are a number of benefits and gains expected to flow from the research.

Firstly, the findings could assist policy makers to formulate appropriate policies that have a 'Bottom Up' participatory approach (Woller, Woodworth and Dunford 1999; Woller and Woodworth 2001), with the development managers to execute such programs with vigour. All the previous attempts with microfinance programs in Nigeria (whether semi- or full-blown programs) have had limited success because they were designed and pitched based on the notion of the 'Top Down' approach (Woller, Woodworth and Dunford 1999; Woller and Woodworth 2001), a notion that was corroborated in the case of the Indonesian study findings (Weijland 1999). Therefore, the participants of the new financing model would have to design their own project and fund it with the joint and cooperative efforts of their solidarity business peers to reduce costs and share risks.

Secondly, the outcomes of the study can also provide authorities with better insights into the types of programs that can effectively stem the flow of the rural-urban migration of youth, and in so doing, help to reduce crime. Some analysts have argued that the rising wave and the sophistication of crime in Nigeria these days are due to the rising trend of graduate unemployment (Albert 2000).

Thirdly, and equally significant, are the financial implications of the research. Since lending and savings operate within close-knit associations of business partners or circles of friends or even family members that pool their resources to aid and support one another in a joint liability fashion, interest rates will always adjust themselves optimally without the need for external interference by government. External interference by government in the operation of interest rates has been known to undermine the development and the growth of the banking industry (Vogel and Burkett 1986; Adams et al. 1984; Meyer et al. 1988; Morduch 2000), ultimately undermining the entire economy. In the past this problem has featured prominently in Nigeria, mainly through the mechanism of interest rate regulation by the Central Bank regime. The Rakyat Bank of Indonesia Unit *Desa*, which was established with public funds but operates as a commercial bank in all respects without the interference of the government that funds it, is a good case for reference here (Robinson 2001; Robinson 2002).

1.5 The design and methods of the research

In order to have maximum information and extensive input into the research, the study was undertaken in two main stages; namely, the preparatory and principal stages. The preparatory stage consisted of the literature review aimed at identifying the relevant research variables with which to develop the theoretical framework for the study. This was supplemented by informal discussions with a few peers. Thus the preliminary data obtained from the literature review data sources plus informal discourses with my peers were utilised to design and develop the questionnaires that were used at the principal stage of the research. The ethical issues were of significance from this stage, and they remained so up to the time of the questionnaires' administration and collection in Nigeria, and their analysis in Australia.

The first phase of the principal stage activities comprised the questionnaires' construction, developmental processes, and their pre-testing. The questionnaires' pre-testing was partly internal and partly external. They were tested internally on some research scholars of the Victoria University's Business Faculty, and externally on a few Nigerians resident in Melbourne (Australia) in order to check for clarity, and then revised accordingly.

The second phase of the principal stage consisted of the questionnaires' administration and collection, which took place in Nigeria from December 2003 to January 2004. It was resolved to involve the two principal stakeholders of the SSE program (managers and beneficiaries) in the study. The program beneficiaries were further sub-divided into two categories – program full beneficiaries (PFB) and program partial beneficiaries (PPB). The two broad groups were selected to participate in the study because of their direct involvement with the SSE program. This was of immense advantage since it helped to bring out the facts as opposed to group interviews.

One interview guide was also prepared to secure statistical data on loans from the program's finance director for the purpose of comparing the results obtained from the primary and secondary sources. Because of the nature of the acquired data from the study participants, the enquiry was predominantly a qualitative one. This was owing to the types of issues (which tilted more on the qualitative side than on the quantitative) put to the study participants for evaluation. The study, of course, has some quantitative element in it in the sense that the interview guide was mainly designed to secure such quantitative elements, for example, the securing of some types of financial data that is usually unavailable on the public domain. The adoption of one approach over the other (i.e. quantitative or qualitative) could easily ignore some facts that are likely to emerge from the other (Page and Meyer 2000; Cavana et al. 2001). Thus the use of an interview guide was designed to prevent this from happening.

1.6 The organisation and structure of the thesis

Chapter One (Table 1.2) is a general introduction to the study, statements of the problem with main research questions, brief background information, and rationale for the choice of microfinance topic. The chapter sets out the specific research objectives, benefits, and scope.

Chapter Two offers detailed information on the reasons for the emergence of microfinance as a new development-funding alternative and includes a general (global) literature survey of microfinance programs globally with special interest in the GB's joint liability (social collateral) innovations, and a review of the development of the literature from the Nigerian local perspective since the mid-1980s. It also looks at their successes and weaknesses, focusing more on those that involved microfinance, for example, the Graduate Small-Scale Enterprises (SSE) program in the NDE organisation.

Chapter Three presents the theoretical and conceptual framework that forms the foundations of the new funding method investigated and a number of theories and concepts that seek to explain the benefits of the joint liability group lending methodological model for poor households, as opposed to any other development programs ever tried and reviewed. Access to and demand for financial services can only be attained through three distinct pathways of institutional arrangements, namely, income-generating activities, assets accumulation (or dis-investment of assets), and direct use of credit to finance consumption (Yaron et al. 1997; Yaron and Benjamin 2002). The effectiveness of any microfinance program as a new development tool must be measured by a set of primary criteria (Yaron et al. 1997; Yaron and Benjamin 2002): a view that has gained wide acceptance from many researchers and thinkers. Based on this set of primary criteria, this study examines the strengths and weaknesses of the GB's joint liability lending schemes, and the experiences of other countries that attempted to transplant the GB's approach with or without additional innovations. It is upon these innovations that the preliminary model for this study is formulated and finally determined and developed in Chapter Five.

Chapter Four describes the methods and procedures employed to conduct the study, the construction and development of the survey instrument (questionnaire), population and sampling procedures, administration and collection of the survey instrument, and a general insight into the analytical framework prepared for treating the acquired data and presenting the results.

Chapter Five provides a presentation and analysis of the data generated in the study. Each main research objective is restated and the findings discussed in the light of the emerging results.

Chapter Six restates the main research questions, ties up major findings of all issues investigated and the conclusions drawn with recommendations stemming from the study findings.

Table 1.2 The thesis organisational structure outlines

Chapters	Title	Major contents
1	Background Information and Introduction	Gives brief background information leading to researching the topic: – introduces the research problem with the specific research questions – sets out the objectives that guide the research questions – outlines the benefits and gains of the research to Nigeria – outlines the general significance of the research – sets out the methods employed to conduct the research as well as the limitations
2	Literature Review	Reviews agricultural subsidised credit as a method of financing development projects prior to the 1980s: – achievements and weaknesses of the approach Reviews microcredit programs as a new method for financing development projects post 1980: – reasons for the shift – emergence of debates in the 1990s on the use of tripartite microfinance – development of microfinance as an industry The role and place of microfinance in Nigeria using the SSE program as a case study: – achievements and successes, weaknesses and failures of the program Cultural and contextual influencing factors between Bangladesh and Nigeria: – similarities and dissimilarities in terms of microfinance operations
3	Theoretical and Conceptual Framework	Presents three distinct pathways of the institutional arrangements under which access to and demand for microfinance by the poor can bring about development: – theories and concepts of joint liability lending, outreach and financial sustainability based on the generally acceptable framework for measuring the performance of the MFIs – benefits of the preliminary GB-ROSCA model that would be developed in the study
4	Research Design and Methods	Sets out the approaches/methods employed to conduct the research: Preparatory stage which involved the following activities – literature review – interviews to help determine the key research issues and variables Principal stage that consisted of these operations: – questionnaire construction and questionnaire development processes – consideration of ethical issues during the questionnaire – questionnaires administration and collection techniques – framework plan for analysis of the data
5	Analysis and Results	Analyses the acquired questionnaire data showing how: – data were analysed to accomplish the research objectives and discusses the key findings.
6	Conclusions	Presents the key research outcomes linking them: – to the questions and the specific objectives – implications of the research – some recommendations

1.7 Delimitation of the scope of the research

The research puts forward some financing reforms obtained from mixing the key characteristics of the GB and ROSCA systems, which if applied to the SSE program deficient financing or loans scheme, can make it more effective in financing small projects. The resulting outcomes can ultimately help the government to arrest rising unemployment trends among Nigerian tertiary graduates. Owing to the nature of the first research question posed to the study participants, the scope of the study is as follows:

Firstly, data is based on the opinions and experiences of study participants on all issues presented.

Secondly, the study did not investigate all the programs of NDE that generate jobs in Nigeria. (subsection 1.1.1 of Chapter One referred to).

Thirdly, the study was focused on designing a new financing model that can accelerate the creation of self-employed small projects in Nigeria. More fundamentally, the study was unable to investigate in great detail any of the development impacts (employment, income, consumption, nutrition, empowerment, assets accumulation as economic indicators) which microfinance is said to make on the lives of the recipients.

Chapter Two

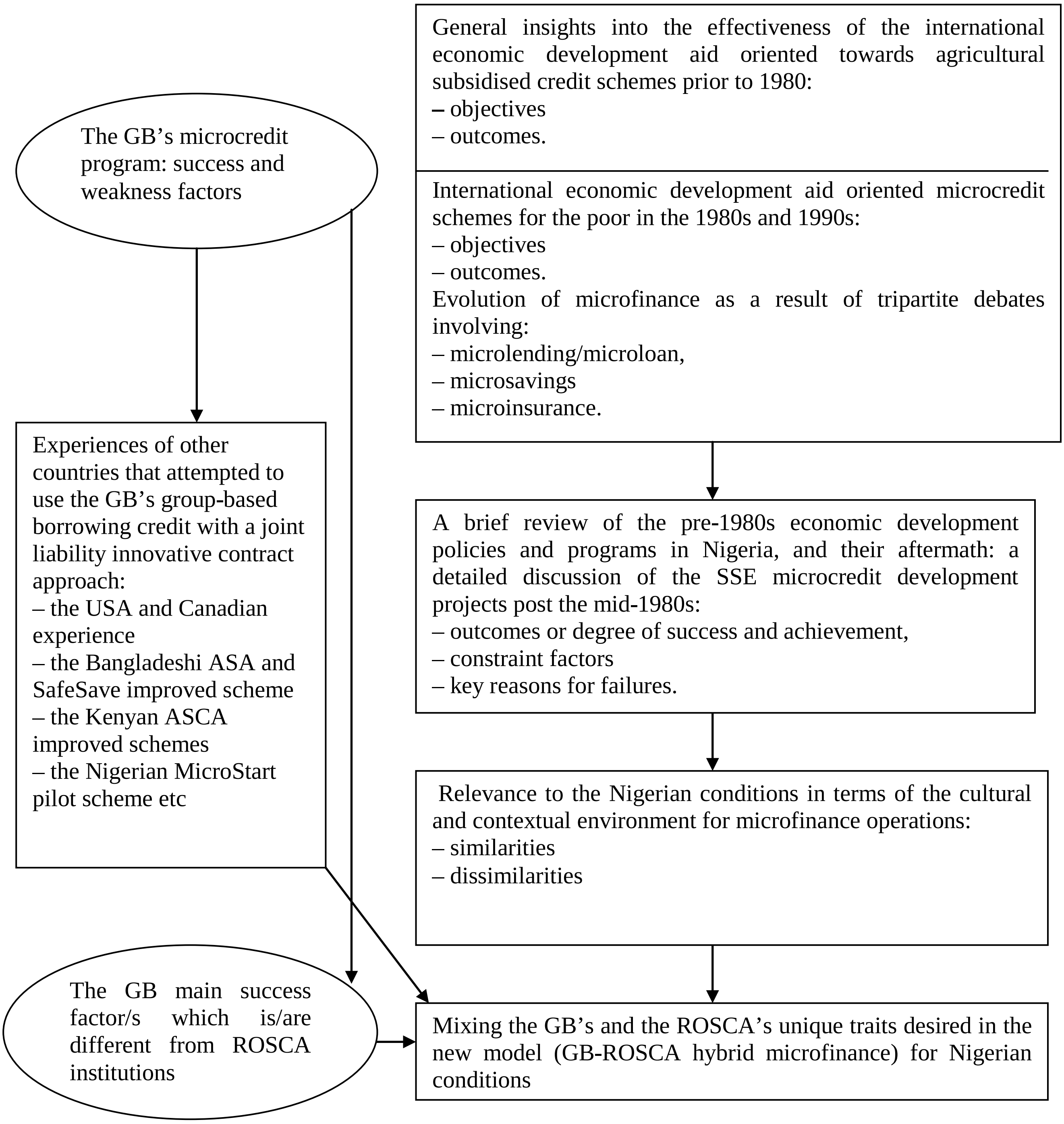
Literature Review

2.1 Introduction

The literature review for this study has been approached from two dimensions: the general international, and the local Nigerian dimensions. From the international dimension it is to gain general insights into the nature and direction of the economic development aid programs over four decades prior to the 1980s and their effectiveness in promoting development in developing countries, including Nigeria. As the subsidised agricultural credit scheme for small-scale farmers was the method of financing development in the 1950s to the early 1980s, the microcredit scheme for poor households was the preferred choice of financing small development in the 1980s (Morduch 1999a; Meyer 2002b; Lapenu 2002). Consequently, the emphasis gradually shifted to the poor, estimated at around one billion, and those who had a per capita income of less than one US dollar per day (Morduch 1999a; Meyer 2002b). The GB’s microcredit services captured the interest of many policy makers and development practitioners who have been striving to improve the lives of the one billion poor people worldwide. Also, placing too much emphasis on the GB’s micro-lending joint liability approach attracted much criticism and provoked hotly contested tripartite microfinance debates involving microcredit (or microloan), micro-savings, and micro-insurance.

On the Nigerian dimension, the chapter examines the role of the microcredit programs implemented there since the mid-1980s, their objectives and outcomes, using the SSE program as an in-depth case study. A comparison of the two institutions (Bangladeshi GB and Nigerian ROSCA) is then conducted with a view to drawing out their similarities and dissimilarities on the one hand, and on the other, the similarities and dissimilarities between their cultural and contextual influencing factors. This is with a view to determining the factors common to both institutions (GB and ROSCA) and the countries (Bangladesh and Nigeria) within which they operate. The main task here is how best to overcome or utilise the differences between the two institutions (GB and ROSCA) operating in two different cultures in order to design a new program suitable to Nigerian conditions. Briefly reviewed in this chapter also are the experiences of some countries that have attempted to operate the GB’s scheme with or without additional innovations. Figure 2.1 gives a detailed sketch of the scope of the literature surveyed for this chapter.

Figure 2.1 The scope of literature surveyed for this chapter



Designed by the author for this study

2.2 General insights into the effectiveness of the international economic aid programs prior to 1980

In the 1950s up to the 1980s many developing countries (Nigeria included) made deliberate attempts to meet the financial needs of the small-scale marginalised farmers who had been excluded from the financial transactions of the formal institutions because of the scale of their production (Morduch 1999a; Meyer 2002b; Adams, Graham and Von Pischke 1984; Von Pischke 1991). Policy makers had to embark on various intervention measures to bridge the gap between the demand for and the supply of credit services to meet the specific needs of these marginalised farmers (Adams, Graham and Von Pischke 1984; Morduch 1999a; Meyer 2002b). Apparently these credit services sank billions of dollars of the donor development agents' funds as well as the funds of the developing host countries (Adams, Graham and Von Pischke 1984; Morduch 1999a; Pulley 1989; Lapenu 2002; Khalily and Meyer 1993). These intervention measures, which included subsidised credit and other farm-related inputs, were provided through a number of special banks and quasi-development banks, for example, agricultural development banks, supervised credit agencies, and agricultural credit cooperative banks (Adams, Graham and Von Pischke 1984; Khalily and Meyer 1993; Von Pischke 1991).

Often times the credit program was accompanied by such farm inputs as fertilisers, pesticides, scientifically improved seeds or seedlings designed to improve the crop yield (Lapenu 2002; Khalily and Meyer 1993). Authorities embarked on these additional measures specifically to promote a certain agricultural regime such as the 'green revolution' crops that needed ample treatment of fertilisers and pesticides (Rutherford 2000; Lapenu 2002; Khalily and Meyer 1993; Adams, Graham and Von Pischke 1984). If and where access to a credit or loan facility was granted, it was often tied to a specific cash crop production; hence the value of the sanctioned loans varied between farmers depending on the acreage of land devoted to the crop in question, and this could only be increased in line with inflation. These sanctioned loans were to be recovered in balloon repayments after the farm crop products had been harvested (Rutherford 2000).

Improvement in crop yield aside, the creation of employment opportunities and the promotion of economic growth are among other key objectives of the small farmer subsidised credit schemes. On the whole these measures yielded very little because of three major reasons expatiated as follows. First, the repayment rates of these loans fell below 50%, and the cost of subsidies swelled (Morduch 1999a; Lapenu 2002; Adams et al. 1984; Pulley 1989; Khalily and Meyer 1993). Second, many of the subsidies became diverted away from the intended recipients towards the politically powerful elites (Adams et al. 1984), and in some countries the repayment rates dropped well below 41% as in Bangladesh in 1985/86 (Lapenu 2002; Khalily and Meyer 1993; Adams and Von Pischke 1993), and in the Indian government-owned banks in 1986 because of corruption and political lobbying (Pulley 1989; Morduch 2000). Third, and perhaps the most significant reason, was that these measures largely failed to yield the real income and promote growth dividends as originally intended (Yaron and Benjamin 2002). Hence, the causes of the failure of the pre-1980 agricultural subsidised credit scheme approach can be traced to the following:

- Rural communities were wrongly perceived too poor to save, and therefore efforts were almost exclusively concentrated on providing subsidised credits to the farmers while ignoring savings that constituted a crucial component of the rural development.
- Subsidised interest rates often gave the impression that rural financial institutions (RFIs) were the government credit disbursement outlets, thereby resulting in a poor loan repayment culture, and the lack of self-sustainability of these institutions.
- Employees in the state-owned credit institutions often indulged in rent-seeking behaviour by giving priority to those borrowers who were willing and prepared to share the difference between the subsidies given or supplied at below the market price and the actual market loan interest rates.
- The traditional approach of lending for agricultural production to the mutual exclusion of other small non-agricultural rural economic enterprises.
- Negligence of opportunities for the promotion of other businesses for risk diversification and income growth.
- Subsidised agricultural credits at times resulted in inefficiencies of production by wrong product targeting and the excessive capital-intensive farming technologies that displaced the labourer-led agricultural farm production, ultimately leading to rural unemployment.

More fundamentally, the lack of procedure for bad loan recovery accounting, the lack of management information systems (MIS), and more significantly, the absence of an effective monitoring device to identify best practice were all among the principal reasons for the failures and weaknesses of the agricultural subsidised credit scheme approach (Yaron, Zander and Von Pischke 1998). The decline in loan recoveries often led to a downward spiral in the revolving funds, whereby Yaron et al. (1998) further argue that sometimes loan repayments declined to a point at which the recovered loans were even used to pay staff salaries. The credit programs in this way became de-capitalised, leaving the lending institutions stifled of funds for new lending (Yaron, Zander and Von Pischke 1998). Moreover, the failure or inaction by the government funding agency or the sponsoring donor agency to update financial records via the MIS is also known to have diminished incentives for accurate and timely reporting by the intermediary institutions that had received the funds (Yaron, Zander and Von Pischke 1998). It is only a few institutions that frequently update their records in a more useful manner for the detection of problems and faults (Yaron, Zander and Von Pischke 1998). The lack of MIS usage also limited the capacity of the sponsoring agency to effectively monitor the performance of the rural credit institutions to identify and reward best practice. These deficiencies will again be visited later in the chapter from the Nigerian perspective.

2.3 Financing development projects globally in the 1980s–1990s with microfinance schemes: the poor household as the main focus

It has been reported that the poor usually take these loans to facilitate self-employment and generate income with which to smooth and stabilise consumption (Morduch 1999a; Zeller and Sharma 2002b; Zeller and Sharma 2002a; Zeller and Sharma 1998a). After analysing research projects conducted in nine developing countries excluding Nigeria (Bangladesh, Cameroon, China, Egypt, Ghana, Madagascar, Malawi, Nepal, Pakistan), it was revealed that the majority of the poor lack basic education and are primarily dependent on agriculture for their livelihood, own small amounts of land for cultivation, and support large families on low average per capita incomes (Zeller and Sharma 1998a). Zeller and Sharma (2002b) have argued that if rural financial policy is meant to be more relevant to the rural poor, it should aim to develop new financial products that are particularly useful for stabilising their consumption of food and increasing the ability of the poor to bear risk. Zeller and Sharma (2002b) have further argued that the rural poor lack market opportunities available to those residents in urban centres and are also not well serviced as urban dwellers in terms of both physical and social infrastructure, for example, roads, schools, telephones, shops, and health clinics that support living. Of course nobody expects the Nigerian state or the government machinery to provide all these key determinants of human development free of charge (Diejomaoh 1990). But surely the state or government can facilitate the access of these basic needs (food, shelter, education and training health) through the formulation of sound economic and financial policies that could permit people to engage in productive economic activities and earn an income to stabilise food consumption. The poor usually take out a microloan or microcredit for these activities:

- to establish new business activities other than the agricultural occupations which the Zeller and Sharma research focused upon
- to expand and strengthen existing business
- to invest in revenue-yielding assets to generate further income (or revenue) to the existing wealth.

Based on the weaknesses and failures of the pre-1980 development aid strategies and the high number of people living below the poverty line, estimated at around one billion (Morduch 1999a), the poor apparently become the main focus of the post-1980 economic development aid oriented towards the microcredit schemes (Meyer 2002b). This was primarily due to the global recognition accorded to the Bangladeshi GB group lending model with a joint liability contract reflected in the newfound social capital possessed by the poor (Morduch 1999a). The term ‘poor’ as used here should not be restricted to those people who are historically known to be earning no income or too little income to enable them to consume much to attain a socially acceptable standard of living, and possessing little or no assets that protect them against unforeseen circumstances (Meyer 2002b). On the basis of the 2000/2001 World Bank Development Report, poverty goes far beyond the original description of the people considered poor: the poor now not only lack income, sufficient food, shelter, education and health, but are also exposed to the ill treatment of the state’s policies, and are powerless to influence government decisions that affect their lives and their livelihood. In making a determination as to whether or not a microfinance program actually helps the poor out of poverty would, to a large extent, depend on the definition of ‘who is the poor’, and the measurement of poverty to adopt in order to ascertain what happens when they become less poor due to financial services intervention programs (Meyer 2002b).

Many practitioners and professionals have conceded that the measurement of microfinance impact on the poor clients of these institutions is not only the most difficult to measure, but also the most contentious issue in microfinance debates due to the catalogue of problems and difficulties one is likely to encounter. Not least are the methodological difficulties involved and the high cost of conducting such a robust evaluation (Meyer 2002b). While many of these methodological difficulties involved in conducting such operations (measurement of impact) are similar to any other development project impact assessment, others are only unique to the finance field (Baker 2000; David and Meyer 1980; Hulme 2000a; Karlan 2001; Khandker 1998). One such methodological difficulty, for example, can occur when one wants to evaluate the impact the money or extra money earned has on the poor client as a result of access to microcredit, and the spending of such money on food to improve the family's nutrition. The family's nutrition in this case is a short-term benefit measured by some development agents while ignoring its long-term impact on the children's educational performance considered no less important by other development agents such as teachers and educationists (Hulme 2000a). The fungibility and additionality of money is another ideal example of the difficulties that can be readily encountered in measuring the impact that the loan money has on the poor. Again it is difficult for example, if not almost impossible to trace or track down the uses to which the borrowed money is put, or to fully anticipate the whole range of benefits that can be derived from the borrowed money by a large number of heterogeneous clients (Von Pischke and Adams 1980).

On another dimension, the microcredit impact analysis has also been instrumental in the attainment of the financial sustainability of the MFIs that provide such services to the poor. As a result, this angle of the new development finance objective has generated hotly contested debates among professionals and practitioners and eminent researchers and academics alike. While some professionals and practitioners argue that most of the MFIs that purvey credit to the poor require substantial amounts of public funds in the form of start-up costs, at least if the long-term subsidisation is impracticable (Meyer 2002b). Many other researchers and academics argue against such a proposition, fearing that the new development financing strategy could fall into the same trap as the marginalised farmer subsidised credit scheme of the pre-1980 period (Morduch 1999a and 2000; Robinson 2002; Paxton Cuevas 2002 and Otero 2003). The greater reliance on subsidies not only drags efficiency to the lowest ebb, it also discourages incentives for efficiency that could be created when non-subsidised institutions compete in the marketplace (Morduch 1999b). A substantial amount of public funds in the form of subsidies can only be committed to those MFIs that provide credit to the poor if their services are highly valued by society, and they also strive to attain financial self-sustainability by operating cost-effective institutions in the long term, and practically demonstrated through an ongoing efficiency (Morduch 1999b; Meyer 2002b). Public funds have opportunity costs since they can be put into several alternative uses, or perhaps can be allocated to other poverty alleviation program alternatives. Based on this fact, it can be argued that the success of rural financial institutions is not only determined by their welfare impacts but also the viability of the institutions that provide microcredit programs to the poor, and their scale of outreach to the target population, both of which are clear evidence of their self-financing capabilities (Yaron 1994; Morduch 1999b; Meyer 2002b).

2.3.1 Institutional forms and varieties in the microfinance industry

The Grameen Bank (GB) of Bangladesh, the Bank Rakyat of Indonesia Unit Desa (BRI-UD), and the BancoSol of Bolivia (BS), each with different features and philosophies (i.e. product emphasis, and operational mechanisms) for the target population, created the early innovations in the microfinance programs (Morduch 1999a; Meyer 2002b). The GB's programs and many varieties and forms modelled on it worldwide were designed to deliver subsidised loans to the poor through the joint liability group methodology. The BRI-UD of Indonesia and its variations resorted to the use of the branch system to deliver financial products directly to individuals on an individual contract basis. The Bolivian BancoSol and others preferred to combine the mechanisms of the GB and BRI-UD institutional approaches to deliver financial services to their clients (Table 2.1). However, there have been other newer programs that employed the village banking or credit union approach to build independent member-owned financial institutions to serve their local clients (Meyer 2002b). The diversity of approaches by these MFIs that serve the poor clearly demonstrate how difficult it is to generalise the entire microfinance industry since the 1990s when many countries in Asia started to create self-help groups linked to banks (Meyer 2002b). Table 2.1 thus presents the unique features of each of the five leading microfinance institutions named above to illustrate the variety and diversity of institutional forms and models in the microfinance industry as of today. In between these five leading MFIs that introduced innovations in the industry, there were over 3000 MFIs operating worldwide by the end of 2005, serving over 113 million poor families, and raising at least US$40 billion in small deposits on their own while distributing as much as US$50 billion in small loans (Balkenhol 2007). In comparison to alternative development strategies, microfinance has delivered tangibly as far as outreach to the poor is concerned (Balkenhol 2007).

Table 2.1 Characteristic features of the three leading microfinance programs in three different countries

Item	Grameen Bank (GB)[1]	BancoSol (BS)[3]	Rakyat Bank Unit Desa (RBI)[2]	Badan Kredit Desa (BKD)[2]	FINCA Village Bank[1]
Membership	2.4 million borrowers	81,503	2 million borrowers, & 16 millions savers	765,586 borrowers	89,986 borrowers
Average loan balance Typical loan term	$134.00 1 year	$909.00 4–12 months	$1007.00 3–24 months	$71.00 3 months	$191.00 4 months
Percentage of female members. Place of domicile (mostly urban or rural)	95% Rural	61% Urban	23% Mostly rural	– Rural	95% Mostly rural
Group-Lending approach applied? Collateral required?	Yes No	Mixed No	No Yes	No No	No No
Product emphasis (credit or savings)	Serving credit first	Mixed	Savings	Credit	Serving credit first
Progressive lending? Repayment schedule?	Yes Weekly	Yes Flexible	Yes Flexible	Yes Flexible	Yes Weekly
Clients mostly targeted	Poor	Largely non-poor	Non-poor	Poor	Poor
Nominal annual rates on loans Annual price inflation, 1996. Current financial sustainability	20% 2.7% No	47.5–50.5% 12.4% Yes	32.0–43% 8.0% Yes	55.1% 8.0% Yes	36–48% – No

Explanation of notations and symbols: [1]Poverty lending approach (PLA) [2]Financial system approach (FSA); [[3]Mixed approach denoting the combination of PLA and FSA traits]. Source: Mordoch (1999), 'The Microfinance Promise' in the *Journal of Economic Literature*, vol. XXXVII, p.1574.

2.3.2 Joint liability as a collateral substitute

Of the five institutional programs listed in Table 2.1 that championed innovations in the new development finance, by far the GB's contractual joint liability group credit approach holds the highest appeal to a vast majority of the poor and development agents (Morduch 2000). Three fundamental features have been pointed out as holding the key for GB's success: these are new management structures, new group lending contracts, and the possession of new attitudes on the part of intervention aid recipients (Wenner 1995; Morduch 1999a; Besley and

Coate 1995). Fine-tuned over time by trial and error, the GB's group-lending contract effectively makes a borrower's partners jointly liable for the repayment of uncollateralised loans (Bornstein 1996; Ghatak and Guinnane 1999), and this process mitigates the problems created by informational asymmetries between creditors and debtors prevalent in the credit contracts and loans markets (Bornstein 1996; Wenner 1985; Besley and Coate 1995; Armendariz and Morduch 19997; Morduch 1999a). As a result of the absence of the collateral assets usually demanded in financial institutions for borrowings, group credit with joint liability partners has strong incentives to monitor one another to improve repayments. This process ultimately results in the expulsion of risky borrowers from group participation (Wydick 2001). The group lending with joint liability also offers benefits to both the lender and the borrowing groups in the sense that both parties profit from the transaction: the mechanism effectively transfers the lender's screening and monitoring costs to the borrowing group on the one hand, and on the other hand this entitles the group members to receive loans from the lender with lower interest rates that are passed on to them as a result of the reduced costs. In effect, group borrowing with joint liability provides an effective way for banks to overcome adverse selection, moral hazard, and enforcement problems that are prevalent in the loan markets. The novel solutions offered by the borrowing group with joint liability features are discussed as follows.

The first solution or benefit offered by the GB's methodological device touches on the collateral asset requirements for borrowing. The joint liability social asset redresses the problem of the collateral usually required of an individual credit contract. The only thing expected of the poor is the ability to find other poor entrepreneurs who are willing to accept one into their solidarity fold, and are prepared to support one to repay any given loans on time. The strategy thus encourages high loan repayment without collateral assets (Conlin 1999).

Second, since the loan taken is usually for self-employed economic enterprises (Morduch 1999a), the facility provides the would-be entrepreneurs with the opportunity to escape poorly paid jobs to operate their own business. This strategy has been used in Bangladesh to serve six-and-a-half million poor borrowers with loans, ultimately reflecting self-employment, of which the majority were women (Acher 2006). It has also been found in Bangladesh that the total level of employment created with a joint liability group loan was 19% higher than the control group, and the members also hired outside labour three times more than the control group (Chowdhury et al. 1991). Besides, the number of income earners per household increased by 1.61 times per household samples studied in comparison to 1.38 for the control group.

Third, the dynamic incentive for a joint liability group lending strategy not only reduces the overall loan-related administrative expenses that are passed onto the borrowing group in the form of low interest rates (Ghatak 1999), but also provides a way to charge clients differential interest rates (to both safe and risky types of borrowers – Ghatak 1999).

Fourth and more interestingly, is that group credit with joint liability commitment has proven to reach the poor and in the process empowers them, particularly women who have been difficult to reach by other alternative programs (Morduch 1999a). There are other studies that report that a joint liability group credit scheme enhances the security and the dignity of the participating poor women (ILO 2001) through the provision of complementary services, for example, education, health, gender roles and the legal rights of the clients (Morduch 1999a). In view of this, it is clear that the GB's joint liability group borrowing has an advantage over the agricultural subsidised credit approach of the 1950s to the early 1980s. This suggests that the group microcredit with joint liability approach of the post-1980s not only provides direct and tangible benefits to the poor, but also does so more swiftly (Rhyne and Jackelen 1991).

On the lending side, the advantages of the group joint liability credit programs are as follows. Firstly, the system addresses the asymmetric distribution of information on the likelihood of loan default risk on the part of borrowing group members, thereby lowering the screening of the lender's costs. The borrower's risk, which is often difficult and costly to ascertain, involves two direct positive variable outcomes for the lender: the first is the loan repayment, and the second involves the expected profit. This sets in motion a process whereby the borrowing group utilises local knowledge advantage about each other's assets, capabilities, and character traits necessary to sort and self-select members (Conlin 1999). Thus the high transaction costs in conjunction with the high risks that are borne by the financial intermediaries are not only due to the lack of good information on the credit history of the borrowers, and the absence of moral hazard, they are also largely responsible for the imposition of high interest rates on uncollateralised loans to cover costs and risks (Stiglitz and Weiss 1981).

Secondly studies report that GB's group credit with a joint liability contract approach has a high repayment performance of around 95–98% (Wenner 1995; Christen et al. 1995; MicroBanking Bulletin 1998; Colin 1998; Besley, Coate, and Loury 1993; Ghatak 1999; Hussain 1988; Van Tassell 1999). These studies, however, were unable to pinpoint the GB's specific profits on its programs; hence the high loan repayment performance in the GB's programs does not suggest that profits are made. This issue will be revisited later in the chapter along with other deficiencies and shortcomings of the GB's programs in order to demonstrate the vulnerability of the schemes that operate on the budgets of external financiers.

On the basis of the joint liability benefit flowing from the GB's innovative lending strategy, there have been calls from some practitioners and development partners for the model to be expanded to many poor households worldwide. The former president of the World Bank, Mr James Wolfensohn, has even backed such calls during the 1997 Washington DC Microcredit Summit when he stated that helping 100 million households with microcredit programs would translate into helping as many as 500–600 million poor people (Morduch 1999a). Thus the family becomes the focus of the new development finance. Since the former president of the World Bank made the statement at the Washington DC Microcredit Summit, an assortment of the GB model has sprung up worldwide, including advanced economies such as the USA and Canada. Whilst many of these programs serve a small number of borrowers, a few others, particularly in Asian and South American countries, serve millions of borrowers and savers (Morduch 1999a and 2000; Meyer 2002b). The benefits and advantages of the GB's innovations aside, the spread of its copycat model worldwide has been criticised on a number of grounds as discussed below.

Despite the GB's strong repayment performance of its methodological model reported in many studies, the approach has been subjected to a number of attacks, ranging from the subsidy dependency badly criticised in some studies (Morduch 1999a, 1999b, 2000) to a host of other deficiencies and inadequacies discussed hereunder.

The first point of criticism centres on the group size. If the group size is large, it diminishes the effectiveness of the joint liability solidarity. The group members would find it extremely difficult to repay the loans of co-group members defaulting repayment. Although group size is not a problem in the GB's group lending programs since its groups are made up of a 5-

member solidarity team (Bernstein 1996), it is, however, a problem in some programs modelled on the GB model: for example, the Village Bank's programs of the Central and South American countries made up of around 30–50 members per group (Paxton 1996; Paxton and Cuevas 2002). When the group number is increased it could give rise to unintended adverse effects ranging from social ties to a free rider problem (Besley and Coate 1995; Ghatak and Guinnane 1999) discussed as the second point below.

The second problem is closely related to the first in the sense that a large group size could cause coordination difficulties resulting in the group members not knowing each other well enough to promote solidarity and oneness, or knowing each other but interacting less regularly due to other commitments as in the case of the GFF program of Arkansas State of the USA (Taub 1997). In other words, regular interactions usually required for the promotion of oneness and group solidarity were lacking in the GFF program, hence this was one of its problems (Taub 1997). Other financing methods that could support product design for a specific target group include the small group self-financing intermediary programs versus the community-based credit unions, and the community banks versus commercial banks or even financial companies (Woller, Dunford, and Woodworth 1999).

The third and perhaps the most significant problem is that group credit with a joint liability contract or social collateral relies on social ties among borrowing group members (Floro and Yotopolous 1991; Impavido 1998). But there is little to achieve or gain when the social ties among borrowing group members are too weak to support the feelings of oneness or group solidarity. Again, this was the problem initially encountered in an attempt to transplant the Grameen-styled microcredit programs to wealthier countries like the USA and Canada (Taub 1997; Conlin 1999). These findings diminish the significance of the Floro and Yotopolous (1991) research as well as the Impavido (1998) study that revealed, among other things, that strong social ties existing among the borrowing group members were the key factors responsible in securing high loan repayments in the GB's programs. But Wydick's (2001) research argues that social ties could only have played a minor role in compelling the high loan repayment of group credits reported as 67.1% among the Guatemalan borrowing group members as opposed to 10% respondents who only formed groups with people they were already in regular communication with, and another 18.6% respondents asserted that they had formed groups with their pre-existing business associates (Wydick 2001). Going by these findings, the threat of a social sanction variable or the variables of peers monitoring other peers or peers exerting pressure on other peers to repay a loan are thought significant in improving the repayment performance, but the origin of such threats or peer monitoring of other peers or peers exerting pressure on other peers when repayment is breached, stemmed from the need to maintain an affordable credit source rather than on these other variables detailed above in the case of the Guatemalan borrowing groups (Wydick 2001).

The fourth problem dwells on individual differences that may arise when group members are unwilling, for whatever reason, to put pressure on the delinquent partners to repay their loan or to impose sanctions on them, hence this is a fundamental principle of the enforcement mechanism upon which the group joint liability formation was based in the first instance. The enforcement mechanism therefore can only work when borrowers are in a position to take such threats seriously, and this can only occur when the lenders themselves are willing and able to make good of their threat of sanctions when repayments are breached (Wydick 2001). But experience has shown that this does not happen in practice due to a couple of considerations (Wydick 2001). First, the NGOs (or private institutions) that provide these loans see themselves on a social mission rather than in the business of making profits: a fact which their clients know quite well, and are ever ready to exploit. The second consideration relates to the government angle. It is rare for governments that provide these loans (sometimes described as social loans) to be around to carry out their threat of sanctions due to political reasons or repercussions, for example, voter backlash or voter payback during elections (Wydick 2001). From this standpoint, it would appear as if the origin of the high loan repayment had stemmed from the need to remain in or with a group in order to continue to access an affordable credit source rather than on the threat of social sanctions or other variables outlined above (Wydick 2001).

Fifth criticism is on the GB's social mission agenda in relation to the low interest rate operations. The GB-operated interest rates are much lower than their counterparts in the same country (Bangladesh) because loans were obtained easily from donor sources on soft terms or from governments on substantially subsidised rates (Morduch 1999a; Morduch 999b). The operation of any business on the budgets of external financiers is not only fundamentally shaky but it also renders the receiving institutions or persons vulnerable to attacks and criticisms.

Sixth, the GB's programs continued to depend on subsidies in spite of the reported high repayment performance (Morduch 1999b), and are thus an indication that profits were not being made, thereby suggesting their lack of a self-financing capacity (Morduch 1999b). It has been chronicled that GB programs were continuing to receive loans or credits at concessional terms from a variety of sources (local and international) at their opportunity costs, which when calculated, amounted to the tune of US$26–30 million Morduch (1999b). From Bangladesh alone, for example, the GB got loans at concessional rates of 5–6%, which was lower than the official deposit rate of around 6–8% in the 1990s and also much lower than the market lending rate of 14–15% in 1993–1995, going by the GB's accounts audited over the period by external auditors (Morduch 1999b). From an international dimension, the GB had also obtained loans for its programs from a variety of countries at a concessional rate of 0–3% between 1985 and 1996, which were repayable in *taka* (Bangladeshi local currency). It has been argued that the GB's subsidy dependence limited its ability and scope to operate interest rates that were comparable to its friendly microfinance competitors in Bangladesh (Morduch 1999b). Its (GB's) competitors in the same country, for instance, the Bangladeshi Rural Advancement Committee (BRAC) was charging a 30% nominal interest rate to similar clients of GB's base rate of 20% nominal interest for general loans in 1991, having been only 16% earlier (Morduch 1999b). A sustainable MFI that pays a commercial cost for its funds must also charge an interest rate that reflects this or diversify its financial services. To do otherwise would mean that it could not operate sustainably.

Morduch's (1999b) findings suggest that there was nothing in the Bangladeshi laws in 1991 that precluded or limited the operators of GB programs from mobilising voluntary savings deposits from their clients other than the 'forced savings' that were imposed on their teeming millions of borrowers. On the contrary, the savings mobilisation in Indonesia has worked well with the result that as many as 16 million savers as opposed to 2 million borrowers operate accounts at any given time as at 1996 (Robinson 2002). This is a clear indication that the banking industry uses the savings deposits of its clients to provide credits to others. Some experts argue that the poor household's welfare can be greatly enhanced with the provision of savings services in lieu of subsidised loans that limit the savings mobilisation, and in turn fuels cheap credits (Morduch 2000). This has given rise to hotly contested debates among many thinkers on how best to use the new development finance (microfinance) programs to lift many people out of poverty. Some scholars, for instance, argue that a sustainable MFI (i.e. one that could pay a commercial cost for its funding without losing money) must also charge an interest rate that sounds abnormal in the normal commercial bank market or arena of political discussion, and that the lower the usury limit, the more borrowers there are at the lower end of the spectrum who cannot be served sustainably (Christen and Rosenberg 2000). The merits and the demerits of these debates are discussed below.

2.4 Microfinance as new development finance since the 1990s

Microfinance development since the 1990s has been dominated by an argument between two schools, each opposing the other on the best way to use microfinance to reduce poverty. These two schools are the poverty lending system, also known as the welfarists approach, and the financial system, sometimes called the institutionists approach. Commenting on the contentious issues between the two schools, namely, outreach and sustainability, Rhyne (1998 p. 2) states:

> Everyone involved in microfinance shares a basic goal: to provide credit and savings services to thousands or millions of poor people in a sustainable way. Everyone wants to reach the poor, and everyone believes sustainability is important. One of the fundamental poverty/sustainability questions is whether services can be delivered at a cost that is affordable to clients.

Robinson (2001) argues that outreach is the sole objective in both approaches. She further contends that the sustainability of a microfinance institution is the only means to achieve an outreach, and never an end in itself. It is the view of the institutionists that massive scale up in terms of outreach requires massive financial resources, which will be beyond the ability and scope of donors and government agencies to provide. Advocates of the financial system approach believe that the MFIs that serve the poor should assume the self-financing status and sustainability of their operations by tapping into private sources of capital, such as the member-based financing intermediation whereby the priority of the poverty lending system centres on meeting the financial needs of the poorer sections of society, for example, some women in a poor household setting and refugees, even if the full costs of such programs are not recovered. Driven by a common goal to alleviate poverty, both schools believe that making microcredit accessible to poor entrepreneurs can scale up small business projects (i.e. expansion of many projects operated by poor entrepreneurs) that will ultimately reduce poverty and promote economic growth. Both schools, however, differ in the approach and method on how best to make it happen since both schools define the poor differently, and each school too has a different vision on how best to use the services of microfinance to help the poor out of poverty (Woller, Dunford, and Woodworth 1999). While the advocates of the financial system (or financially sustainable program) believe in the provision of financial services only to those poor who can afford to pay (Morduch 2000), the advocates of the poverty lending (subsidised programs) approach argue in favour of liberalising credit access to economically disadvantaged persons, particularly women (Woller, Dunford, and Woodworth 1999). These kinds of debates that were conducted in the decade of the 1990s have been described as a microfinance schism (Morduch 1998b), and these debates too immensely contributed to the development of microfinance as both a discipline and a new development device (Woller, Dunford, and Woodworth 1999).

The Banco Solidario (BancoSol) of Bolivia, and the Bank Rakyat of Indonesia (BRI) depicted in Table 2.1 are the two best-known examples of the financial system approach while the Grameen Bank (GB) of Bangladesh and its several copycat models worldwide represent the poverty lending approach (Woller, Dunford, and Woodworth 1999).

Commenting on the outcome of these debates, some of the proponents of the poverty lending school now concede that the advocates of the financial system approach have clearly won the debates based on the mass of literature that was put out by the financial school to articulate and advance its argument convincingly (Woller, Dunford, and Woodworth 1999), particularly the literature that emerged from the Rural Finance Programs of Ohio State University, and the World Bank’s Consultative Group to Assist the Poorest (CGAP – Woller, Dunford, and Woodworth 1999).

2.4.1 Poverty lending approach

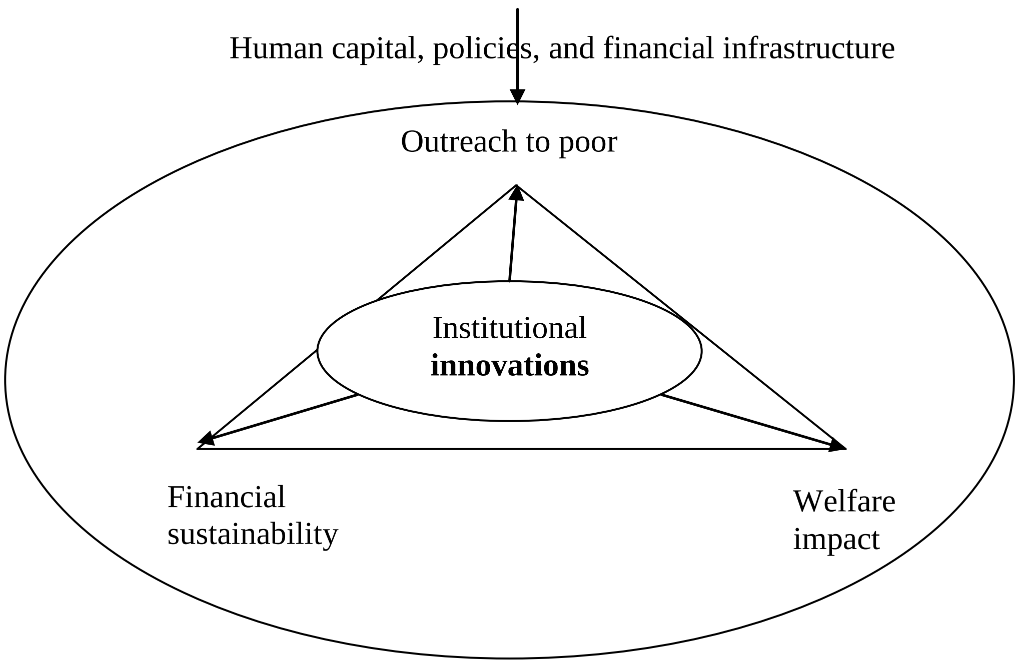
As pointed out earlier, the poverty lending approach believes in the provision of subsidies to fund loan portfolios. The managers and researchers of most NGOs who championed the poverty course during the 1997 Washington DC Microcredit Summit stated earlier, have all argued for the provision of loan services to the poor and the economically active unemployed (Zeller 1999). These advocates believe that the granting of liberal credits and soft loans to institutions that undertake reforms and innovations in credit contracts (loan markets) can alleviate poverty in the long run. By implication, this means that making credit easily accessible to the very poor, particularly women for self-employment and other economic activities could improve their lives and the general welfare of their households even if such subsidies are not recovered (Woller, Dunford and Woodworth 1999). Woller, Dunford and Woodworth (1999) contend that such a measure is an appropriate policy that can reduce poverty. This would also imply that government or donor agencies might only subsidise these microfinance institutions (MFIs) up to the level of the difference between the anticipated social benefits and the social costs (Navajas et al. 2000; Stiglitz and Weiss 1981, Hulme and Mosley 1996; Gulli 1998; and Lapenu 2002). Ultimately, this measure will lead to the MFI becoming financially sustainable in the long run (Zeller 1999). The family thus becomes the focus of the poverty lending approach. These welfare economists have assumed that once the poorer women in family household settings are helped with small credits to become self-employed and financially independent, this measure will ultimately translate into empowering them to improve their living conditions and that of their households.

2.4.2 Financial system approach

The basic argument of this school rests on the premise that the immediate and urgent needs of the extremely poor are food, shelter, skills and education. After the basic needs have been fulfilled, it is only then that microfinance for self-employed economic activities can become their next priority. Prior to this stage, government funds and donor subsidies may be better channelled through some charitable institutions to meet the basic needs of the class. It is therefore believed that charitable institutions are better placed to meet the needs of the starving poor (Robinson 2001; Christen et al. 1995; Rhyne 1998; and Otero and Rhyne 1994). Unlike the poverty lending advocates, the proponents of the school believe that building the MFIs that can serve those poor clients who are currently unserved or under-served will not only broaden the outreach of the poor, but will also leverage financial services to them in a more self-financing capacity over a long time. In this way, the financial system approach is mainly concerned with the provision of microfinance access to those economically active poor at an interest rate high enough to enable the intermediary institutions to cover all costs and risks in order to remain in business and continue to serve the poor. This suggests the building of commercial intermediaries for those economically active poor borrowers and savers as in Indonesia. The school strongly believes that the liberalisation of subsidised credits will not only kill off the future outreach of the poor, but will also curtail small credit contract expansion at the present time. They further contend that government or donor funds will never be enough to perpetually meet the indefinite financial needs of the MFIs that dispense subsidised credits to those malnourished poor people at below the market interest rates (Robinson 2001).

The use of commercial intermediaries to provide voluntary micro-savings services to the economically active poor, and allow them to access microcredit easily at a reasonable interest rate is the way to proceed. By building such commercial intermediaries that can serve these clients currently unserved or under-served, the measure can enable the MFI intermediaries to reach wider outreach in a more profitable and affordable capacity, which in turn can result in the development of financial institutions that are capable of closing the gap between the demand for and the supply of microfinance products (Morduch 2000). It is only then that the three key objectives of microfinance can be met squarely. As explained earlier, the BancoSol of Bolivia and the Bank Rakyat of Indonesia (BRI) are the two best-known examples of the MFIs that are currently operating at this level (commercial intermediary). These three key objectives of the MFI, which are presented in Figure 2.2, reflect a conceptual framework of thinking about their purpose and intent. These three key objectives of outreach, financial sustainability, and welfare impacts (Meyer 2002b) are depicted in the diagram below.

Figure 2.2 The critical microfinance triangle



Source: Zeller and Meyer (2002, page 6)

2.4.3 The main issues in the debate

Going by the World Bank's description of the poor, food is the basic need of all persons, including the poor, but credit access is never the need of all the poor. This is all the more reason that the financial system argument rests on this premise hence the proponents of the school strongly contend that the provision of microcredit to badly malnourished people is a misplacement of priority on the two grounds discussed in the next section.

2.4.3.1 Microcredit supply to the poorest of the poor

There is no doubt that credit is an important tool to induce investments, create jobs, and reduce poverty. But there are other poverty alleviation intervention programs that could be more effective, on two grounds, in addressing the needs of those who are extremely malnourished (Robinson 2001). First, these classes of people are not only ill and badly malnourished but they also lack the basic educational skills to successfully run a business. Second, and perhaps the most fundamental, is on whether the financial services can be delivered at a cost that is affordable to all the poor clients of the MFIs while at the same time maintaining or approaching self-financing independence (Rhyne 1998). It is common knowledge that many of the MFIs modelled on the GB's supply of a 'credit first' approach, for example, ASA and BRAC (both in Bangladesh), and many others around the world, including those established in Canada and the USA described as the flagships of poverty lending, rely heavily on direct government grants or indirectly on soft loans from donors and foreign governments to operate businesses as at 1999 (Morduch 1999b). Every poor person does not require a business loan for the mere fact that many cannot manage the risks involved (Rhyne 1998; Robinson 2001). In Bangladesh, for example, studies revealed that some of the poor who were over-swamped with a credit supply from the MFIs have started to experience difficulties with their repayments, and therefore were dropping out of the program (Wright 1997; Hulme 2000b). Similar findings have equally been reported in other countries of South America and Africa, particularly in the countries of the sub-Saharan East African region. The average dropout rates in the countries of the sub-Saharan East African region were around 25–60% per annum (Hulme 2000b), hence the significance of a 'savings first' principle before credit, whether it is in the form of food storage for future consumption or storage of money to purchase food in the future for consumption**.**

In a special argument in favour of the 'savings first' principle, Zeller (1999) saw the need to introduce another dimension to the microfinance debate, specifically the role of insurance in smoothing income and stabilising the consumption level of the poor. This need of the poor was completely ignored by the two opposing schools (poverty lending and financial systems) during the Washington DC Microcredit Summit, Zeller (1999). As savings were the forgotten half of finance in the 1980s (Vogel 1984), insurance was its forgotten third in the 1990s (Zeller and Sharma 1998, Zeller 1999). Based on this rationale discussed above, insurance is indeed an important facility that can be offered to the poor because of the following benefits.

2.4.3.2 Appropriately designed saving services

Zeller and Sharma's (2000) work drew attention to the role that savings in the form of insurance can play in household risk coping. While some scholars have gone as far as advocating life insurance for poor entrepreneurs, others have called for insurance in terms of food security (Zeller (1999); Sharma and Schreider 1998). Brown (2003), however, has cautioned against rapid advancement into any type of formal insurance for the poor who are already vulnerable to improving their lives. The vulnerability of these poor entrepreneurs does not immediately translate into demand for insurance products, but if the MFIs serving the poor entrepreneurs insist on providing such products, and where the laws permit it, Brown (2003) suggests that they could enter into partnership with well-established and well-equipped insurers to provide such products. Savings in the form of insurance is important to the poor for three reasons (Zeller and Sharma 2000, and 2002b; Zeller 1999):

- to smooth their consumption
- to finance investment
- to buffer and cushion risk.

Savings reduces both disposal income and consumption in the current time, but increases them in the future for household welfare. For food-insecure households, the saving of cash (whether it is in the form of food or other assets) is an important means of self-insurance against anticipated events, hence the special role that savings can play in terms of precautionary insurance to smooth income and consumption (Zeller and Sharma 2000, and 2002b; Zeller 1999; Morduch 1995). Borrowing increases the current disposable income at the expense of future income. In Zeller and Sharma's view this process enables investment to be made in human and physical capital that may improve future income and consumption. Many poor households have been found to borrow money, many more save, and virtually every one of them is found to insure against future uncertainties and shocks in both the developed and developing economies (Zeller and Sharma 2000).

Risk-coping behaviour inevitably prompts all households to demand financial services either before or after an event has occurred. The urge to maintain a minimum consumption level for life existence results in two risk-coping behavioural activities: income smoothing and consumption smoothing (Zeller and Sharma 2000; Zeller 1999). Each of these risk-coping activities, income smoothing and consumption smoothing, compels the poor to seek to insure themselves well in advance of ex-ante events by entering into either personalised or group-based insurance strategies with either extended family members or close friends who could provide them with relief or transfers of monies or gifts at a time of emergency. This strategic measure has been reported in Northern Nigeria (Udry 1990). Insurance, therefore, is the most significant facility that can be offered to the poor.

2.4.3.3 Demand for microfinance worldwide

Ultimately, the poverty lending and financial systems debates are about whether or not to subsidise interest rates on the capital provided to the MFIs that supply credits to the poor (Rhyne 1998). The high repayment rates in subsidised programs do not necessarily suggest that profits are being made (Morduch 1999b). Many poverty-focused programs have been reported in the MicroBanking Bulletin of 2001 to be achieving only around 70% of their full operational cost. Therefore, subsidies tend to make MFIs less financially sustainable due to the expectations of subsidised loans or credits (Morduch 1998a). A survey of 200 MFIs out of thousands worldwide reveals that 13 million loans worth $1 billion were outstanding as of September 1995 (Paxton 1996). In contrast, investigation into the operations of the BRI-Unit *Desa* system in Indonesia found that as many as 16 million low-income people operate savings accounts at any given time, including the poorest of the poor as opposed to around 2 million who were demanding credits (Morduch 1999a; Robinson 2002). Therefore, the funds that are set aside for financing microcredit programs would be better utilised in two-fold as explained below (Hulme 2000b). First, some selected financial institutions could commit to evolving into large-scale commercial microfinance by means of equity funding, technical assistance, and information systems. Second, it is equally significant to fund some institutions to cater for the most needy (poorest of the poor) with basic necessities such as food, shelter, water, medicines, education, training, and employment in lieu of giving them credit that traps them into debt (Robinson 2001; Hulme 2000b).

2.4.3.4 Measuring of microfinance's full social benefits and social costs

The poverty lending school has argued that easy access to credit deepens outreach and maximises the expected social benefits less social costs discounted over time. It is the view of the school that a lack of financial sustainability in those MFIs that provide small credit to the very poor can be compensated in the long run, resulting in some net gains that flow on to the borrowers and savers alike on the one hand, and on the other hand, in the net gains and losses that flow to the MFI themselves in terms of the opportunity cost of the state resources that were supplied and used up. These resources have opportunity costs associated with them, for example, infrastructure, training, investment climate, security, research and development.

However, Zeller and Sharma (1998) studies report on two pitfalls that could result from these kinds of network relationship arrangements. First, there is the possibility of having one adult household member obtaining a credit within a 1- or 2-year period, and the same adult household member operating a savings account in the same period of 1 or 2 years. Clearly this demonstrates that poor people can save, at least seasonally, and can still enter into various forms of informal self-insurance or co-insurance arrangements (Zeller and Sharma 1998).

Second, there is also the accounting difficulty involved in the sense that many complementary services may have been provided by the state or government in power (Zeller 1998; Sharma and Shrieder 1998). Under this scenario the problem then arises as to where one can draw the line in evaluating the impact of subsidised loans supplied to the poor. This would mean that complete evaluation of the loan's welfare impact on poor households would never be known due to these two reasons. The cost-effectiveness of a given loan has to be first analysed in order to compare its social benefits and social costs in the general equilibrium (Zeller 1999). This is because an improved input market (i.e. credit access) will be expected to yield greater returns, ultimately resulting in improved repayment performance (Zeller 1998; and Sharma and Shrieder 1998).

Nevertheless, this can trigger unintended consequences as once experienced in Bolivia: an improved financial market access (excess credit supply) resulted in increased delinquency rates among the borrowing group members (Wenner 1990; Sharma and Zeller 2000a). This was also the case in Bangladesh. It has been reported that increased delinquency rates had followed the pushing of too many loans by MFI credit officers to people who never wanted loans or had no means of repaying them (Wright 1998; Hulme 2000b). The arguments of the two schools (financial poverty systems) thus have further led to the development of the microfinance institutions (Zeller 1999; Meyer 2002a).

2.4.3.5 Importance of savings

Savings deposits not only strengthen the structure of incentives that are made available to the joint liability solidarity group members, but also perpetuate the length of outreach (Navajas et al. 2000). In effect, appropriately well-designed savings products for poor entrepreneurs are as important as accessing credits for development projects, if not more important than the credit access discussed in section 2.4.3.2. In Cameroon, for instance, it has been reported that rural poor households sometimes give their savings to moneylenders for safe storage at a zero nominal interest return (Shrieder and Heidhues 1995). Robinson's (2001; 2002) enquiry into Indonesia's microfinance programs affirmed the Shrieder and Heidhues' (1995) research findings in Cameroon. Robinson's works of 1992, 1994, and 2002 in Indonesia uncovered that the rural poor sometimes are desperate for a safe place to store their money, and may not necessarily want to borrow money. Therefore, there is a need to extend savings services (both voluntary and mandatory) to those poor household savers, particularly in the rural areas of any country. Savings not only offers security, but also provides income returns when invested prudently. For this and other reasons, Robinson (2002, p. 304) states:

> In 1996 the Unit had more than six times as many savings accounts as loans, and the value of savings was nearly twice as much as that of loans. At the end of 1996 the ratio of clients who saved in the units but did not have any outstanding loan to those that borrowed and saved in the Units was probably about four to one.

Robinson's (2002) findings, which corroborate that of Zeller's (1999), have criticised the placing of too much emphasis on subsidised credit rather than on savings mobilisation. Zeller and Sharma (2002b) have argued that the absence of voluntary savings is the biggest default in rural financial institutions, and their views have also been revalidated in other studies that conclude thus: many poor households could save and do so in substantial amounts too (Morduch 2000; Paxton and Cuevas 2002; Johnson et al. 2002; Otero 1999; Shrieder and Heidhues 1995; Robinson 2002). Zeller and Sharma (2002b) research has further argued that 95% of loans made available to small business operators in developing countries come from informal sources such as moneylenders, trade merchants, and ROSCAs to whom some of the NGO-funding agencies sometimes turn to for credit bailout (Rhyne and Jackelen 1991).

Due to these important findings, and the criticisms that have been trailing the GB's group credit with joint liability contract innovation, ASA has since departed from the GB's practice of providing liberalised credit to the group-based clients, toward designing programs that lay emphasis on the voluntary savings side with a view to raising capital internally for re-lending back to the group members. This strategy has made it possible for ASA to operate without necessarily imposing excessive costs on its clients while trying to approach the self-financing status (Morduch 2000; Martin 2002). More than anything else perhaps the strategy explains the reason why the United Nations Development Programme (UNDP) contracted ASA technical experts, among other competitors, to introduce their own methodological model to Nigeria. Similarly, the Dhaka's informal SaveSafe has since departed from the GB's method of subsidised credit dependency to develop attractive saving products that allow it to break even while maintaining or even improving credit outreach to the poor (Martin 2002, p. 6; Rutherford 1998):

> SafeSave has found it necessary to depart from standard models in Bangladesh and make safe and flexible savings accounts, including the possibility of daily deposits, a key part of their service. In this they have drawn on lessons from informal institutions in Dhaka's slum, as well as on successful experiences with deposits mobilization in Indonesia. ASA has similarly departed from the Grameen's model to develop a simple management structure and accounting system…without imposing excessive high costs on clients (Rutherford 1998).

Although almost all programs modelled on the GB's group loan with joint liability contract approach have deeper outreach, they have less breadth (lower outreach coverage) when compared with financially sustainable programs, for example, the BancoSol of Bolivia, and the Credit Union Bank's programs of the South and Central American countries (Paxton and Cuevas 2002, Navajas et al. 2000). This will be further explained in Chapter Three. One drawback here is that these subsidised loans programs for the poor have been found to reach people who are non-poor or people who have education, wealth, and social status in Bangladesh (Chowdhury, Mahmood, and Abed 1991; Zeller and Sharma 1998; Yaqub 1995; Chowdhury 1992), thus it is pretty much like the subsidised credit schemes of the pre-1980s for small marginalised farmers. Similar findings were also revealed in studies conducted in Nepal and India respectively (Gupta 1987), and it was much the same in Bolivia. In Bolivia, for instance, these subsidised loans do not reach the poorest of the poor, but only reach those poor who are immediately below and above the poverty line (Navajas et al. 2000), although the share of the poorest borrowers in the loan portfolios was highest for rural lenders when compared with their urban counterparts (i.e. poorest of the poor – Navajas et al. 2000). Desertions have also been reported on those programs in Bangladesh (Wright 1997; Hulme 2000b), and similar programs worldwide (Nagarajan 2001; Wright 1997; Hulme 2000b). In the light of the foregoing discussions, it is now time to review the role and place of microcredit schemes in Nigeria, using the SSE program as an in-depth case study.

2.5 An appraisal of the performance and weaknesses of some major intervention programs implemented in Nigeria 1980–2004

Prior to the decades of the 1960s and 1970s, unemployment rates in Nigeria were estimated around 2% and 4.5% respectively, and these rates were not all that serious a problem (Umo 1990; Okorafor 1990; Ofong 1990; Obadan and Odusola 2000). During these periods of the 1960s and 1970s, government policy on employment creation was only tangential in the sense that it was built into the national development plans executed in those decades before 1980 (Ogwumike 2002; Muhtar 1990). Hence the Nigerian government’s efforts at employment creation before 1980 can only be described as peripheral since poverty was equally not a serious problem because of the contribution of agriculture to the gross domestic product (GDP), particularly in the 1960s (Ndebbio and Ekpo 1990). In fact, these development plans that were biased towards education, health, and agriculture as a direct result of the crude oil boom only succeeded in inducing rural-urban migration of people in the 70s and 80s. In effect, rural-urban migration exacerbated the urban unemployment problem (Ogwumike 2002, Obadan 2001), which some experts described as an oil-led growth that was not accompanied by a corresponding growth in agricultural production (Diejomaoh 1990; Ogwumike 2002; Ndebbio and Ekpo 1990).

After having executed four national development plans and 28 annual budgets since its independence in 1960, it was expected that these development plans and annual budgets would have galvanised enough growth impulse to trigger off employment opportunities in Nigeria on a sustainable basis (Ofong 1990; Ogwumike 2002; Obadan 2001). On the contrary, there were apparent weaknesses and deficiencies inherent in these five-year national plans and annual budgets resulting in unemployment rising in the 1980s (Okorafor 1990), particularly among the youth because of these adverse economic factors:

- the massive food importations and declining agricultural production, and a drop in per capita food output of about 1 per cent annually since the beginning of the 1970s (Obasanjo 1992; Ndebbio and Ekpo 1990), which failed to keep pace with the annual population growth rate of around 2.5% (Diejomaoh 1990)
- the so-called oil boom that encouraged urban drift and discouraged agricultural occupation (Diejomaoh 1990; Ndebbio and Ekpo 1990; Ogwumike 2002)
- the declining contribution of agriculture to GDP (Diejomaoh 1990, Obasanjo 1992)
- the declining share of agriculture to total exports (Table 2.2)
- the massive retrenchment of workers in both public and private sectors
- the freeze (or decline) in job creation followed the decline in Gross Domestic Product (GDP) that kept pace with the growing output of the educational institutions (Diejomaoh 1990).

Listed in Table 2.2 below are some of the negative indicators in the Nigerian economy due to the declining role of agriculture since the 1970s that reached its peak in the 1980s.

Table 2.2 Contribution of agriculture to the Nigerian GDP and total exports 1965-1987

Year	% of agricultural products to the GDP	% of agricultural products to total exports
1965	57.92	61.01
1966	54.92	51.50
1967	54.59	49.75
1968	54.97	57.75
1969	55.50	40.73
1970	53.28	32.28
1971	48.23	20.73
1972	49.49	13.54
1973	43.61	12.67
1974	43.03	5.31
1975	27.66	5.21
1976	32.95	3.87
1977	20.56	5.74
1978	19.22	7.32
1979	19.69	4.60
1980	18.00	2.40
1981	18.84	1.60
1982	21.75	2.40
1983	24.10	5.60
1984	25.90	2.30
1985	23.53	1.60
1986	24.69	4.50
1987	24.29	3.20

Note that the GDP is at the 1977/1978 prices. Source: Central Bank of Nigeria (CBN) Annual Report, and Statement of Accounts, Various Issues, cited in Ndebbio and Ekpo 1990 in *Employment Generation in Nigeria Issues and Strategies*, NDE, Lagos.

The farming system of one Nigerian state (Imo) is characterised by a root- and oil-based cropping system. After studying the cropping system practised in this state, Goldman (1991) reports that although ‘a variety of other vegetable crops (mainly for use in sauce eaten with the main dish of cassava or yam), some grains (mainly maize and in a few areas, rice), and various legumes that are being planted, states that no attempts have been made to introduce new crops or resort to the use of fertilisers on a huge scale. Owing to this cultural norm, the author further argues that the decades of the 1970s to 1980s witnessed no great change in the farming system practised in the area (Imo state) despite its substantial population increase (Goldman 1991). The country’s dependence on agricultural inputs, particularly fertilisers though, had increased rapidly between 1970 and 1980 due to insufficient local production, but the variability of such farm inputs was not only a disincentive to local production, but also created output fluctuations (Olayide and Idachaba 1987).

From the employment dimension, however, the farm sector of the Nigerian economy plays a dominant role in providing employment. It was estimated in 1980 that around 90% of the Nigerian workforce was engaged in small-scale and informal sector enterprises, of which agriculture accounted for the highest percentage (Diejomaoh 1990; Ndebbio and Ekpo 1990). This would mean that a sizeable number of the Nigerian labour force working on the land is either under-utilised or unskilled and, therefore, unproductive. The problem of credit access aside, it is only when farm technologies in African agriculture, in this case, Nigeria, ‘are both intellectually satisfying and economically rewarding, that the sector can attract and retain educated youth’ (Swaminathan 1992, p. 15). Swaminathan (1992, p. 15) believes that ‘an integrated approach to on-farm and off-farm employment and to blending traditional and modern technologies is urgently needed’.

The weaknesses and deficiencies inherent in the pre-mid 1980s development plans inspired the military government to come up with special programs and parastatals with a view to reversing the unemployment trend. Many of the programs that were implemented after the mid-1980s were conspicuously designed to create jobs and reduce poverty in the country (Obadan 2001). While many of these programs were government initiated and sponsored, others were either wholly initiated and sponsored by NGOs or executed in partnership with the development partners (Akanji 2003). Nearly all the programs listed in Table 2.3, including those of the NDE, had a bias in microcredit schemes (Ogwumike 2002; CASSAD 1999).

Table 2.3 Some of the microcredit-oriented programs implemented in Nigeria to create jobs and reduce poverty since the mid-1980s

Name of the microcredit program	Year of launch	Target group, and intervention type	Estimated nation-wide overall unemployment rates and the graduate specific national rates 1980–1998	Estimated poverty level
Directorate of Food, Road, and Rural Infrastructure (DFRRI)	1986	Rural areas were targeted involving the provision of infrastructure, such as feeder roads, rural water supply, and rural electrification.	3.7 million* (*5.3%) out of 36 million* workforce nation-wide was unemployed in 1986, with an annual growth rate of *2.3%.	27% in 1980
National Directorate of Employment (NDE – to which the SSE is a program department)	1986	Unemployed youth targeted – the provision of training, loans facilitate business start-up, and on-going mentoring services.	*7% of the workforce was unemployed in 1987 while about 10% was the nation-wide rate for graduate unemployment – the year in which the programs of NDE including the SSE were officially launched.	45% in 1985
Peoples Bank of Nigeria (PBN)	1989	Underprivileged in rural and urban areas targeted – the supply of small credits and encouragement of savings for self-help development projects.	While *3.4% was the nationwide unemployment rate in 1992, *4.9% was the national rate for tertiary graduates in the same period.	42% in 1992
Community Bank of Nigeria(CBN)	1990	Rural recipients, and urban-based micro enterprises targeted – the provision of banking facilities (credit and savings services) for developments.	*1.8% was the overall national rate in 1995 whereas *5.8% was the graduate rate in the same period, out of which *5.2% and 8.5% were urban and rural-based respectively.	67% in 1996
Family Support Program (FSP)	1994	Families resident in rural areas targeted - the provision of healthcare delivery, child welfare, and youth development services.	*3.4% was the national unemployment rate for 1996 while 18.4% was the tertiary graduate from whom – *18.6% were urban-based, and *18.3% were in the rural areas.	-
Family Economic Advancement Program (FEAP)	1987	Rural areas targeted – the provision of easy credit access to support the establishment of cottage industries in rural areas.	*4.5% persons were unemployed in 1997; however, *20.9% of the tertiary graduates were unemployed nationally in the same period, out of which *21.5% and *20.8% were urban and rural-based respectively.	-

Explanation of notation symbols: *Official government source. **Unofficial private research source.

*Federal Office of Statistics (FOS), Labour Force Sample Surveys for 1985, 1987 and 1999; **MI Obadan and FO Odusola (2000, p.14);‘ *OO Akanji (2002); *CIA (2007 and 2002); CE Okojie (2003, p.25); AE Okorafor (1990, p.66); **C Ofong (1990, p.4); **FO Ogwumike (2002, p.1); *Year 2000, 2001, and 2002 of NDE; **An Interview Guide Response from this Research.*JU Umo (1990, p.xi); **VP Diejomaoh (1990, p.27.); **AE Okorafor (1990, p.66); **CC Mmereole (1988); **TO Akinbobola and MO Saibu (2004, p.178).

2.5.1 The main objectives and outcomes of some microcredit-based programs implemented in Nigeria from the mid 1980s–1998

All the programs presented in Table 2.3 were initiated by the military administration and their sole purpose was to take care of such immediate goals of the government as employment creation, agricultural production, and income growth as well as to stem the flow of rural to urban migration of youth. These special programs were put in place by the military administration to cushion the effect of the economic crisis of the early 1980s that followed the global economic recession resulting in an oil glut. The structural adjust program (SAP) that the government embarked upon about the same time worsened the quality of life of many Nigerians (Ogwumike 1998 and 2002). Apart from the SSE program of the NDE organisation reviewed in detail later, the outcomes of the other programs listed in Table 2.3 are briefly examined below.

(A) Directorate of Food, Road, and Rural Infrastructure (DFRRI)

The Directorate of Food, Road, and Infrastructure (DFRRI) was charged with providing basic infrastructure in the areas that could positively stimulate the growth of agro-allied small-scale enterprises from which to boost agricultural production.

This is one of a few programs that have made positive impacts on the lives of rural people (Ogwumike 2002) because of its radical departure from other previous programs (Ogwumike 2002). By constructing 278,526 km of roads in the rural areas of the country between 1986 and 1993, and electrifying substantial numbers of rural communities exceeding 5,000 in number about the same period, the DFRRI program has been credited with the accomplishment of such complementary services associated with the basic needs of the rural poor: food, shelter, potable water, and rural needs (Ogwumike 2002). DFRRI has also been reported to have made a positive impact on food production between 1986 and 1993 in the sense that there was a slight rise in agricultural output within the same period (1986–1993) according to the CBN Statistical Bulletin (Qgwumike (2002). The CBN Statistical Bulletin cited in Qgwumike (2002), attributes this concrete achievement of DFRRI goals to the integrated nature of the program, that is, the involvement of rural dwellers.

However, all the objectives of DFRRI were not achieved due to a lack of standards for project harmonisation and the lack of effective mechanisms of coordination among the three tiers of government on the one hand and between DFRRI and each level of government on the other.

(B) The People's Bank of Nigeria (PBN) and the Community Bank of Nigeria (CBN)

The People's Bank of Nigeria (PBN) was set up to provide easy credit access to underprivileged individuals residing in the urban or rural areas of the country, cooperative societies, and groups without collateral assets but capable of affordable interest rates (Ogwumike 2002; CASSAD 1999), while the Community Bank (CB) was specifically charged with providing credit access to the disadvantaged sections of Nigerian society, namely, small-scale entrepreneurs, petty traders, food processors, artisans, peasant farmers, etc, throughout the country, with a focus on people residing in rural areas (Ogwumike 2002; CASSAD 1999).

Both the PBN and CBN achieved a certain measure of success (Ogwumike 2002). However, the nature of their success or achievement was unquantified by concrete evidence as in the case of the DFFRI discussed above. It was, however, reported that many of the goals of these two banks remained largely unachieved as a result of the rampant corruption and gross mismanagement of the banks' affairs (Ogwumike 2002).

(C) Family Support Program (FSP) and Family Economic Advancement Program (FEAP)

While the FSP was charged with providing healthcare delivery, children's welfare, development of skills in youth, and improved nutritional food for families residing in the rural areas, FEAP was established to specifically provide credit facilities to rural-and urban-based cooperatives to enable them to develop and create employment opportunities at the ward level. The overall purpose of the two programs (FSP and FEAP) was to improve the quality of life of rural dwellers (Ogwumike 2002; CASSAD 1999).

However, many of the resources and facilities promised in the two programs largely remained unestablished in many rural areas even though some nurseries and primary schools as well as public toilets and vocational schools were built, but their numbers were statistically insignificant (Ogwumike 2002). This suggests that many communities did not benefit from them.

2.5.2 The SSE program as an in-depth case study

The SSE program (a quasi-microcredit scheme) has been chosen as a case study in this enquiry because of its employment creation potential. As an integral part of the NDE organisation, the SSE program became operational in 1987, following the promulgation of the military edict that established the NDE organisation in November 1986. The program was established in response to the high unemployment rate among secondary school and tertiary-level graduates, estimated at 70% for the two groups (Umo 1990). Hence the program was specifically designed by the government for unemployed tertiary and secondary school graduates who were then increasing annually at an average rate of 1.5 million graduates from the country's educational institutions (Diejomaoh 1990).

The program was meant to inculcate in the unemployed graduates, particularly the newly graduated ones, inspirational business ideas by fostering in them the spirit of entrepreneurship, creativity and self-reliance. The overall program objective was the development of entrepreneurship skills for self-employment. After the completion of the skills-based training, those participants who develop sound business plans were promised business take-off soft loans that read thus:

> Small-Scale Industry (SSI) programme aims at encouraging the participants, who are mainly young graduates to become entrepreneurs. In the process, they would not only create jobs for themselves and others, but also in the process help industrialising the country (Ofong 1990, p.6).

Why was there a study into the SSE program? First, it was to gain an insight into the achievement of the key objective of the government-declared policy for jobs growth via the graduate self-employment program. Second, it was to gain a clear understanding of the primary reasons for the disproportionate representation of tertiary graduates in the national unemployment rates year after year in the period under study. Third, and perhaps more significantly, it was to learn whether there is a correlation or link between rising unemployment and the crime wave in the country, its (unemployment) implications on educated youth and crime, which many crime specialists fear could spiral out of hand without viable productive policy measures. Some sociologists and crime analysts believe that the high incidence of graduate unemployment over the past two decades (Table 1.1 of Chapter One) may have contributed to the growing wave and sophistication of crime in the country (Albert

2000). Fourth, the SSE program was chosen over other programs listed in Table 2.3, including other NDE programs because of the difficulties envisaged in the collection of fieldwork data had any other program been chosen as a case study. It was rather anticipated that people with this level of educational attainment would cooperate with the researcher in the enquiry.

Stated below are the specific objectives of the SSE program at the time it was launched alongside other NDE programs in November 1986, followed by the enabling Edict or Decree No. 24 of 1989 (Ogwumike 2002; Okojie 2003; Ofong 1990; CASSAD 1999). These primary mandates of the NDE organisation along with the SSE program are:

- to develop the inspirational business ideas of the unemployed graduates via skills acquisition and business management training
- to supplement the acquired skills with a start-up loan to enable some trainees with sound business plans to go into self-employment, and through them as self-employed entrepreneurs into gainful enterprises
- to grow jobs for other unemployed Nigerians, ultimately leading to an increase in purchasing power, income growth, and wealth creation.

2.5.2.1 Description of resources explicitly and implicitly pledged for the SSE program

As would be expected, the achievement or failure of any program's key objectives would depend to a very large extent on the availability of the facilities and resources to achieve them. The same thing applies to the provision of services and resources pledged by the Nigerian federal government to accomplish the SSE key objectives outlined above. Resources are critical factors in the attainment of any organisational goals. Their availability in both quantity and quality can either positively or negatively influence the organisational outcomes. Based on the Military Government's Decree or Edict of 1989, No. 24, the government had pledged certain resources and facilities to achieve the measures articulated in the SSE program (Ofong 1990; NDE 2000; NDE 2001; Okojie 2003). Embodied in the questionnaire constructed to evaluate the key achievements and successes, and the key failures and weaknesses of the SSE program among its principal stakeholders who constitute the study participants, the resultant outcomes will be finally determined in Chapter Five after the data analysis. The main issues (variables) in the research questionnaire upon which a determination (assessment) is sought in relation to their achievement or failure are listed below:

SSE training awareness campaigns
Number of instructors/trainers
Knowledge of the imparted subject
Skills acquisition
Government funding/start-up soft loan
Bank loan support
Size/amount of loans
Time taken to access loans
Loan repayment
Business mentor
Overall support for small business start-up
Self-employed enterprise generation.

(A) SSE training awareness campaigns

Every year campaigns are conducted throughout the country, and these campaigns are aimed at sensitising the newly-graduated tertiary students to avail themselves of free self-employment training in lieu of the white-collar waged jobs that are non-existent. The overall aim of these campaigns is to bring about a change in attitudinal orientation from waged employment to self-employment, make the unemployed graduates, particularly the newly-graduated ones, aware of the advantages of self-employment, and the services and resources provided free of charge by the program (NDE 2000; NDE 2001, Ofong 1990; Okojie 2003). These campaigns usually take place on the campuses of the higher educational institutions and during the National Youth Service Corps (NYSC) orientation camps held annually in August/September throughout the country. During the sensitisation phase, practical demonstrations of simple technology are conducted to convince the newly-graduated students to opt for self-employment in lieu of the white-collar salaried jobs. The NYSC orientation camps appear to be more suitable venues to get the message out *en masse* to the target group (NDE 2000; NDE 2001). After the inauguration of this program in 1986, these campaigns often attracted huge interest from the target group, resulting in NDE management sensitising over 100,000 unemployed graduates annually for the first phase Entrepreneurship Development Program (EDP) of SSE training (NDE 2000). At the end of the second phase of the training, Start-Your-Own Business (SYOB), the federal government is looked upon to provide the pledged soft loans to some participants to set up microenterprises while many others are expecting the government to link them up with financial institutions for loan assistance (NDE 2000; NDE 2001).

(B) Number of instructors/trainers

The SSE program participants are put through a one-week intensive short training course in the EDP, and in the second phase conduct skill-based training courses (SYOB) for those who still show an interest in pursuing their own business. At this stage, the managers of the program now become instructors while other professionals, for example, business development officers, are hired to augment the managers' training (NDE 2000; NDE 20001). These managers, now instructors (or trainers), guide the SSE participants through the different stages of business set-up. Whilst it is expected that the SSE management would provide sufficient instructors and other expertise for the training, the beneficiaries are in a unique position to describe their experiences of the program in terms of the number of instructors or trainers provided and accessed, hence this is one of the important variables in the research.

(C) Knowledge of the imparted subject

This variable denotes the teachers' (or instructors) competency-based knowledge in the subject delivered or imparted to students. Different experts have different interpretations of knowledge as a variable in the process of learning and teaching in education and training. For instance, while Gonczi et al. (1990) and Geall (2000) represent the instructor's high teaching standards in terms of such absolute attributes that include knowledge itself, abilities, skills and attitudes which a competent professional should possess for job performance at the appropriate levels, Walker (1994) views it slightly differently. For Walker (1994), a teacher's elevated knowledge of a subject of expertise denotes managerial skills, leadership capabilities, interpersonal effectiveness, empathy, initiative, and problem-solving, which are difficult to measure. Austin (1988) and Harvey (2001) interpret a teacher's knowledge in terms of the calibre of staff and teaching methods employed to satisfy students. In the light of these experts' views, it can be argued that the ability of the trainer and instructor to effectively impart or deliver entrepreneurial knowledge to the SSE program participants will not only depend on the knowledge, abilities, skills, and attitudes of the trainers and instructors, but will also include the inter-personal skills and personal interactions between the trainers and their trainees. Both the inter-personal skills and personal interactions of the teacher or instructor constitute an important learning experience of the learner (trainee).

(D) Skills acquisition

The acquisition of skills by the participants of the SSE program is perhaps the best measure of the effectiveness of the instructor’s power of instruction. The unemployed graduates still interested in self-employment after the sensitisation are given one week of EDP training, followed by the SYOB management training at no cost to them, during which time they get exposed to the rudiments of running a business. These two phases of the training schemes (EDP and SYOB) run throughout the year, thereby giving abundant opportunity to many of the newly-graduated students with business ideas to participate. This is aimed at helping them develop their inspirational business ideas into practical usage so that they can set themselves up in self-employed enterprises with the help of their acquired skills. In this context, the trainees should be in a position to judge the effectiveness of the acquired skills by practically showing something for them in the form of the preparation of a feasibility study plan for the intended business. Harvey (2001) argues that the students’ feedback on the skills and knowledge imparted is an important indicator or variable in improving the overall students’ population skills.

(E) Government funding/start-up soft loan

Funds are the engine of any business. Timmons’ (1994) study reported that the start-ups have more difficulty accessing funds than existing business operators. As discussed earlier in this section, the SSE’s overriding objective is to provide business training to unemployed Nigerian graduates and complement it with start-up loans, provide guidance and other support services to enable them to become successfully self-employed and create jobs for other unemployed Nigerians (Okojie 2003). However, the SSE funding and start-up loans have been reported to be grossly inadequate at the beginning of this study (Okojie 2003; CASSAD 1999). Most of the supports for micro-financed small projects in Nigeria, including the programs of the NDE, come from development partners such as the UNDP and foreign-based NGOs (NDE 2000; Carpenter 2001). This type of assistance suffers two drawbacks. First, it has a history of non-sustainability like the government financial aid programs, and second, it is community based (Carpenter 2001). The federal government pledges to provide some participants with start-up funds after the completion of business training, subject to the feasibility study plan of the intended business. The annual reports of the NDE for two consecutive years (2000 and 2001) clearly state that 'after training in EDP, and SYOB, ' … some of the successful participants are provided with soft loans to set up micro enterprises while others are linked up to credit institutions for loans assistance' (NDE 2000, p. 4; NDE 2001, p. 5). But the literature review on the functioning of the SSE program seems to reveal the contrary (Okojie 2003; CASSAD 1999). For instance, Okojie's (2003) study findings lent credence to that of CASSAD (1999) that reports that the programs of NDE were heavily under-funded and lacked logistics. Although the financing constraints facing the Nigerian small and medium enterprise (SME) projects are not a phenomenon peculiar to Nigeria, it is in fact a universal problem in both the developing and developed economies. Whilst the latest World Bank workshop reports on the difficulties of credit access by and the cost of finance to the operators of small and medium enterprises (SMEs) in three East African countries (World Bank 2007), a conference of Australian academics, scholars, and practitioners report that liquidity is the greatest constraint to small and medium enterprise operations in Australia (Evans 1996). Access to finance or its cost is ranked the second most important constraint to SMEs in Kenya after electricity, while it is ranked number one among the top ten constraints to SMEs operations in both Uganda and Tanzania (World Bank 2007). Similarly, Evans (1996) reports that 81% of the start-up funds in Australia come from personal savings or some form of secured credit when the would-be entrepreneurs (or prospective business operators) reluctantly (and very often successfully) start making calls around their networks or thinking about entering into a partnership arrangement with someone else. Although nobody is suggesting that the unemployed tertiary graduates in Nigeria could access small business start-up funds by ringing around their networks or that they can easily obtain loans through a secured asset owing to the differences in the two economies, yet it is important to note that the government should be truthful with its citizens by revealing the extent of its financial involvement in these programs, and rather, provide them with help in other ways, for example, promulgation of appropriate policies that encourage and promote the formation of community, small, self-help groups for business sharing and cooperating.

(F) Bank loan support

Banks are known to be averse to lending to small business operators, particularly the new start-ups. This is due to a variety of reasons that include: perceived high risk, lack of acceptable collateral, low returns on investment, poor financial records, and more significantly, corruption (where the cost of corruption on doing business in a country like Nigeria is enormous (Carpenter 2001). Collateral is an indication of the borrower's creditworthiness. This helps the lender to attract low-risk borrowers and in the process decreases credit rationing. The SSE loans are neither gifts nor free money. The support for bank loan applications is another important variable in that it holds the key to smooth business operations. Normally those participants who have developed sound feasibility business plans in the course of their training would expect to benefit from the government-pledged soft loans to commence business immediately after the training while those who missed out would expect the government to readily support their bank loan applications. In either case, the government pledged start-up soft loans, and the support for bank loans is in short supply, hence collateral in terms of physical assets is the biggest hurdle to securing funds to operate small business, particularly among the new business starters. Perhaps some of the SSE trainees may have been induced and encouraged to train for self-employment under the impression that loans would be made available on completion of the training (depending on the content of the awareness campaigns disseminated). This is only speculation from the researcher. In this connection, one may ask how many of the SSE trainees got the government-pledged loan. The NDE hierarchy does not publish clear statistical data on this issue other than the little information contained in its annual reports, hence the importance of the study.

(G) Time taken to access loans

Time is of the essence in the microfinance programs. Time efficiency in the processing of loan applications and the disbursement of sanctioned funds is a critical factor in microfinance operations. This could be one of the contributing factors to the low performance of the SSE program. The study participants, managers and beneficiaries of the SSE program, particularly the latter, should be in a position to evaluate the time efficiency in the processing of the loan applications, and the disbursement of sanctioned funds. Any delay at any stage, (whether it is application processing or loan disbursing) not only causes harm to the intended business, but also causes enormous discomfort and stress to the business loan applicant. Research in Bangladesh reveals that loans, which have heavy government involvement, take considerable time to obtain (at least six months on average) after applications, when compared to loans sourced from a privately managed institution such as the GB's that takes only one day to obtain after the group formation (Chowdhury et al. 1991). The degree of efficiency in the processing of the loan applications and disbursement of sanctioned funds could equally be a part of the SSE funding constraint discussed in notes (E) and (F). This issue can only be determined in Chapter Five following analysis of the acquired data from study participants.

(H) Size/amount of loans

The size (or amount) of loans sanctioned is another critical factor in commencing or running a business. Loan size has been one of the predominant issues in microfinance debates in the sense that it is a metric or yardstick for comparing outreach between the financing system and poverty lending approach. There are numerous scholars who now argue in favour of the full commercialisation of microfinance, and those who kick against it as a result of the fear that it will exclude the poorest of the poor because of high interest rate operations (Morduch 2000). While some scholars have argued in favour of making microcredit easily available to those poor clients engaged in micro or small businesses that have a high turnover and are prepared to pay interest rates averaging 50% of the borrowed loan value per year, others have argued against it because of the above reason. The amount of a sanctioned loan is also important from another angle. The new business operator certainly needs some reasonable amount of money that can facilitate the renting of a shop or factory where the business will be conducted, and the installation of necessary fittings, but also needs to purchase raw materials or other items of trade for the business. The payment of money upfront would be required for all these items at every stage. There is no point taking out a loan that does not meet the requirements of the new business. The SSE loan applicant must work out well in advance the entire cost that the new business will take to set up, and this should be built into the feasibility study plan that would have been developed during the EDP and SYOB training schemes. As would be expected, the SSE loan recipients would expect reasonable loan amounts for their new businesses. Since the size or amount of a microloan given to the poor to commence business has been a powerful metric in the microfinance debates, again this will only be determined in Chapter Five after the analysis of the acquired data.

(I) Loan repayment

Due to the high level of corruption in the system, debtors do not bother to pay the debts they owe the government, particularly when such loans are given in the name of intervention designed to help the poor and unemployed. Even some people who conduct big financial transactions with the government often display unwillingness to repay government debts. Unless loans are repaid when due, it is impossible to recycle them to others in need, to further generate jobs. One of the key success factors of the Bangladeshi microcredit programs has been the repayment performance of around 92–98% reported in the GB's schemes and 100% impressive repayment performance reported in ASA schemes because of those features that were discussed in section 2.3.2 of the chapter (Chapter Two). When loans are repaid on time, they have the tendency to generate more self-employed enterprises; and more self-employed economic activity means more jobs creation (Acher 2006). The SSE loans are repayable over a five-year period with a one-year moratorium guaranteed by the government as of the 1990s (Ofong 1990). It has been argued that the lack of an accounting procedure for recovering bad loans is one of the principal weaknesses and failures of the agricultural subsidised loan schemes of the 1950s to1970s (Von Pischke, Yaron and Zander 1998), well up to the 1980s (Morduch 1999a). It is only the SSE program managers, particularly the program's finance director, who is uniquely placed to give an opinion on whether or not both non-repayments and untimely repayments constitute a problem in the operation of the SSE programs. Unless a policy framework (legal and regulatory) is developed in Nigeria to finance the self-employed small project, and be given top priority too, it will be difficult to believe that business training alone will create jobs as intended in these programs.

(J) Business mentor

The provision of mentoring services to a newly-established business is important for business success; not the least is the need to maintain good financial records that make reviews easier and more reliable. Mentors provide a variety of valuable services that include advice and guidance from time to time on a whole range of financial and investment matters. Research reports that 50% of the micro-businesses in Australia fail in their early formative years (Watson/Everett cited in Evans 1996); one can only imagine what the rate will be in a country like Nigeria which lacks a clear policy framework to monitor, develop, and promote the SMEs.

(K) Overall support for small business start-up

Studies reveal the critical role an overall support for small enterprises can have in the Nigerian economy, particularly amongst the programs of the NDE (Okojie 2003; CASSAD 1999). CASSAD (1999) reports the aggregate contributions of the programs of the NDE, particularly the SSE program that has helped to stem the drift of youth from rural to urban centres, although this is still only a very small proportion. Not only the inadequacy of funding was highlighted in these studies – they also revealed the lack of logistics and other complementary services that bedevilled the smooth operation of the programs of the NDE (Okojie 2003; CASSAD 1999). The SSE participants who constitute the recipients of the program are in better stead to comment on these findings.

(L) Self-employed enterprise generation

Closely related to the overall support for small business start-up discussed above is the magnitude of the self-employed enterprises' generation. The program managers, on their part, should be able to estimate the proportion or rate of the program participants that go on to establish their own enterprises after training. It is only when the rate of the program's success is known that there can be a noticeable improvement and lifting of performance. Unlike the program's beneficiaries who do not hold onto or keep records of the program's progress, one should expect the managers to make an honest assessment of the program's rate of success.

In evaluating the achievements and successes, and the failures and weaknesses of the SSE program, certain issues closely associated with running a business came to the forefront. These issues, though not explicitly pledged by the federal government that funds the program, are no less critical in running a successful business. It is in this regard that their significance to operating and managing small business has been assessed amongst the study participants. These additional issues are described below as follows:

Interest rates on enterprise loans
Savings facility
Program manager's empowerment
Inadequate infrastructure support
Enabling laws
Federal-state cooperation

Self-employment apathy

Coordination of agencies

(M) Interest rates on enterprise loans

The interest rate is an identifying variable, and its variability partly reflects the attributes of the borrowers within a given social setting, and partly reflects the lender's characteristics. Subsidised interest rates are known to discourage savings with banks by possible depositors (Vogel 1986; and Meyer et al. 1988) while very high interest rates discourage borrowing by those people who could otherwise borrow to run successful enterprises that could offer employment. The interest rate is an identifying variable, and its variability partly reflects the attributes of the borrowers within a given social setting and partly reflects the lender's characteristics. The costs of these loans, perhaps, might have deterred some of the SSE participants from commencing a business even if they were in a position to meet the bank's collateral asset requirement. Although little or no reference has been made to the SSE loans interest rates in any literature reviewed yet it could be a significant problem to the vast majority of the SSE participants.

(N) Savings facility

Savings has been universally acknowledged as an important foundation for commencing one's own business. Self-savings can be used to start a new business or expand an existing one. It is an alternative source of reliance when responding to an immediate need for cash without diverting funds from the business. Otero (1991) argues that savings is a means of capitalising business among borrowers, and of decreasing dependency on the moneylender to whom even the lenders must turn in cases of emergency. Incorporating savings into the microfinance programs makes business sense for two reasons: first, it is an inexpensive source of capital for re-lending, and second, today's depositors may be tomorrow's borrowers, thereby creating a pool of clients (Robinson 1995). Many scholars have argued that savings deposits offer the advantages of building up an asset to use as collateral or to reduce consumption volatility over time or to finance investments rather than always running to creditors (Wright, Hossain, and Rutherford 1997). A business is more stable when financed from one's own personal savings or internal source. Undoubtedly, the SSE participants would want savings facilities located at a reasonable distance to the place of their business operations owing to various reasons.

(O) Program manager's empowerment

The concept of empowerment can be a catalyst in making projects perform relatively better than without it, and more efficiently and effectively, too. Project management in today's world is filled with multiple tasks and challenges that involve delegating powers and authority from the high ups (and more so from the political executives to the departmental functionaries) to the lower level project managers and their teams who know the field very well. Efficiency is lost when the SSE project managers have to resort to seeking permission from their political boss or are made to resort to the normal bureaucratic rules and practices that often delay the execution of the task in hand. An empowered manager understands the work he or she has to perform, and delivers it with the greatest quality without any external inputs. This could equally be part of the problem in the SSE program operations, which the study sets out to investigate.

(P) Inadequate infrastructure support

Of the top ten constraints to running a business in the three East African countries, infrastructure (specifically electricity) has been ranked No. 1 in Tanzania in 2003 and 2006, in Uganda in 2006, and in Kenya in 2003, in addition to access to finance and its costs (World Bank 2006). Infrastructure, in terms of microfinance complementary services and facilities are beyond the scope of this research, but are fundamental in enhancing the dividends of the microfinance programs. Infrastructure and basic facilities are highly deficient in the urban centres of Nigeria, not to mention the rural areas that have been marginalised in terms of these infrastructural facilities and basic amenities for modern living. The rural areas are not as well serviced as the urban centres in terms of basic amenities and physical infrastructure, for example, transport, water, accessible roads, electricity, telephone, market opportunities, and even security. The malfunctioning or absence of this infrastructures and facilities has an adverse impact on a generation of self-employed enterprises. Even if there is easy access to business start-up finance, the lack of basic complementary infrastructure and facilities may still pose a grave danger to accomplishing the goals of the SSE program. Unless these facilities are in place, and seen to be adequately functioning, the positive impact of the microfinance promise on employment growth cannot be fully achieved in Nigeria (Morduch 1999a). Recent studies reveal that it is only growth in public capital expenditure in Nigeria that can reduce unemployment and improve the human development index among the masses languishing in a state of want in the midst of improved economic growth dividends enjoyed by a few (Akinbobola and Saibu 2004).

(Q) Enabling laws

The promotion of self-employment among the unemployed graduates or any other target group requires good legislative and regulatory policy framework. The state or the government in power has a major role to play by making genuine laws that encourage and promote self-employment, and in the process instil confidence in such laws by strict enforcement. Studies reveal that the laws currently in place are neither threatening nor promoting self-employment through microfinance programs (Alter 2002; Carpenter 2001). The managers of the SSE program can be assets in this respect when the government decides to privatise microfinance operations in the country. It is envisaged that the government will soon promulgate special laws aimed at liberalising microfinance operations in Nigeria.

(R) Federal-state cooperation

The accomplishment of the key objective of the SSE program would require the active cooperation of both the federal and state authorities. It is highly unlikely that more self-employment opportunities will be created if the two tiers of the government do not cooperate and coordinate employment-related issues. Since many of the unemployed persons reside in the state and local government areas, the fight against unemployment and poverty is as much a problem for the state and local governments as for the federal. As would be expected, cooperation between the federal and state authorities could be an issue in a variety of ways, ranging from the method of execution of the program, the financial stakes, keeping of the records, and the reporting of progress. Similarly, a problem can occur between a state and its local government. It is only the program managers who are uniquely placed to give an opinion on whether or not friction exists between the federal and state authorities.

(S) Self-employment apathy

The attitude of the unemployed graduates at whom the SSE program is targeted is another critical issue in the sense that it is an issue that deserves investigation among the managers. No purpose is served in targeting the wrong group (in this case tertiary graduates) that displays apathy towards self-employment. Perhaps the money spent on such programs will be better saved if re-targeted towards different groups such as women with little or no education or school dropouts who could still be more skilful in trades or other occupations.

(T) Coordination of agencies

There is no point duplicating a program that has only one primary purpose except to use it as a means to misappropriate or embezzle public funds in the name of the intervention program. Again, it is only the program managers that can offer an honest opinion on this. Although this was once a problem (coordination), it was solved at the time of the fieldwork data collection for this study. For instance, out of the eighteen poverty alleviation agencies or programs working with the poor and the unemployed in the 1990s, it was pruned down to four at the time of the Obasanjo regime (Obadan 2001).

The achievements and failures of the SSE program have been evaluated in two distinct timeframes, namely 1987–1998 and 1999–2004. While the 1987–1998 eras were characterised by various military incursions into the administration of the country, the 1999–2004 timeframe denotes the return of the country to the democratically elected government once again. How many or rather how much of the SSE program objectives outlined in notes A–L above have been really achieved, based on the literature review conducted? This is addressed in the next section.

2.5.2.2 Achievements and successes of the SSE program under the military era 1987–1998

Studies reveal different quantitative achievements of the NDE programs, including the schemes of the SSE program. Based on the samples of evidence presented in Tables 2.3 and 2.5, it would seem as if the programs of the NDE made no appreciable achievements except in training. Based on this evidence, the number of the unemployed graduates who have trained in the various schemes of the NDE over the years 1987–2004 is somewhat impressive, although these figures were not gender disaggregated into the various programs (Okojie 2003). However, the numbers of unemployed graduates who have benefited fully (training + loan) from the schemes of the SSE program remain unclear at this stage based on the literature surveyed. While Okojie (2003) reports that 576,508** (unofficial research data**) unemployed graduates plus 1,898,636** others had benefited from the training of the NDE as at 1996, Ogwumike (2002) estimates that 766,783** persons, including people with disabilities, had benefited from the National Open Apprenticeship Scheme (NOAS) from 1987 to 1996 while 15,317** youth benefited from the Wheels Scheme and 154,910** other persons had jobs created for them in the Public Works Program of the NDE as at the end of 1994. Based on the literature accessed for this statistical information, it can be estimated that around 1.8–2 million unemployed tertiary graduates have trained in the schemes (EDP and SYOB) of the SSE program as at 1998. However, this study finds no credible evidence to support the number of jobs that have been created directly or indirectly from the program.

2.5.2.3 Failures and weaknesses of the SSE program under the military era 1987–1998

Like unemployment, poverty has been on the increase in Nigeria since the 1980s (UNDP Nigeria 1999; World Bank 1999). Although it slightly declined from 46.3% in 1985 to around 42.7% in 1992, it again rose sharply to 65.6% in 1996 (Table 2.4). Also from Table 2.4 it can be inferred that the population of Nigerians in poverty increased four-fold between 1980 and 1996. However, the incidence of poverty varied geographically and among genders. For instance, while the poverty level was lowest in the south-eastern parts of the country (63.5%), it was highest in the northern parts, recording 77.2% in the north-west (Akinbobola and Saibu 2004; MSI 2003) despite many programs and initiatives that were put in place to create jobs and reduce poverty. Although poverty rates have been reported higher in the northern parts of the country, ironically, unemployment is lower there (MSI 2003). Based on this analysis, it can then be inferred that poverty rates have been on the increase (particularly among tertiary graduates) since the official launch of the programs of the NDE.

Table 2.4 Some of the poverty indicators 1980-1996

Year	Poverty level (%)	Estimated total population in millions	Population in poverty in millions
1980	28.1	65	17.7
1995	46.3	75	34.7
1992	42.7	91.5	39.2
1996	65.6	102.3	67.1

Source: Federal Office of Statistics (FOS) 1999 cited in Akinbobola and Saibu (2004)

2.5.2.4 Achievements and failures of the SSE program under the democratically elected regime 1999–2004

The achievements of the SSE program under the democratic dispensation era (1999–2004) have not been evaluated by any scholar as at the conclusion of this study. But given the trend of unemployment rates in 2002 which were still high for tertiary graduates in Lagos (24.9%) and the Port Harcourt (23%) areas (MIS 2003), when in fact the overall national rates were slightly declining (CIA 2007), the achievements of the SSE program under the democratically elected regime might not be substantially different from the military dictatorship era. This is particularly so going by the data presented in Table 2.5 that shows agreement with the data reflected in Tables 2.3–2.4. From Table 2.5 there were only *370,000 unemployed tertiary graduates who had trained in the two main schemes (EDP and SYOB) of the SSE program between 1999 and 2004 (NDE 2000; 2001), thus it is indicative that the number of unemployed tertiary graduates interested in these schemes was either declining or exhibiting a backward slide. For instance, there were only 46,850 unemployed graduates who trained in both of the two phases (EDP and SYOB) of the SSE program in 2001 with the exception of the newly-introduced Stabilised Soil Bricks (SSB) project. This suggests a sharp decline of interest on the part of the target group over the SSE program.

Again, under the period (1999–2004), many of the unemployed graduates completed both the EDP and SYOB training schemes, but the numbers who benefited from the loans scheme of the SSE program were undisclosed in the annual reports of the NDE of 2000 and 2001. This is indicative of the Nigerian psyche of ‘business as usual’ irrespective of who is in power. In other words, nothing changed under the civilian administration. However, of 99 SSB trainees in 2001, all except 25 were supplied with machines and tools in lieu of start-up capital (NDE

2001). Despite this development, many studies still report that funds were the greatest constraint to programs of the NDE organisation, including the SSE (CASSAD 1999; Ofong 1990; Ogwumike 2002).

Caution is advised in the interpretation of figures presented in Tables 2.3–2.5 because of the lack of reliable statistical data in Nigeria, a fundamental issue that has been stressed in other studies (Okojie 2003; Ohiorbunan 1986; Obadan and Odusola 2000; Okigbo 1986). According to these authors, there is always a wide disparity between the estimated and actual rates of unemployment in Nigeria due to a variety of factors. They contend that only the open recorded unemployment figures are being published in Nigeria by the Federal Office of Statistics (FOS) that keeps records (or supposedly charged to conduct surveys and publish data). Many of the unemployed persons who felt frustrated and disenchanted in finding a job don't bother to register with the FOS, thereby causing the number of unemployed to be grossly underestimated (Ohiorbunan 1986; Okigbo 1986). Again, the Nigerian Labour Force statistical surveys use such concepts that exclude people who are less than 15 and above 55 years of age but are actively working. This is misleading information to say the least in the sense that it is an important factor in under-estimating the unemployment problem in the country (Okigbo 1986). Okigbo's (1986) report also believes that the problem becomes compounded by other factors such as government documentation that kept on shifting the retirement age, now fixed at 65 years, plus a large proportion of unpaid family workers that the World Bank classify as unemployed or underemployed as well as persons who are considered incapable of working but who are working or are willing to work, for example, people with disabilities (Okigbo 1986).

Table 2.5 The SSE program performances under the democratic regime 1999–2004

Program	Year of set up	Type of intervention	Number of clients trained between 1999 and 2004, and supported with business start-up loans	National unemployment rate1999–2004
SSE of the NDE (quasi-microcredit program)	Since 1986	Provision of training, loans, and mentor services	*370,000 were estimated to have trained in the EDP from 1999–2001	The overall national rate in 2000 was *4% when in fact that of tertiary graduates was around 24.9% in Lagos State areas alone in 2000.
-	-	-	(i) In 2001, *45,000 tertiary-level graduates were trained in the EDP, out of which *1,850 also trained for the SYOB scheme, but only 12 were given loans to commence business. (ii) In addition *99 tertiary-level graduates were trained in a new scheme they called, Stabilized Soil Bricks (SBB), and 74 of them were given machinery, tools and accessories in lieu of loans.	National unemployment rate for general population in 2001 was estimated at 3.8%. Data for the graduate unemployment rate in the same year was not available.

Notation symbols: *Official government source; **Unofficial private research source;
*NDE 2000 and 2001 Yearly Reports; **MSI (2003); **Interview guide data.

The foregoing case analysis is a mirror image of other government intervention programs implemented in Nigeria in the 1987–1998 and 1999–2004 periods. This study postulates that a better approach could be found with the Nigerian traditional self-help systems (ROSCAs) when combined and integrated with the GB’s joint liability micro-lending strategy to share and manage risks. By creating many self-help groups that become linked with banks, as in many Asian countries, it is the view of the researcher that more jobs and job opportunities will be created and poverty reduced in Nigeria. Clearly this research explores the similarities and dissimilarities of cultural and contextual factors influencing the operations of the GB programs in Bangladesh and the Nigerian ROSCA system with a view to designing a hybrid model suitable for Nigerian conditions. If effectively harnessed and integrated, the resulting hybrid has the potential to create more employment opportunities than the current pursuit of the NDE with the SSE program. This would mean that the acquired hybrid microfinance, if applied to the defective loans scheme of the SSE program operations, can effectively rectify it to function better.

The GB’s group joint liability lending is an asset that has been used practically in Bangladesh to serve as many as 6.6 million poor entrepreneurs with microcredits, of which 96% are said to be poor women (Acher 2006). Several scholars report that the GB’s group microloan schemes (or joint liability microcredit programs) have a strong repayment performance of around 92–98% (Besley and Coate 1995; Hossain 1988; and Morduch 1999a; Morduch 1999b). The program has also been replicated in several developing economies of Asia, Africa, Middle East, South and Central America (Morduch 2000; Martin 2002), and even in the rich advanced economies of Canada and the USA (Taub 1997 and Conlin 1999). Unlike the GB’s original programs in Bangladesh, substantial novelties have been introduced in the newer generations of the GB’s models in a diversity of countries that now place more emphasis on the ‘savings side’ than on the ‘credit side’ (Morduch 2000; Seibel and Parhusip 1990). These days the clients of microfinance institutions (MFIs) in some countries operating the GB’s improved models of joint liability lending have to first supply some proportions of the loan amount sought before credits begin to be offered (Johnson et al. 2002). The Kenyan ASCA model is a good case in point. The similarities and dissimilarities between the GB and ROSCA systems are explored in the next section.

2.6 Comparing the cultural and contextual influencing factors in Bangladesh and Nigeria in relation to the microfinance operations

To what extent can the joint liability mechanism of the GB’s group microcredit program be successfully transferred to Nigeria in the context of the reciprocal ROSCA pooled savings on the grounds that it is there to rectify the funding deficiency of the SSE program? Some of the mechanisms of the operations in both the GB and ROSCA systems are common (Light and Pham 1998; Armendariz and Morduch 2000; Rutherford 2000; Otero 1991; Rhyne and Jackelen 1991). The similarities and dissimilarities of these two microfinance institutions and their environmental factors are examined below.

2.6.1 Similarities between GB and ROSCA microfinance institutions

Despite the fact that the Bangladeshi GB is a formal institution while the Nigerian ROSCA is not, studies have revealed that some links exist in the operational mechanisms of the two institutions (Light and Pham 1998; Armendariz and Morduch 2000; Otero 1999; Rhyne and Jackelen 1991). The GB's joint liability experience started with a group concept borrowed from an informal lending practice of the traditional ROSCAs (Akanji 2002). The Bangladeshi GB as a modern institution has gained international recognition in micro-lending to poverty-stricken entrepreneurs who are too poor to supply collateral or evidence of credit worthiness. On the other hand, the Nigerian ROSCAs are traditional self-help intermediaries formed to fulfil socio-economic functions in a wide range of cultures (Geertz 1962). Writing on the economic role of the ROSCAs in African traditional societies, Geertz (1962, p. 242) states:

> It is the intent of this [his] paper to describe and analyse one such institution found over a great part of that broad band of under-developed and semi-developed countries stretching from Japan on the East through Southeast Asia and India to Africa on the West: the so-called rotating credit associations.

Some similarities and dissimilarities between the Bangladeshi GB as a modern institution, and the Nigerian self-help ROSCA as a traditional one, are discussed below.

2.6.1.1 Mutual aid and social welfare

The Bangladeshi GB was formed to support poor entrepreneurs commence micro-businesses who ordinarily would have been unable to do so. Likewise in Nigeria, the overriding aim of the ROSCA formation is the provision of mutual aid and reciprocal financial support due to the lack of social welfare and social security. These ROSCA institutions, sometimes described as 'a contribution club' in some parts of Nigeria, have been instrumental in accumulating capital to build enterprises of every size and shade, (Bouman 1995). Geertz on his part states that:

> the basic principle upon which the rotating credit association is founded is everywhere is the same: a lump sum fund composed of fixed contributions from each member of the association is distributed, at fixed intervals

> and as a whole, to each member of the association in turn (1962, p.243).

2.6.1.2 Group lending increases social control

The practice of peers lending money to one of theirs in a solidarity joint liability fashion is the hallmark of the GB's successful experiment in Bangladesh. This means that the group formation must take place before any lending can proceed. The members of the group so formed in this way do not only depend on one another to repay any given loan; they also ensure that good repayment records are maintained at all times in order to continue to qualify for continuous borrowing as an entity. In Nigeria, ROSCA members not only assist and support one another in money matters, they also exert pressure on their members not to breach the repayment obligation of the common pooled money regarded as savings for some, and credits for others (Bouman 1995). The economic and social function of one of these traditional institutions in the western part of Nigeria was described in some studies thus: a fixed sum agreed upon is put in a pot, and members take turns at a fixed interval (usually every week) to collect the amount collected under a president; and the total amount is paid over to each member in rotation. This enables the poor man to do something worthwhile where a lump sum is required (Bouman 1995; Bascom 1952; Gerdes 1975).

2.6.1.3 High population density

The population density of rural Bangladesh and that of Nigeria is more or less identical. It would be easy to form a network of family members or even close friends who live near each other. Low population density in Arkansas was one of the primary reasons for the failure of GB's copycat model in the USA in the early 1990s (Taub 1997). Nigeria has a high population density as in Bangladesh (CIA 2007). The high population density among the *Mbaise* people (here population pressure on the land is around 1000 people per sq. mile) in the *Igbo* speaking areas of Nigeria, for instance, was a fundamental factor in making the *Mbais*e people use the ROSCA institution to muster substantial funds to successfully transit to commerce from agricultural occupations (Ardener 1953).

2.6.2 Dissimilarities between the GB and ROSCA institutions

However, some significant differences exist between the cultural and contextual influencing factors in the two countries (Bangladesh and Nigeria) in relation to microfinance operations.

2.6.2.1 Product on offer emphasis

The most significant of these differences is on the financial products on offer to clients of both institutions. While the GB operates on the principle and practice of a ‘credits first’ before savings (compulsory savings or ‘forced’ savings) could be demanded (Bornstein 1996), the Nigerian self-help ROSCA system demands or mobilises ‘savings first’ in the form of member-based equity contributions before rotational loans could begin to be offered to group members (Bascom 1952; Aforka 1990; Bouman 1995). The self-help ROSCA approach thus has an advantage over the GB’s group credit approach with joint liability in the sense that there is the possibility of using the system to raise large sums of money on one occasion through member-based micro-savings or micro-contributions with which to make expensive purchases or execute a small development project, for example, sending children to school or meeting debts of substantial size (Bascom 1953, Bouman 1995). The input and outtake of money from the ROSCA common pooled savings is on the basis of a balanced reciprocity principle, and the members’ right to a transferable loan (Bouman 1995). More fundamentally, unlike the GB’s programs, no supervision is absolutely necessary in the ROSCA operations. Only a few officeholders are required to manage the ROSCA institution, thereby minimising costs (Bouman 1995).

2.6.2.2 Target group and facilitation

The Bangladeshi GB programs target the landless people considered very poor, particularly women, while the Nigerian ROSCA system can be formed by both genders whether they are moderately affluent or petty poor traders, and from various trade associations, unions, guilds, social organisations (Bouman 1995; Geertz 1962, Ardener 1964). Again, the real value of money in the two countries differs substantially, that is, the quantities of goods and services that one local unit of the currency can purchase or facilitate in both countries are different. This is further explained in the next section.

2.6.2.3 Size (or amount) of money loanable or saveable

While Bangladeshi women entrepreneurs borrow small amounts to buy cows to produce milk for sale or a rice husking machine, ROSCA members in Nigeria, men and women alike, pool their own financial resources to form lump sums loanable to any one of their members irrespective of the purpose for which the loan is sought. It has been reported that these loans are usually taken out for business and commercial activities in some parts of Nigeria (Geertz 1962; Bouman 1995). After studying the operations and purpose of the ROSCAs among the *Ibo* and the *Yoruba* ethnic groups in Nigeria, Bouman (1995) asserts that the system has been instrumental in helping these communities over the years to accumulate great savings and wealth. Their participation in the traditional self-help institutions has enabled them to send their promising youngsters to England and the United States for further studies who then returned home as prime movers of development in their capacities as doctors, engineers, lawyers, educators, midwives and other useful professionals (Bouman 1995).

2.6.2.4 Legal and financial regulatory frameworks

Microfinance institutions in Bangladesh are formal and well-regulated institutions. In contrast, the Nigerian ROSCAs, in many cases are informal unregulated institutions at the present time, including those sponsored by the United Nations Development Programs (UNDP) under the banner of MicroStart Nigeria Programme (Alter et al. 2002). The Nigerian laws currently do not pose a threat to any group of persons who voluntarily agree to form an association or a union to perform self-financing reciprocal functions. These laws, however, do not permit microfinance NGOs to mobilise savings from the general public, including the MicroStart Nigeria Programme (MNP) sponsored by the UNDP (Alter et al. 2002). Although the Nigerian government is currently silent on the self-help MFIs operating in the country (foreign and local alike), the laws, however, require them to register with the relevant government agencies if they intend to mobilise savings deposits from their members (Alter et al. 2002). The existing laws regarding persons who wish to form associations or unions, such as ROSCAs to help one another to commence a small business project, are not threatening at the present time (Alter et al. 2002).

2.6.2.5 Clients' profiles

In Bangladesh, GB clients are essentially illiterates and have to first memorise the fundamental basic principles of hygiene and family planning to qualify for microcredit. In essence, the GB's program operation is more like a social movement (Taub 1997). Both illiterates and literates, poor and slightly well off in Nigeria, can come together to form ROSCAs, and membership in many rural areas of the country is in the range of 50–95% (Bouman 1995). Analysts and microfinance professionals have highlighted the profile difference between the two groups of microfinance clientele in two countries thus: 'though there is no shortage of well-educated and charismatic professionals in Nigeria, the skills and vision to lead a breakthrough microfinance organisation to the next level must be cultivated' **(**Alter et al. 2002, p. 24**)**. Obviously the profiles of the Nigerian microfinance clients and those of the Bangladesh programs are vastly different in terms of training, education, and exposure to life. These differences in the clients' profiles could also pose a significant problem in terms of the loan repayment performance. This was the case in the agricultural small farmer subsidised credit schemes of the 1950s–1980s discussed in section 2.2. Studies conducted at different timeframes in respect of the subsidised microcredit programs post-1980 also report that though the levels of the repayments were high, the default rates had started to climb with people who had education, income, wealth, social status, and program experience (Yaqub 1995; Chowdhury 1992). As stated earlier in the last paragraph of section 2.4.3.5, both Yaqub (1995) and Chowdhury (1992) studies have found that the repayment of government intervention loan schemes in Bangladesh showed a decreasing trend with people who had rising income or wealth as well as education, experience, and social status. This has been found to hold true in the Nepalese Agricultural Development Bank as well as in India in relation to gaining status with the new-found wealth resulting from microfinance programs that are meant for the poor (Gupta 1987). Perhaps this offers one possible reason why the ASA technical officers contracted by the UNDP to investigate the feasibility of establishing their own type of program in Nigeria, under the auspices of the MicroStart Nigeria Programme, demand some form of collateral assets from their Nigerian clients. This is a clear indication of client profile differences (in terms of status symbols such as education, training, income, wealth, life exposure, program experience) in the two countries (Nigeria and

Bangladesh) respectively. The outcomes of the MicroStart Nigeria Programme mid-term evaluation report seem to suggest that it is feasible to operate a microfinance business in the country, or at least in some parts of the country (Alter at al. 2002).

In the light of the foregoing discussions on the similarities (section 2.6.1) and dissimilarities (section 2.6.2) of the cultural and contextual influencing factors between Bangladesh and Nigeria, it is still important to highlight a number of traits that uniquely distinguish them (GB and ROSCA) in the two countries (Nigeria and Bangladesh) and the climate of the country under which they conduct operations. Yet the unique features of these two institutions (GB and ROSCA) characterise their operations summarised in Table 2.6 below, and the differences between them and the country under which they operate constitute a gap in the existing knowledge. Thus the exploitation of the differences between the two institutions (the Bangladeshi GB and Nigerian ROSCAs) to suit Nigerian conditions is all that this study is about.

Table 2.6 Some key dissimilarities in the operational mechanisms of GB and ROSCA microfinance institutions

Unique features of the two systems: GB and ROSCA	
GB microfinance institution unique traits	ROSCA microfinance institution unique traits
Substitution of joint liability or social collateral for physical collateral	Pooling of "savings first" before loans or credits could begin to be offered on a reciprocal basis
Provision of "credits first" before savings deposits are demanded	Right of access to common pooled savings pot or contributions is transferable to non-members
Business operations conducted on the basis of subsidised credits from external sources	Pooling of large funds to meet the demand of group members
Loans or credits are provided only to group members	Loans or credits offered to individual members
Groups held responsible for group loan repayment	Individual held responsible for repayment of common pooled savings or contributions, and collateral demanded in some cases

2.7 Summary

Based on the discussions conducted in the chapter, it is now becoming increasingly clearer that the MFIs that can deliver greater dividends (in terms of jobs creation, income growth, and poverty reduction) to its clients are those that can adhere to the microfinance best practices. Advocates of the new approach argue that the provision of subsidized rural finance may not always be the most effective route to achieve the welfare of the poor. They strongly argue that it is only when the MFIs strive to eschew subsidies, have credible accounting system in place to recover bad loans, and make of use information management systems to monitor and identify best practices that the MFIs can attain financial sustainability (Morduch 2000; Yaron and Benjamin 2002). These practices could also be complemented by government-oriented policies, such as increased investment in rural infrastructure, and in human development (Yaron and Benjamin 2002; Zeller and Sharma 2002b). These measures have had tremendous leverages on various institutional forms and varieties of the microfinance programs that have been established since the 1990s. This paradigmatical debate too has implications for the choice of the funding program that will be developed in the study. Thus the knowledge gained in studying the differences between the GB's original program in Bangladesh and its variations or new generations elsewhere considered better practices, formed the foundations (or theoretical frameworks) of this study. These theoretical foundations or framework concept will be developed in the next chapter that follows.

Chapter Three

Theoretical and Conceptual Framework

3.1 Introduction

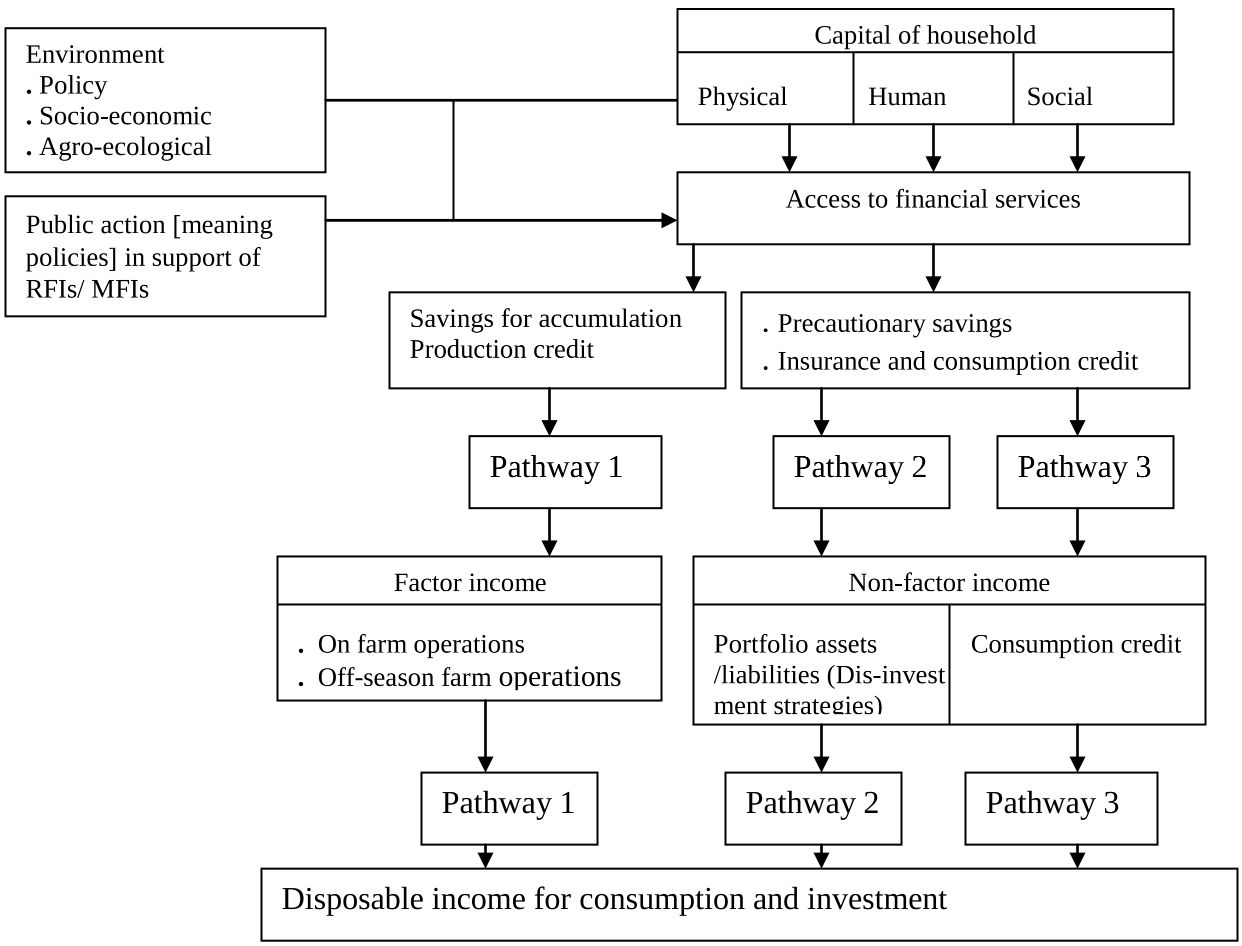
This chapter embodies the conceptual framework and a preliminary model of microfinance (GB-ROSCA hybrid model) that will be developed in the study that if applied to the deficient funding scheme of the SSE program, will create more employment opportunities than the current conventional approach in Nigeria. The final financing model will be determined in Chapter Five after the acquired questionnaire data has been analysed and results obtained. Thus the preliminary model provides a framework that guides the research. The theories and concepts that form the foundations of the microfinancing model investigated to replace the SSE program deficient financing will be discussed in the chapter along with their relationship with and influence on the GB-ROSCA hybrid microfinance model developed in the study.

The two most dominating concepts in the debate for the provision of microcredit to the economically disadvantaged active poor are outreach and financial sustainability discussed in detail in section 2.4 of Chapter Two. These two concepts constitute the key inputs for the microfinance model that will be developed in the study to surge employment opportunities in Nigeria. The provision of microfinance access to a vast majority of the Nigerian unemployed graduates in terms of outreach is one of the key elements that can reduce unemployment and promote development, and in the process will generate income that facilitates access to the basic human needs of a material nature such as food, shelter, clothing, and more significantly, education and training that are prerequisites for human development. The lack of these basic needs or necessities of life means poverty. The World Bank in its 2000/2001 Development Report states that poor people not only lack employment opportunity, income, adequate food, shelter, education and health, but also are often exposed to ill treatment by the state, and are powerless to influence the decisions that affect their lives. The report further states: these basic human needs constrain their ability to start a business, acquire assets, and insure themselves against illnesses and financial losses.

3.2 Three distinct strategic pathways to access microfinance services for household development

Zeller et al. (1997) have identified the three distinct pathways through which poor households can employ in order to access financial services (savings, credit, and insurance services) for their self-development, with the lack of them resulting in poverty.

Figure 3.1 A framework showing how an access to financial services leverages income, household food security, consumption stabilisation, and promotes development



Source: Zeller *et al.* 1997 in Zeller and Meyer 2002, page 23

Shown in Figure 3.1 are the three distinct pathways through which access to financial services can lead to self-employment and income, household food security and consumption stabilisation (Zeller et al. 1997). These pathways have been identified as:

- pathway 1 which is characterised by income generation activities that stabilise food consumption
- pathway 2 which is concerned with asset accumulation or dis-investment strategies that can be used to smooth disposable incomes at sufficient consumption levels
- pathway 3 which relates to the direct use of credit to finance urgent consumption.

3.2.1 Pathway 1: Improvement in income-generating activities enhances poor household's productive capacity

Pathway one (i.e. improved income-generating activity) is concerned with additional capital to an existing stock which enhances the level of a household's or firm's productive human and physical capital. With improved credit supply, the costs of capital-intensive technology will be reduced relative to family labour. In effect, savings services that enable assets to be accumulated also provide capital for future investment and income generation for the same reason as credit access (Zeller and Sharma 2002b). Eswaran and Kotwal (1990) report that not only access to credit, but also access to savings and insurance services increases the risk-bearing capacity of the poor household. Therefore, access to services that help poor households to avoid severe food consumption shortages could equally allow them to adopt riskier, but more profitable income-generating activities, and could also partially substitute for the traditional forms of risk-coping measures discussed in pathways two and three below.

3.2.2 Pathway 2: Decreasing insurance costs through more cost-efficient assets and liabilities smooth consumption

Total disposable income for consumption and investment is made up of factor income and non-factor income (revenue from assets). If the factor income is insufficient because of shocks or disasters, various traditional consumption stabilisation measures (for example, depletion of food stocks, sale of assets, borrowing of funds, requesting of gifts from friends and relatives, etc.) are employed to generate non-factor income. Therefore, pathway two (i.e. decreasing insurance costs through more cost-efficient assets and liabilities), and pathway three deals with the expected benefits of improved financial services in the form of insurance to the poor. For instance, improvement of access to financial services is expected to reduce the holding of traditional forms of savings such as jewellery, staple foodstuffs, and livestock which, despite having lower risk-adjustable returns, becomes exposed to diverse risks (theft, loss, and disease). Equally, these assets or stocks (jewellery, staple foodstuffs, and livestock) could be partially substituted if savings opportunities with higher risk-adjusted returns arise. The demand for such services (precautionary savings and insurance) is in turn conditioned by the nature of the household's access to labour, food, and other commodity markets. This is because if the price of food stocks is so volatile during the hungry season, and food stock markets are so segmented, Zeller and Sharma (2002b) argue that households would prefer to store their foodstuffs even if formal savings facilities with high liquidity returns and low transactions costs were made available. This situation once prevailed in the rice market in Madagascar in which price differences reached nearly 300% between provinces, and 100% between seasons (Randrianarisoa, Minten and Zeller 2000).

Access to financial services has also been found to decrease the amount of credit obtained from informal lending sources such as private moneylenders and merchant traders at a very high rate (liabilities), thereby reducing the occurrence of distress sales of productive assets (land, livestock, seeds) at low prices merely to repay a loan (Zeller and Sharma 2002b). The demand for a high interest rate on a consumption loan is well known (Zeller and Sharma 2002b), but much is not known of the high cost of the opportunity to save money with moneylenders by the rural poor (Rutherford 1998; Zeller and Sharma 2002b) while at the same time they charge other rural poor folk much higher interest rates on consumption loans. These savings deposits of the rural poor, kept with moneylenders, could in fact be mobilised into larger amounts and then offered as small credits to other rural households in need of finance. These costly informal savings services could even be replaced if the MFIs had offered various forms of savings services that meet the needs of the poor. Research in nine different countries (Bangladeshi, Egypt, Nepal, Malawi, Cameroon, China, Ghana, Madagascar, and Pakistan) report that around 95% of the loans accessed by poor entrepreneurs were from informal sources and these loans too were for consumption purposes other than production (Zeller and Sharma 2002b). This was primarily due to the poorly equipped loan supplier resource for handling substantial long-term investments, short-term repayment duration, and the lack of a clear-cut distinction in consumption, production, and investment developments in the sense that consumption and nutrition are significant elements in maintaining the household's ability to earn income to develop (Zeller and Sharma 2002b).

3.2.3 Pathway 3: Consumption credit for household food security

Households tend to smooth and stabilise their consumption pattern by adjusting to their total disposable income composed of both factor income and non-factor income: the latter is better described as revenue-yielding assets shown in Figure 3.1. When there is a shortage of factor income due to market shocks or unforseen disasters, households employ various traditional techniques to generate non-factor income to smooth and stabilise consumption (Zeller and Sharma 2002b). These various stabilisation measures (already explained in pathway two) include the depletion of any existing food stocks and the sale of assets termed disinvestment strategy, as well as the requesting of money or gift items from friends and relatives, and even the borrowing of money from all available sources.

In the worst-case scenario, non-factor income can also be generated from the formal insurance contract payouts where factor income has been insured plus payouts from informal insurance arrangements. Households may also choose to withdraw their own precautionary savings (i.e. special savings for emergencies) regarded as the most important self-insurance method by the poor when their food consumption levels have been threatened. Zeller and Sharma (2002b) believe that financial access has the potential to substitute for some higher-cost traditional savings and other forms of self-insurance and community group-based coinsurance strategies as well as for higher-cost informal consumption credits. As would be expected, financial services in the form of insurance will be in high demand when this situation arises, particularly in the rural areas that are largely dependent on agricultural occupation for livelihood, and which also suffer substantial income fluctuations from season to season and year to year. Zeller and Sharma (2002b) see consumption loans as synonymous with the working capital (loan) that is necessary to maintain the productivity of labour (human capital). For this reason, family labour is by far the most important production factor through which the maintenance and enhancement of labour productivity becomes critical for securing and increasing household incomes.

These loans (whether they are for production or consumption) are limited in the sense that some households are unable to borrow enough for production or investment in assets and even for consumption purposes unless there is good collateral asset. This is the singular most important reason many poor households do not even bother to apply for them due to the perception that they will be rejected. Nevertheless, Zeller and Sharma's (1999) consumption loan argument does not hold merit with some economists (researcher included), particularly those in the banking industry. Some economists and bankers have argued that loans should only be given to finance business and economic activities that generate incomes to repay them (unless where they are secured with good collateral assets or given in kind either in the form of seed and fertilisers as was the case in Malawi). Von Pischke and Adams' (1990**)** attention was rather on the practicalities of supervising and policing loans given exclusively for production purposes *per se*. To these scholars (Von Pischke and Adams 1990**)**, the lenders have neither the resources nor the time to supervise and police those given loans regardless of Zeller's (1994) studies in

Madagascar, and Schrieder and Heidhues' (1995) research in Cameroon that report consumption loans have repayment rates much the same as or even higher than production loans. Nevertheless, the existence of linkages between food consumption, labour productivity, and investment depicted in Figure 3.1 is not in dispute among all scholars of microfinance.

The financial policies of any government in this regard will only perform better in alleviating poverty and thereby contributing to food security and rural development when they are tailored towards addressing any one of or all of the three pathways discussed above for food security (Zeller and Sharma 2002b). However, the model of the financing strategy being developed in this research adopts the first pathway shown in Figure 3.1. The institutional arrangements, as depicted in pathway one of Figure 3.1, are believed to be one of the credible means to bring about employment growth in Nigeria and promote development. But this can only happen when the microfinance-based policies are given top priority, that is, policies aimed at promoting income-generating, small-scale projects initiated, designed, and executed by the affected people themselves through the joint liability mutualist method. In other words, the financial programs and policies of the government will yield more dividends (in terms of employment generation and reduction in poverty) when they are practically tailored towards addressing the credit or funding constraints frequently experienced by small business operators and those unemployed intending to operate a business. It is a well-known fact that a lack of adequate business funds forces the unemployed entrepreneurs to either remain idle or choose less rewarding, income-yielding investment projects resulting in low productivity, low employment capacity, and low consumption levels.

3.3 The role of joint liability and reciprocal mutual insurance from a development perspective

Several studies have investigated the reasons behind the success of the GB's peer group micro-lending program upon which this investigation is fundamentally based in terms of the substitution of the joint liability social asset for the physical collateral asset usually demanded in banks for borrowing purposes (Wenner 1995; Hossain 1988; Wydick 1999; Ghatak and Guinnane 1999; and Morduch 1999a). Whilst some researchers have highlighted the costs of small credit transactions incurred by lenders in monitoring the borrowers (Stiglitz 1990), particularly new borrowers through internal information transfer (Ghosh and Ray 1996), others placed emphasis on information transfer among the peers (Varian 1990) or the use of peer pressure (Besley and Coate 1995) to improve repayments, and yet other scholars have attributed the success of the uncollateralised micro-credit lending methodology to already existing social ties and mutual insurance among the borrowing group members (Varian 1990; and Townsend 1994). For instance, while Stiglitz's (1990) study demonstrates how a lender can benefit from peers monitoring one another in the group credit contract through repaying the loan defaulting peers due to the joint liability and risk-sharing arrangement, Besley and Coate (1995) use a game theory argument to show how social collateral or joint liability itself can be exploited as an asset to secure high loan repayments in the absence of monetary value-based physical collateral. Varian (1990) uses mutual insurance among agents and (Conlin 1998) employs the information transfer advantage to explain the success of the GB's programs.

Whatever were the main reasons behind the success of the GB's institutional innovation in lending, one thing is certain: Ghatak and Guinnane (1999) are of the view that microfinance institutions that rely on people with shared locality or other like bonds, such as kinship or occupation, can successfully support the credit contracts which are impossible in the normal banking industry practices. The Ghatak and Guinnane (1999) study has revealed a strong repayment performance on the GB's joint liability group loans. Their findings were consistent with other findings from other studies (Hossain 1988; Morduch 1999a; and Khandker 1998). All these studies have found that joint liability group members can effectively mitigate to their own advantage, and also to the advantage of lenders or lending institutions, the adverse factors (lack of good information about the borrower) that characterise small credit markets. These problematic factors now absorbed by the borrowing group members in small credit contracts on behalf of the lenders or lending institutions in an imperfect information environment are:

- adverse selection problems due to the lack of information flows, that is, the ability to ascertain the kind of risk a potential borrower constitutes
- moral hazards (i.e. non loss of face for credit misuse or business failure) suggesting that the lender has to ensure that the borrower will utilise the loans in accordance with the terms and conditions upon which the loans were granted
- adherence to regular repayment schedules induced by dynamic incentive, that is, the ability to monitor and to apply pressure in cases of defaults
- auditing, which denotes the ability to learn about the project's real performance in case the borrower turns around to declare his or her inability to repay the loan owing to the project failure
- enforcement problems (i.e. limited legal remedies in place to recover loans that are in danger), that is, the method in place to compel or enforce repayment compliance should there be reluctance to repay the loan on the part of the borrower (Morduch 1999a; Robinson 2001).

Wydick's (2001) most recent work on borrowing groups projects them (borrowing groups) as a kind of evolving jury or dynamic peer review committee that utilises to its advantage and benefit, information flows, dynamic repayment incentives, group pressure and social relationships, by manipulating them to mitigate adverse information problems prevalent in small-scale loan contracts. Information flows among peer group members are well known to be much higher than between the lender and individuals outside a solidarity dynamic group.

The main thrust of Wydick's (2001) argument was based on the empirical studies of the Guatemalan borrowing groups that found no substantial evidence to support the claims of other studies that reported there was strong repayment performance on the GB's uncollateralised group loans. Instead Wydick's (2001) findings, that also concurred with his preliminary 1994 unpublished study, and 1999 investigation on the same Guatemalan borrowing groups, found no strong evidence to support the findings of the other studies discussed above which placed too much emphasis on the role of peer monitoring and peer pressure as responsible for the high repayment performance in the joint liability group loans. On the contrary, Wydick (2001) projects a borrowing group as an evolving jury or a kind of dynamic peer review committee operating in an imperfect information framework *ex-post* to group formation. Hence, the members of a group formed in this way have no other choice but to repay their uncollateralised loans owing to a couple of reasons discussed in the next two sections.

3.3.1 The need to maintain access to an affordable credit source

The need to maintain access to an affordable credit source, particularly in the rural areas of Guatemala, more than anything else, appears to play a leading role in compelling the timely repayment of loans as against the peer monitoring reported by several studies as responsible for reducing the risk-taking behaviour of the borrowing peer group members (Stiglitz 1990; Ghosh and Ray 1996; Conning 1999, Armendariz de Aghion 1999), and also attributed to peer pressure reported in other studies (Besley and Coate 1995). As stated earlier, Wydick's (2001) findings also corroborated with his earlier enquiry (1999) that found the need to maintain an affordable credit source was the primary motive for strong repayment performances in joint liability credit contracts. The urge to maintain available credit access was particularly strong in the rural areas of Guatemala because of the limited credit supply competition, thereby resulting in an impressive repayment performance. Also, the need to maintain an affordable credit source rather than the threat of social penalty reported in some research (Besley and Coate 1995) or the dynamic incentive mechanism reported in other studies (Ghosh and Ray 1996) was the key factor in the high repayment performance of joint liability group loans. Similarly, the prominent role that social ties play in some studies appears to have a neutralising effect in the sense that some borrowers may invest the borrowed funds more carefully to please close friends who are now co-business partners (Floro and Yotopolous 1991; Besley and Coate 1995; Ghatak and Guinnane 1999). But then the same business partners who are close friends may sometimes feel reluctant to exert pressure on one another to repay loans. Owing to the reasons outlined above, Wydick (2001) doubts whether the threat of social sanctions from co-group members was the compelling force behind the loan repayment. Instead, it is believed to be a secondary factor when compared to the need to maintain an affordable credit source or an intra-group insurance, discussed in the next section.

3.3.2 The need to access intra-group insurance

The need for group-based financial assistance and support during times of unforeseen events or circumstances or emergencies accounts for another compelling reason why borrowing group members repay loans. In such events, members repay the loans of one another when any of their own is confronted with extra-ordinary difficulties that are apparent to other group members. This implies that the strong repayment performance of joint liability group loans was also greatly influenced by intra-group insurance other than peer group monitoring and peer group pressure (based on the knowledge of each other's sales or close proximity of enterprises or similarity of occupation) to avert moral hazard reported in some studies reviewed in section 3.3 (paragraphs one and two). In effect, Wydick's (2001) research argues that this kind of social interaction setting requires finding a perfect group membership match in order to maintain solid links with the group entity so as to enjoy the gains and benefits of an intra-group insurance in the event of emergencies in an imperfect information environment.

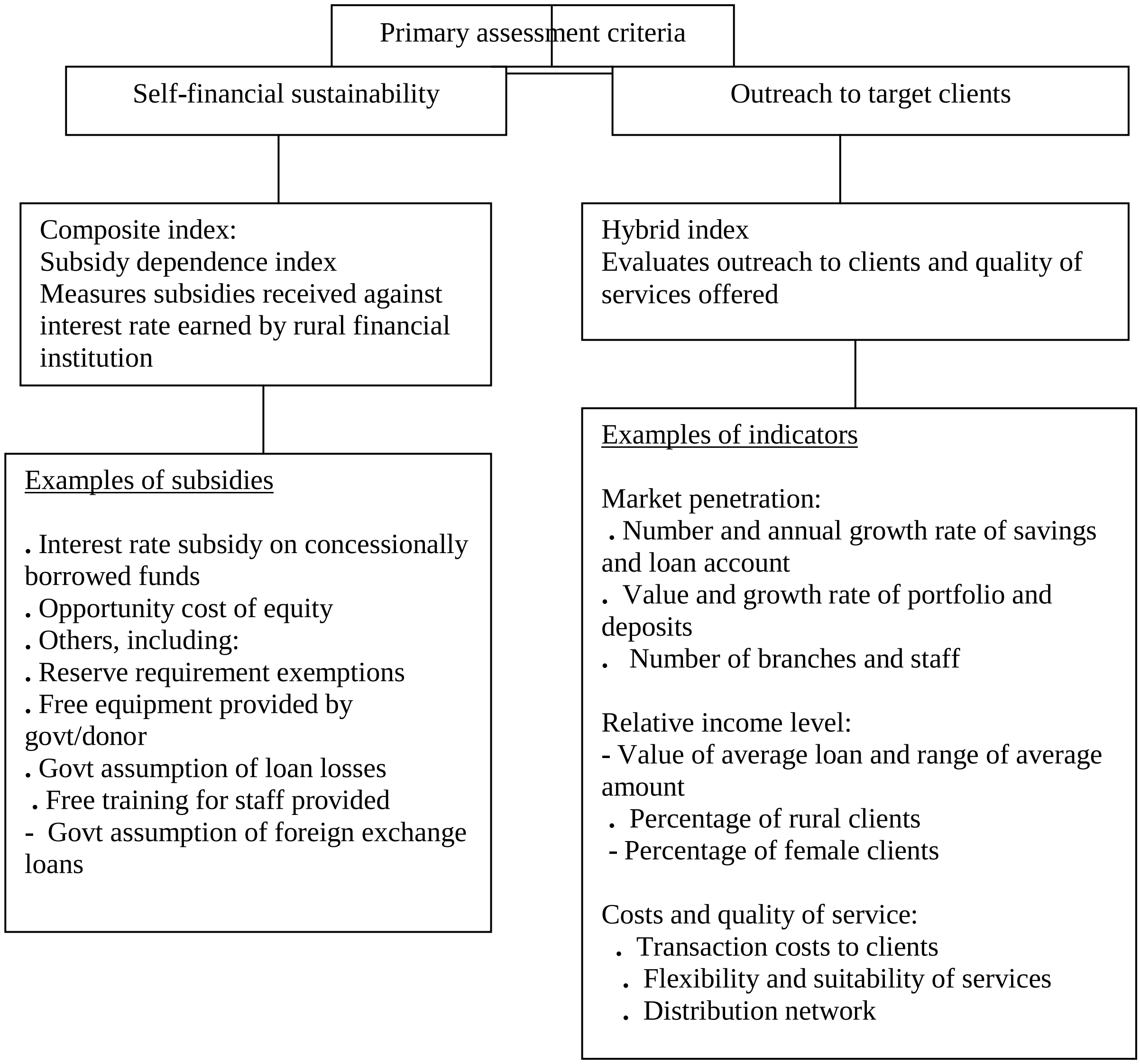
In effect, the strong loan repayment performance once credited to the existence of strong social ties among the borrowing group members reported by Floro and Yotopolous (1991), Besley and Coate (1995), Ghatak and Guinnane (1999) and others, appears to have a neutralising effect in the sense that borrowers may invest the borrowed funds more carefully to please their close relations as co-business partners, and sometimes the same close relations, whether they are family members or friends or even neighbours, may be reluctant to exert pressure on one another for the joint liability loan payment as earlier explained.

One insightful revelation of Wydick's (2001) research is that much of the peer screening process or peer self-selection device actually occurs after the group formation has taken place and the right partnership formed. This pattern of behaviour can best be described in Wydick's (2001) own terminology, as 'adaptive evolving behavior' meaning that such a process is inevitable. Obviously this means that much of the peer screening process actually occurs after the group self-selection has taken place merely through the process of the loan defaulters' expulsion and their replacement with safe borrowers.

The second insightful revelation on Wydick's (2001) research is on the group members' moral hazard, and the monitoring of peers by peers. Wydick's research finds no evidence to support Besley and Coate's (1995) research which finds that moral hazard mitigates or deters the bad business behaviour of the borrowing group members on the one hand and on the other hand the findings of other studies (Stiglitz 1990; Conning 1999; Armendariz de Aghion 1999) which argue that the monitoring of peers by peers minimises the risk-taking behaviours of the borrowers that could undermine the interests of both the borrowing group members and the lenders. In like manner, Wydick's (2001) report contradicts the information transfer argument that reported some studies as being responsible for the repayment of group credit (Wenner 1995; Ghosh and Ray 1996). Wydick (2001) further asserts that the success of any project for which a loan has been made does not depend so much on peers monitoring the business behaviour of their partners *per se* as much as the diversion of the borrowed loans towards immediate needs, such as consumable items, particularly in deprived or impoverished areas. The thrust of Wydick's (2001) argument rests on the fact that the greatest danger to unsecured loans does not necessarily depend on the borrower's risky business behaviour as much as the borrower's higher rate of time preference for repayment since such a loan (or part of it) can be diverted towards other immediate needs of the borrower. Wydick (2001) argues that when the loaned amount or a part of it is spent on consumption, there is a higher probability that such a loan cannot yield high enough returns to enable repayment. Perhaps this practice of diverting business loans to immediate needs such as consumption is one possible reason why a typical GB's loan contract is staged into 52 weeks, and a borrower commences repayment with interest and mandatory savings the week the loan is disbursed (Morduch 1999a).

Whether or not a group loan shows a strong repayment performance is not as controversial as its purpose (i.e. the reason a loan was made), a contentious issue that was discussed in subsection 3.2.1.3. Regardless of the purpose for which a non-collateralised joint liability group loan was given, two facts remain quite clear: the joint liability group loan has a strong repayment performance as well as exhibiting diverse positive impacts (range of developmental goals) on the receivers. Although some of these microfinance benefits and impacts (employment, assets accumulations, income generation to maintain food security and smooth consumption pattern) have been discussed in section 2.3.2 of Chapter Two, others have been featured in Figure 3.2 and Table 3.1 of this chapter discussed a little later. Sharma and Buchenriender (2002) have argued that one cannot conclude that the provision of credit or savings facilities alone helps an individual household beneficiary to build up assets or acquire funds for all kinds of investments. In their view, an individual beneficiary may have simultaneously accessed other inputs markets whether they are of a farm nature or not. In other words, the provision of microfinance will yield higher returns when other complementary inputs are available, for example, irrigated farms, improved seed, secure tenancy rights, educational attainment, efficient functioning markets, whereas other social and infrastructure development usually provided by the state or government authorities will yield lower returns where they are absent. Yaron and Benjamin (2002) to this end have identified a framework (Figure 3.2) for evaluating the performance of RFIs (or MFIs). This framework has gained wide acceptance among the researchers, practitioners, and academics of microfinance, and the constituent elements of this framework are briefly discussed in the following sections.

Figure 3.2 A framework of the primary criteria for measuring the performance of RFI/MFI



Source: Yaron, Benjamin and Piprek 1997, in Yaron and Benjamin (2002, page 332).

3.3.3 Outreach and financial sustainability: two primary criteria for evaluating the performance of the MFIs

Yaron and Benjamin's (2002) framework proposes two primary criteria (outreach and sustainability) for measuring the performance of microfinance. As earlier pinpointed in the introductory section of the chapter, these two criteria are the two main ingredients or inputs for the microfinance model that will be developed in the research for financing small-scale development projects in Nigeria. From this framework (Figure 3.2) the performance of any RFIs (otherwise MFIs) is based on the assumption that they provide a broad range of services to the target clientele in an efficient way likely to have the desired impact on increasing incomes and reducing poverty. Yaron and Benjamin (2002) espouse their argument thus: outreach can be measured by several indicators such as the number of clients, average loan size proxy by income level, and the percentage of female clients where it is observed that social norms discriminate against them.

Yaron and Benjamin (2002) also contend that financial self-sustainability can be assessed by calculating the Subsidy Dependence Index (SDI) of the RFI/MFI that indicates the percentage by which the financial institution's average yield earned on its average loan portfolio would have to be increased to make it self-sustainable (less subsidy dependence). This means that the SDI represents the costs of subsidising the RFIs or MFIs to the society, and these costs are usually measured against a variety of other interests in the marketplace, which Yaron and Benjamin (2002, p. 336) state thus: '… would a given agricultural investment have been undertaken with alternative resources if a credit program had not provided the investor with a loan?'

Although not constituting a full cost-benefit analysis because of the methodological problems involved, and the costs of conducting such a full analysis as explained in section 2.3 of Chapter Two (third paragraph), plus other complementary inputs from the state, the evaluation of microfinance performance on the basis of the elements discussed in the following two sections can often serve as a quantifiable proxy for the impacts of the RFI/MFI (Yaron and Benjamin 2002).

3.3.3.1 Self-financial sustainability

As stated in section 3.3.3, the financial sustainability of an institution is determined by calculating its Subsidy Dependence Index (SDI), that is, the percentage by which the institution's average yield earned on its loan portfolio would have to be increased to make it self-reliant or subsidy independent (Yaron and Benjamin 2002). Thus the SDI represents the cost to society of subsidising the RFI and/or MFI loans measured against the interest earned by them in the marketplace – ultimately reflecting the estimated cost of grants that the institution enjoys to remain in business. Whilst Yaron and Benjamin (2002) argue that the degree of financial sustainability of an institution would depend to a large extent on a variety of factors such as: adequacy of an on-lending rate along with interest rate spreads, rate of loan collection, levels of savings mobilisation and administrative costs, Zeller et al. (2002a) contend that sustainable MFIs are few so far because it may take decades to materialise given the experiences of the German Cooperatives Movements, and the Bangladeshi GB. Based on this argument, the various factors or elements that can enable institutions to eschew subsidies and other miscellaneous concessions (Figure 3.2) and achieve sustainability are as follows:

- adequate on-lending interest rates and interest rate spreads
- high rate of on-time loan collection
- the ability to provide a wide range of financial services.

(A) Adequate on-lending interest rates and interest rate spreads

The success of any rural institution will not only depend on charging its clients high enough interest rates that allow it to eschew subsidies listed in Figure 3.2, it also has to operate such interest rates in a portfolio-like spread with high levels of autonomy in the formulation and operation of policies that leverage financial independence as in the BRI-Unit Desa system of Indonesia (Yaron and Benjamin 2002). To achieve financial sustainability without compromising outreach, the MFIs (including government-funded institutions) would have to charge their clients interest rates that are high enough to eschew subsidies. Microfinance institutions (MFIs) can grow in this way without the constraints imposed on them by the budgets of their external financiers (Morduch 2000; Christen and Rosenberg 2000).

(B) High rate of on-time loan collection

The high rate of on-time loan collection can also contribute to decreasing the MFIs reliance on subsidies thereby enabling them to attain financing independence and self-financial sustainability while serving poor households. The high rate of on-time loan collection of 90% or more has been reported in many Asian-leading successful MFIs (Bank of Agriculture and Agricultural Cooperatives – BAAC) in Thailand, the BRI-UD of Indonesia, and the GB of Bangladesh) over a consistently long period of time with the exception of the Bangladeshi GB in 1998 due to countrywide bad floods. This compares favourably with 50% or less on-time collection rates in many large lending institutions in several countries (Yaron and Benjamin 2002). The adherence of strict financial discipline, the application of efficient operating procedures in screening and monitoring along with enforcement mechanisms were largely accountable for the high on-time loan collection in these Asian microfinance programs.

(C) Ability to provide a wide range of financial services

The ability to operate and provide a wide range of financial products and services that are attractive to the target clientele is another element that could drive and enable the intermediary financial institutions to attain self-financing status while serving poor households because such measures equally allow them to eschew subsidies and other concessions (Yaron and Benjamin 2002). Such a measure allows them to substantially reduce transaction costs when the volume of business is large and also make a profit as a result of the economies of scale advantage. In effect, a large-scale outreach depends on the viability of the institutional self-sufficiency for the long term (Robinson 2002).

3.3.3.2 Outreach to target clients

Many indicators such as the following can measure outreach:

- market penetration
- relative income level
- the quality of service delivery (Yaron and Benjamin 2002).

(A) Market penetration

Described in terms of the hybrid index (HI) among other indicators listed in Figure 3.2, market penetration is made up of several elements and these include: total number of clients, average loan size as a proxy for income level, percentage of female clients covered by the program, total number of loans made out/outstanding loans, total number of saving deposit accounts established, annual growth rates of loans as well as saving deposit portfolios and their numerical values, number of branches and the number of staff in them (Yaron and Benjamin 2002; Christen et al. 1995). It is difficult to ascertain the full impact of the microfinance on these diverse issues owing to the associated problems and difficulties pointed out in Chapter Two. Sharma and Buchenriender (2002) have attempted to determine whether or not there is a relationship between the welfare impacts of microfinance and outreach on the one hand, and on the other hand, the microfinance welfare impact and financial sustainability – the three overriding objectives of microfinance depicted in Figure 2.2 of Chapter Two.

(B) Relative income level

The average value of a loan and the range of average amounts are also significant due to a number of factors, and the most important are: average loan as a percentage of per capita GDP and the extent the program uses savings as a means to expand its lending activities (Yaron and Benjamin 2002). For instance, while an average loan of US$75.00 is adequate to capitalise a small business in Bangladesh (Morduch 1999a), neither a US$370.00 loan in some countries of South America (Otero 1999) nor a loan of US$500–5000 in the US (Taub 1997, Morduch 1999a) will be sufficient to capitalise business in these countries (South American countries and USA) due to differences in their economic indicators or their levels of GDP. The programs that capture savings deposits from their clients not only use them to expand lending activities in terms of the number of clients served, and the geographical areas covered, but also use them as a guarantee for loans or a risk absorber against bad loans, thereby maintaining the real value of the portfolio (Otero 1999). From the savings perspective, therefore, the impact of microfinance at the household level will be expected to be positive.

(C) Quality of service delivery

The quality of service delivery encompasses three distinct elements, namely, the kind of transaction costs borne by clients, the flexibility and suitability of services delivered, and the distribution network with which to deliver services to clients (Yaron and Benjamin 2002). What matters though is not only the quality of service delivery, but also the costs in terms of time taken to procure a loan or make a savings deposit in addition to other resources spent trying to secure services (Navajas et al. 2000). For instance, the time taken to make inappropriate savings deposits or negotiate a loan or a savings service term has been identified as an important factor (Zeller and Sharma 1997). In Madagascar, for instance, only less than half of the loan applicants are awarded the amount of loan sought from both formal and informal sources, and this is not only indicative of how access to credit is severely limited for the poor in this country, but it is also time and monetary cost consuming (Zeller 1994). Again, nearly half of the poor households surveyed in Madagascar reported that loans were used to cope with any household emergencies (Zeller and Sharma 2002b); it therefore follows that many poor households suffer starvation as a result of the constraint in accessing the credit market. Hence the quality of service delivery is also critical in terms of transaction costs to users, which comprise the non-price cost aspect (Navajas et al. 2000). The transaction non-price costs reflect the cash opportunity costs, for example, the monetary value of the time taken to get and repay a loan as well as the loan-related cash expenses such as transport costs, document costs, food costs, and government revenue taxes to mention a few.

Going by the data presented in Table 3.1, which points to a variety of microfinance impacts on household welfare with a view to demonstrating the social benefits against the public resources expended on MFIs that serve poor households with microcredits, Sharma and Buchenrieder (2002) found that the investment-led activities (i.e. activities corresponding to the first pathway of Zeller and Sharma's (2002b) institutional arrangement discussed in section 3.2.1) had a positive impact on household income, assets, and production, etc., culminating in food security and gender equity. This is consistent with the earlier findings that clients who began with a group-based credit in 1996 in Bangladesh, generated household income two-and-a-half times more than their comparison group (control group), owned 56% more assets, employed outside labour 35 days per year and 40% more than newer clients, and nearly twice as much as non-clients (Khandker 1998; Pitt and Khandker 1998). Also Sharma and Buchenriender's (2002) data, presented in Table 3.1, also reveals a number of other interesting observations discussed below.

Firstly, those who benefit from group joint liability loan programs worldwide are mostly women constrained to post acceptable collateral assets normally demanded in credit institutions for lending, but are also found to spend much of their income on the welfare of their whole family (UNIFEM/UNCDF 2002, p. 8). A research scholar (Sylvia Chant) at the London School of Economics has cited several studies in Latin America that confirm the widely held view that women spend a greater percentage of their microfinance profits on their family's household needs and welfare than men, yet arguments have been made out for and against targeting women for these loans on the grounds of efficiency and sustainability of these programs (UNIFEM/UNCDF 2002).

Secondly, the beneficiaries usually come under the poorer sections of the community, who more than anything else need savings services more than the credit services discussed in Chapter Two (section 2.4.3.2) of the thesis.

Thirdly, these loans are usually taken out to finance self-employed economic activities to generate income to smooth investment for food security and food consumption stabilisation as discussed in section 3.2.1 of this chapter.

Fourthly, these loans universally not only have a strong high repayment performance of around 96–98% as shown in Table 3.1, they also have high recovery rates. Between 1992 and 1993, for example, ASA had a 100% repayment rate while BRAC and PROSHIKA had 98% and 93% respectively (Zeller and Sharma 1999). Besides the above statement of fact, evidence equally has started to emerge on the deficiencies of group credit with joint liability programs, thereby resulting in high dropout and expulsion rates (Meyer 2001). The reasons for self-exclusion and non-participation in the program among the poor are quite diverse, ranging from possession of fewer assets, which disqualifies one from participation, placing more reliance on waged employment, and meeting with co-group members regularly, to a sale of one's small assets to repay the loan should the business project fail (Martin 1998; Wright 1997). Also, the inflexibility of rules and inappropriate financial products on offer to clients, particularly those who have good repayment records and borrow large sums, are the reasons accounting for the high rate of dropouts among the program participants (Meyer 2001). Some studies argue MFIs that serve the poor would have to consider designing innovative loan products that suit individual borrowing contracts in lieu of joint liability loan contracts (Martin 1998; Morduch 1999a).

Table 3.1 Organisational diversity in microfinance and areas of impact

Project & country	Service page (%)		Target group		Liability				
	Minimalist	Finance plus	Women	Men	Group	Individual	Loan repaid (%)	Positive impact reported on	Source
Africa									
FFH Ghana	–	X	100	–	X	–	84-100	Income Nutrition Empowerment	McNell et al. (1998)
RJ Kenya	–	–	60	X	X	–	97.7	Income	Mosley et al. (1998)
M Fund Malawi	X	–	100	–	X	–	56.6	Income	As above
Je Recycle Morocco	–	X	–	X	–	X	–	Environment	Srinivas et al. (1998)
PMR-REA Niger	X	–	47	X	–	X	77	Income, Assets	Schrieder et al. (1997)
Asia									
BRI-UD I/nesia	X	–	24	X	–	X	92.5	Income	Mosley et al. (1998)
BKK I/nesia	X	–	X	X	–	X …	95	Income	As above
KURK I/nesia	X	–	–	X …	–	X	86.3	Income	As above
GB B/desh	–	X	94	–	–	–	–	Income Consumption Empowerment	As above; Khandker (1998); and others
BRAC B/desh		X	80	X	X	–	98	Income	Mosley et al. (1998)
TRDEP B/desh	–	–	–	–	–	–	100	Income	As above
PTCC S/Lanka	–	–	–	–	–	–	96	Income	As above,
SEWA S/Lanka	–	X	X	–	–	X	–	Assets, Empowerment	Berger (1989)
PRB India	–	–	–	–	–	–	58	Income	Mosley et al. (1998)
S/America									
BancoSol Bolivia	X	–	71	X	X	–	100	Income	As above
FINCA EIS/dore	–	X	X	X	X	–	98	Consumption	–

Explanatory notes: X means that the response is Yes; FFH means Freedom from Hunger; RJ means Rep Juludi; MF denotes Mudzi Fund; I/nesia abbreviation denotes Indonesia; B/desh abbreviation denotes Bangladesh; S/Lanka represents Sri Lanka; ELS/dore means El Salvador; S/America denotes South America. Source: Sharma and Buchenriender (2002, page.234).

Fifthly, the data assembled in Table 3.1 also show that the group joint liability loan programs not only have strong repayment performance, but also have deeper outreach in some cases. This suggests that joint liability group lending strategy also helps the poorer sections of the society to generate income from self-engaged economic activities, which in turn help them to smooth and stabilise household food consumption levels at all times.

Besides the deficiencies of group credit with joint liability commitment discussed above, the GB copycat programs also exhibit other serious drawbacks, not the least is the lack of financial sustainability. All the programs modelled on the GB's joint liability model have been found to rely heavily on external grants, and concessional loans to operate. Then, one pertinent question could be asked here: Will these grants or concessional loans ever cease or dry up? Given that all the programs on this kind of funding have a history of non-sustainability (Carpenter 2001) owing to their reliance on the budget of external financiers (Morduch 1999a and 2000), the answer to the above question is not far-fetched. The Kenyan ASCA program, for instance, was established following the closure of the US-based NGO started in 1968 under the name of Partnership for Productivity (PFP) charged to develop small business projects for the Kenyan women entrepreneurs. Similarly, the loans scheme of the Nigerian SSE program reviewed in chapter Two (sections 2.5.2.2, 2.5.2.3 and 2.5.2.4) has been scaled down due to a variety of factors: a situation indicative of the realities of the short-term life span of these programs that are dependent on the budgets of the external financiers to operate. In the light of the foregoing discussions, the main research question for this study can be re-stated as follows: Will the GB-ROSCA hybrid microfinance create more self-employed enterprises in Nigeria?

To answer this question, it is important and imperative to first inquire into the following issues pertaining to the SSE program operations:

- what are the key achievements and successes of SSE program?
- what are the key failures and weaknesses of SSE program?

Both issues will be investigated amongst the major stakeholders (managers and recipients) of the SSE program. Evidence stemming from the literature review of some major intervention programs initiated by the federal government and solely funded by it seems to suggest that these programs (including the SSE) have not been delivering on their key objectives owing to a variety of inhibitive factors, which include funding (or start-up loans), delays in the processing of application forms and disbursement of funds, non-repayment of loans, etc (Carpenter 2001; Ogwumike 2002; Akanji 2002; Ofong 1990).

The new microfinancing model (GB-ROSCA hybrid microfinance) presented in Figure 3.3 depicts a 6-member joint liability and mutual reciprocal savings and credit structure as a means to fast-track development in Nigeria, and elsewhere. Designed with self-help focus and bottom-up approach in mind, the model is expected to mobilise funds through voluntary micro-savings or micro-contributions from its members to form lump sums for the member borrowing. Clearly the contribution of the research to the existing knowledge starts from this point. Whilst many previous studies have focussed more attention on the provision of credit first, this study strongly contends that "savings first before credit is disbursed" is a more effective pathway to expand outreach, create jobs, and reduce poverty.

3.4 Features of the GB-ROSCA hybrid microfinance model explored in the research

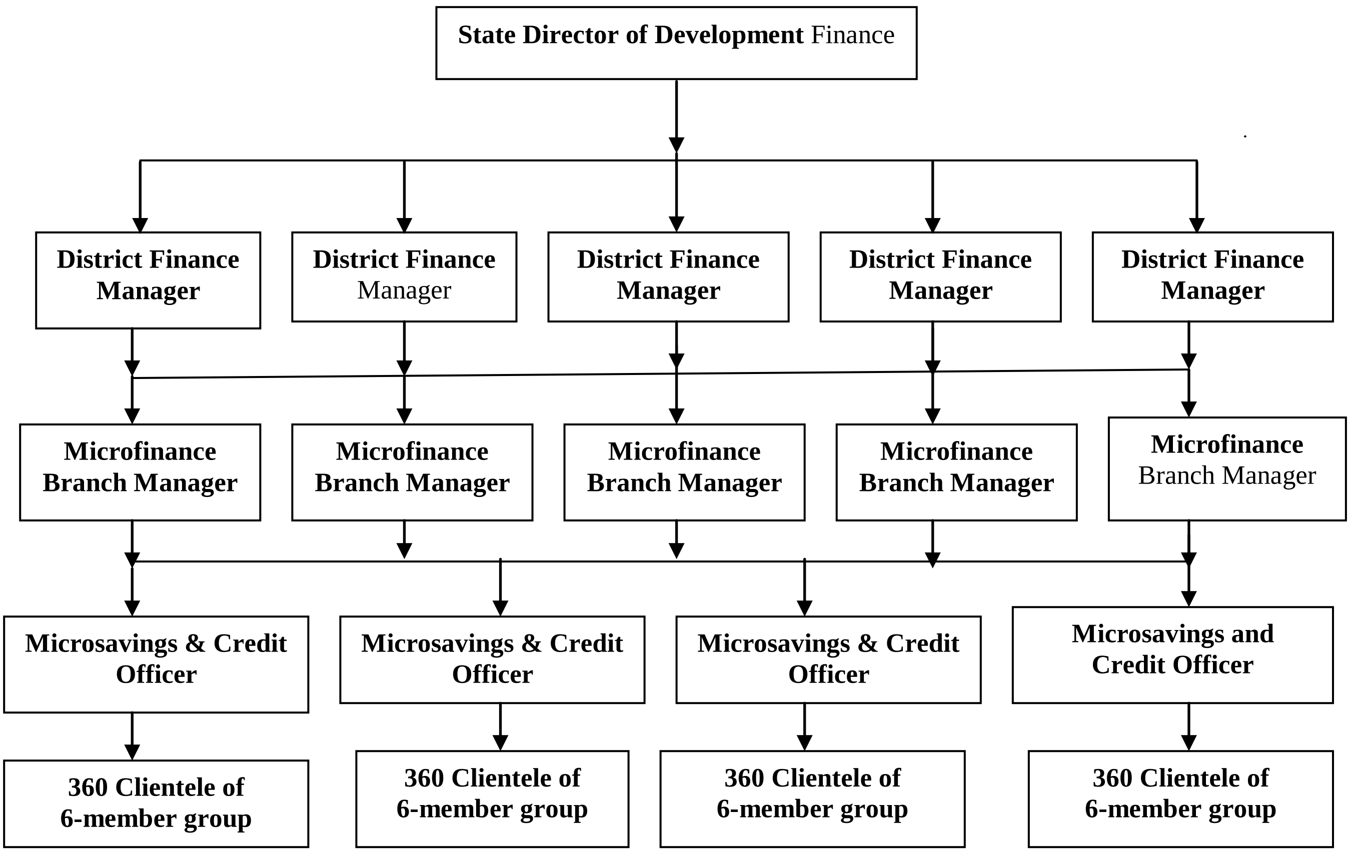
Based on the unique characteristic features of GB's joint liability micro-borrowing programs identified in section 2.6.1 of Chapter Two, and their dissimilarities to the Nigerian self-help ROSCA systems discussed in subsection 2.6.1.2, the key issues investigated in the study are:

- incorporation of GB-ROSCA hybrid microfinance into SSE programs
- accreditation of a GB-ROSCA jury as the only route or vehicle to access collateral-free loans
- unemployed tertiary graduates encouraged to form small joint liability groups with which to access collateral-free loans
- 25% subsidy (or discount) be given to every 3rd successful business establishment created under a GB-ROSCA jury regime
- government (or donor funds) be made available to meeting initial expenses in businesses set-up under the GB-ROSCA jury regime
- GB-ROSCA jury assumes responsibility for loan repayment for defaults
- GB-ROSCA collateral-free joint liability loans be subjected to mandatory savings
- GB-ROSCA collateral-free joint liability loans be subjected to insurance cover
- GB-ROSCA collateral-free joint liability loans attract interest rates on par with the market rates

- GB-ROSCA collateral-free joint liability loans interest rates below market rates.

Based on the participants' determination of integrated traits, the hybrid microfinance models finally determined in Chapter Five can be applied to the deficient funding or loans scheme of the SSE program to enhance its effectiveness in funding small business projects. Obviously the GB-ROSCA hybrid microfinance models determined in Chapter Five would assume one or more institutional forms of funding systems outlined in the dot points above. How relevant are the principles and practices of the GB's joint liability group lending or borrowing to the Nigerian ROSCA systems? This will be explored in Chapter Five based on data input from the study participants.

Figure 3.3 A model of the GB-ROSCA hybrid microfinance-induced employment creation program



Articles contributing to the design of this model apart from the GB and ROSCA Microfinance Institutions include: Alter et al. (2002) MicroStart Nigeria Staff Structure, page.25; SG Nwoko's (1990) popular capitalist employment generation model, in JU Umo (ed) *Employment Generation in Nigeria Issues an Strategies*, and Johnson et al. managed ASCA – innovation in Kenyan's microfinance industry in *Microfinance Evolution, Achievements and Challenges*, page 159.

3.4.1 The benefits of the GB-ROSCA hybrid microfinance model for small project development in Nigeria

The GB-ROSCA hybrid microfinance model investigated in the research has certain things (features) in common with the Kenyan Accumulating Savings and Credit Association (ASCA) program, and the member-based Credit Union programs of the Central and South American countries (Guatemala, Colombia, and Ecuador) in terms of the financial product on offer (i.e. product emphasis or focus) and upon which substantial empirical evidence will be drawn to support this model. Again, the data presented in Table 3.2 clearly demonstrates the GB's unique characteristics, from which the researcher draws preliminary findings (materials) to build on and then departs from it to share the characteristics of its improved variations considered better practice elsewhere. Consequently, what this research (model) shares and does not share with the GB's model and its improved variations elsewhere have been featured in Table 3.2 data.

Table 3. 2 Summary of major features of other models upon which empirical findings are drawn to support the proposed GB-ROSCA hybrid model

Program/model name	Product emphasis	Lending + repayment liability lies with	Management focus	Funding source
The GB-ROSCA hybrid model	Savings/equity share first before credit advancement	Group (GB-ROSCA Jury)	Group members in conjunction with paid external management agent	Self
GB microfinance[1]	Credit first before savings commence	Group	Group members in conjunction with the management	External (Govt/ NGOs)
ASCA program of Kenya [2]	Savings/equity share first before credit	Individual	External (owner-manager/ proprietorship)	Self
NGO-funded[1] MFIs in Kenya[1]	Credit first before savings	Group	Group members and management	External (NGOs)
NGO-funded Village Banks of South America[1]	Credit first before savings	Group	Group and member-management	External (USA NGOs)
Credit Union Banks of Central/SouthAmerica[2]	Savings/equity share first before credit	Individual	Group/Union members	Self

[1]Supply microcredit 'first' followed by mandatory savings. [2]Supply microsavings or equity shares 'first' followed by reciprocal loans. Sources: Sharma and Buchenrieder (2002, p.234); & Morduch (1999a, p.1574).

On the basis of the foregoing discussions, and the interpretation of data presented in Table 3.2, it is significant to place the GB-ROSCA hybrid microfinance model that will be developed in its proper perspective, that is, in relation to the characteristics it shares with the GB's models and its variations elsewhere considered better practice (Table 3.2). The departure of this research from the GB's copycat model (which many new programs are copying) was partly based on Yaron and Benjamin's (2002**)** primary criteria (Figure 3.2) for evaluating the performance of microfinance institutions, and partly because of the impressive performance of the GB's improved models elsewhere, for example, the Kenyan ASCA programs.

Based on Yaron and Benjamin's (2002) primary criteria for assessing the performance of a microfinance institution, the GB's group credit performance has not been too great given the number of years its credit programs have been in operation. Other than its joint liability social asset (or social collateral) advantage that permits the solidarity group members borrowing funds without having to first post physical collateral usually demanded in credit markets, it can be argued here that the GB's performance has not been too great as it took over 25 years before attaining self-financing capacity (Acher 2006**)**. This, too, only happened after much sustained criticism of its subsidy dependence. For instance, the GB's programs received concessional loans from a variety of sources (local and international alike) at their opportunity costs which amounted to the tune of US$26–$30 million in 1996, loans that were obtained at a concessional rate of 5–6% (an interest rate lower than the official deposit rate of about 6–8%) in the 1990s, and also much lower than the lending rate of around 14–15% in the 1993–1995 market rate (Morduch 1999b). This suggests that the GB was not all that operationally self-sufficient financially by 1993 as reported in many research findings (Christen et al. 1995; Khandker et al. 1994). By today's standard practice, the donor funds are only made available in the early formative years of say 3–5 years of the project, for example, the Village Banks of the Latin American countries funded by the USA-based NGOs and charities. The aim is to provide the initial funds to capitalise the projects, and then they are expected to stand on their own (Paxton and Cuevas 2002). Questions have often been raised as to whether most of the programs modelled on the GB's group borrowing system with joint liability commitment would ever become financially self-sustainable given that they currently cover only 70% of their full operational costs due to their on-going subsidy dependency (Murdoch 1999b).

In this context it is believed that many MFIs, including those modelled on the GB's programs, cannot meet the standards required to measure whether or not the MFI has attained self-financial sustainability. Such standards require that MFIs maintain good financial accounts, and also follow recognised accounting practices that provide full disclosure of income, expenses, loan recovery, and potential losses (Yaron 1994; Yaron and Benjamin 2002; Yaron et al. 1998; Morduch 1998b & 1999b; Zeller and Meyer 2002). In fact, some programs modelled on the GB's joint liability approach with additional novel ideas have been found to perform much better than the programs of the GB institution in terms of financial independence (Morduch 1998b & 2000). This is because the lending methodologies of these new generation programs have fundamentally departed from the GB's 'credit first focus' towards designing programs focused on first 'saving the ratio of the loan amount sought' before any loan, high enough interest rate operations, the reduction of the overall loan expenses and costs (Morduch 2000, Alter et al. 2002).

Despite the criticisms levelled on the GB's programs discussed above, the GB model holds strong appeal to many people (the poor and those working for them) owing to its joint liability unique feature, and because of the benefits it confers on both the lender and borrower. More significantly, the GB's joint liability contract mechanism, unlike the individual liability contract, has the advantage of securing high repayment rates from borrowing group members who lack the prospect or hope of getting uncollateralised credits elsewhere. Unless there is increased competition among the providers of loan and credit markets, as once experienced in Bolivia resulting in increased delinquency rates on the part of the borrowers because of the improved financial market access (i.e. excess credit supply by competitors), there is always the tendency to repay the group credit, ultimately leading to high repayment performance. Improved credit market access has also been reported to encourage high delinquency rates in Bangladesh (Yaqub 1995; Wright 1997; Martin 2002). Nevertheless, the borrowing group members are always compelled to repay the loans of other delinquent business partners in order to qualify for further borrowing (Wydick 2001). The group joint liability asset (or social collateral) in this instance serves as a solid substitute for the physical collateral assets that have monetary value. This is the reason why the GB's microfinance has an edge over other models so far enunciated in the microfinance industry.

Some studies have also argued in favour of exploring other innovations in other lending methodologies, particularly the individual lending contract type (Martin 1998; Morduch

1999a, 1999b and 2000). It is doubtful if the lenders and creditors of microfinance have the resources and the time to monitor uncollateralised individual loans (Zeller and Sharma 2002b). However, it can be argued that there is no blueprint in microfinance initiatives or models. What is more significant in these initiatives and models is that each one must adjust to the specific cultural, political, and economic settings in which it operates. The proposed 6-member GB-ROSCA hybrid microfinance model requires a sound policy framework to support it. It is believed that the government's active role in establishing a favourable policy environment is necessary to promote growth in the rural sector and rural incomes (Yaron and Benjamin 2002). Sometimes, direct government intervention in the microfinance industry is necessary. Whenever these measures are taken, however, they must be carefully targeted and fully justified in terms of serving the public good, for example, the provision of rural infrastructure, public works, and human resource development that could be achieved through the acquisition of training and skills (Yaron and Benjamin 2002). These intervention measures for public good certainly aid and complement self-employment growth, which in turn leads to higher productivity and income expansion with their decreasing effect on poverty (Akinbobola and Saibu 2004). The following sections present the discussions of the main advantages and benefits of the GB-ROSCA hybrid microfinancing model that will be developed in the study for financing small-scale development projects in Nigeria.

3.4.1.1 Common pooled savings treated as group credit for small projects development in Nigeria

Foremost, the proposed model can effectively address the problem of scarcity of funds for enterprise development in Nigeria. It is only when one is engaged in an economic activity, which generates income streams to acquire physical goods and services, that poverty can then be arrested and reduced. The GB-ROSCA financing model that will be developed in the study not only has the potential to expand and scale up the outreach of economically disadvantaged persons belonging to the lower socio-economic class in the economy, it is also capable of leveraging all the persons of the lower socio-economic class to rely upon themselves for self-development – a situation which can only be achieved through self-savings in small solidarity group circles, and joint liability fashions as a more viable means to get out of poverty. Although the joint liability component of the proposed model ensures the inclusion of all persons of lower socio-economic status, it may not satisfy all the persons (particularly the poorest of the poor) since its continued existence is solely dependent on financial self-sustainability and self-funding capacity. The key issue here is the ability to find safe-risk business partners willing to accept anyone into their fold, a process that Wydick (2001) describes as an evolving jury or a dynamic peer review committee. In this kind of model where self-equity contributions (self-savings with the group) are committed and tied up, the success of the group-backed projects becomes paramount, while the collective and cooperative endeavour and group support become critical in realising such projects. Moreover, members become more committed and participatory in the prudential administration of pooled savings towards credit facilitation leading to the growth of small-scale enterprises. Then these small-scale entrepreneurial projects become a source of steady income streams, which enable households to smooth both their food consumption and investment levels in human capital. If managed properly at the local level, the pooled savings instrument over time becomes a major capitalisation for wider market coverage as depicted in Figure 3.3. Thus the microfinancing model investigated is one that not only creates jobs and reduces poverty, but also has the potential to scale up into creating a pool of entrepreneurs who fuse to function and integrate into the formal economy as clearly shown in Figure 3.3.

Research has reported a high rate of ROSCA participation by both sexes in several African countries including Nigeria, Togo, Cameroon, Liberia and the Ivory Coast, (Bouman 1995). The influence and achievements of the ROSCAs went beyond the financial frontier of self-help support into other spheres of human and community developments such as education, recreational facilities, insurance, health, etc., (Geertz 1962; Gerdes 1975). Geertz (1962) and Gerdes (1975) among others have found that Nigeria has abundant traditional informal savings and credit microfinance institutions. These traditional self-help institutions include the *Esusu* of western Nigeria, with its counterparts in the eastern parts of the country, and the *Dashi* of *Nupe* in the northern parts of the country, whilst the *Ibo* community, particularly the *Mbaise* area of the *Ibo* community where there is acute population pressure on the land at 1000 persons per sq. mile in the eastern part of Nigeria, is quite notable for the use of these institutions for development purposes (Ardener 1953; Geertz 1962). The self-help ROSCAs have been instrumental in helping the *Ibo* and *Yoruba* ethnic groups over the years to accumulate the great wealth and income that has enabled them to provide scholarships to their promising youngsters to pursue further studies in England or the United States, and then return home as doctors, engineers, lawyers, educators, midwives, and others useful for development (Bouman 1995).

Since the proposed scheme is based on what the Nigerian populace already knew by traditional knowledge and values, ultimately it will not only make a positive and practical contribution to the development of the country, it can also count on the legitimacy and accountability rooted in the notion of a bottom-up approach to development. Essentially, the traditional methods of development need to adapt to the modern context (in the sense of modern ways of doing things), and while they are rendered more efficient by modern innovations, they should not be replaced (Anonymous 1). This is to say that the infusion of the GB joint liability innovation with the traditional ROSCA self-help savings approaches has more advantages than any single approach. For this purpose, Seibel and Parthusip (1990) have highlighted earlier attempts that were made to link up formal institutions, for example, commercial banks with informal institutions, and the ROSCAs. This appears to be one of the developmental mistakes that the Nigerian development authorities might have been suffering. In effect, the microfinancing model investigated in the study is one that not only creates jobs and reduces poverty (Figure 3.3), but also has the capacity and potential to scale up into a pool of entrepreneurs that can integrate and function in the formal financial economy without being bogged down by the type of poverty described in the 2000/2001 World Bank Development Report highlighted in the last paragraph of section 3.1 of this chapter.

3.4.1.2 The savings first focus before loan broadens outreach

Zeller and Sharma (2002b) have reported that 95% of the credits and loans available to small business operators in the developing countries come from informal sources such as moneylenders, trade merchants and ROSCAs. Whilst Morduch (1999a, 1999b and 2000) and others (Adams et al. 1984; Zeller & Meyer 2002; Yaron and Benjamin 2002; Yaron et al. 1997, and 1998) have advised against the placing of too much emphasis on programs that rely on generous grants or concessional loans to operate business because of their adverse impact or limitation on scaling up (i.e. to reach many poor), Zeller and Sharma (2002b) have argued that the biggest default in rural financial institutions is in demanding obligatory savings from which credit is offered to clients, and the lack of voluntary savings. Owing to the nature of this kind of financing (business operations linked to the budget of external financiers), it is now widely believed that the only microfinance institutions that can combat and reduce poverty are the ones that eschew subsidies and find innovative ways to cost-effectively lend money to their clients in increasing numbers (Morduch 2000). This would mean the scaling up (expanding) of the program to reach many more poor people who are currently not covered with credit or loan programs, and the adherence of good principles of banking (Mordoch 2000). Zeller and Sharma (2002b; 2002a) have advised that more emphasis should be placed on liquidity savings (or savings deposits) and low transaction costs driven by efficient management and accountability than on attractive interest rates.

The mechanisms of contractual group loans with joint liability, and the new organisational management structure involving the active participation of the borrowing group members to only indulge in safe business activities that reduce risks and costs on the one hand and on the other to secure high repayment of the loans provided. Studies have proven that poor households can save and sometimes do so in substantial amounts (Morduch 2000; Paxton and Cuevas 2002; Johnson et al. 2002; Otero 1991; Shrieder and Heidhues 1995; Robinson 2002). Shrieder and Heidhues (1995), for instance, have found that the rural poor households sometimes give their savings to moneylenders to keep for them at a zero nominal interest while at any given time in Indonesia, the BRI Unit *Desa* system had as many as 16 million low-income savers (including the poorest) as opposed to around 2 million that were demanding credits. Buckley (1997, p. 11) states: ‘By implication, microfinance programs that stress only on the lending side are likely to be missing opportunities to assist many poor households who may wish to save but do not necessarily wish to borrow’ – i.e. such programs not only miss the opportunity to serve the poor, but are also deficient in operating with financial independence. The provision of savings services and facilities therefore raises the critical issue of development programs that have far-reaching implications, particularly those that create self-employment opportunities and promote the income growth of low-income groups in rural areas.

Whilst Morduch (1999a) views savings as an alternative route to attaining financial self-sufficiency, Navajas et al. (2000) believe that sustainability strengthens the structure of the incentives that can be made available to a solidarity joint liability group. Since the savings practice itself does not only inculcate in clients self-discipline and good habits, the institution that provides such a service is also perceived by its clients as having longevity, and thereby inspires confidence in them. The researchers’ views have been supported by another enquiry that found an impressive annual growth rate of 46% in the number of group members, and 28% in the number of geographic expansions in self-funded programs in contrast to the 28% annual growth rate recorded for their NGO-funded counterparts in Kenya (Johnson et al.

2002, p. 164). Johnson et al. (2002) have largely attributed the annual growth rates in terms of the number of group members and the number of new areas of geographic coverage from 1999 to 2001 in the ASCA program to a variety of factors that included: mixed financial products or mixed portfolios offered to a wide range of socio-economic groups besides the poorest of the poor for whom the NGO-sponsored MFI programs were targeted exclusively, and the low cost structure of the program offered which gave more hope to clients on the financial sustainability of the program. Likewise, Paxton and Cuevas' (2002) research on the microfinance programs of the credit unions in three countries (Guatemala, Ecuador and Colombia) found that these programs were more financially sustainable than the Village Bank's microfinance programs operated in Costa Rica, and again in Guatemala (Table 3.3). The financial sustainability of the Union Bank's programs as opposed to that of the Village Bank was primarily due to the various positive economic indicators reflected in Tables 3.3–3.4 data, including savings mobilisation presented in Table 3.4.

Table 3.3 Sustainability indicators of MFIs operating in some Latin American countries

Indicator	**Village Banks**		**Credit Unions**		
	FINCA Costa Rica	Care Guatemala[a]	Union Popular Guatemala	Cupocredito Colombia	OSCUS Ecuador
Subsidy dependence index	1.39	4.77	0.03	0.12	-0.03
Operational self sufficiency[b]	1.44	0.29	2.12	2.35	2.75
Financial self-sufficiency[c]	1.08	…	1.11	1.14	1.19
Arrears rate (%)	7.59	0.00	5.00	2.37	n.a
Portfolio at risk (%)	18.31	0.00	6.50	22.00	12.00
Real effective interest rates (%)	55.00	38.25	19.51	12.88	11.04
Volume of savings/loans outstanding	0.05	0.09	1.37	1.18	0.91
Loan officer salary/per capita GNP [% of GNP capita]	2.30	3.10	2.70	3.23	2.05

Explanatory notes: The leader dots indicate a nil or a negligible amount; n.a means not applicable; [a]All funds used by Care are grants; [b]Operational income divided by operational costs; [c]Operational income divided by operational costs + Financial costs; Source: SBP Case Studies; 1995 data for FINCA; CARE, and Cupocredito; 1996 data for Union Popular and OSCUS adopted from Julia Paxton and Carlos E Cuevas (2002, p.145).

Both the ASCA funds in Kenya and the Credit Union funds in the Central and Latin American countries (Guatemala, Colombia, and Ecuador) are owned by their members through the holding of self-equity shares in one form or another. They also conduct operations on the basis of a "savings first" principle before any loan can be made while the Village Bank NGO-funded programs in Central American countries (Costa Rica and Guatemala) and their counterparts in Kenya are modelled on the GB's copycat models in terms of the product focus (credit first principle with mandatory savings). The Credit Union's microfinance programs were equally charging much lower interest rates on loans than their Village Bank counterparts modelled on the GB's "credit first" copycat models in Costa Rica and Guatemala (Tables 3.3-3.4 - Paxton and Cuevas 2002). These findings clearly corroborate with the findings of other studies (Morduch 1999b, Otero 1999, Robinson 2002, Yaron and Benjamin 2002, Zeller and Sharma 2002b) that argue that savings [or at least equity shares by the poor in these programs] could provide an alternative route to attaining financial sustainability by the MFIs other than by the interest rates.

Table 3.4 Basic characteristics of case-study institutions

Characteristics	**Village Banks**		**Credit Unions**[b]		
	[b]FINCA Costa Rica	[a]CARE Guatemala	Union Popular Guatemala	Cupocredito Colombia	OSCUS Ecuador
Year founded	1984	1989	1972	1960	1963
Country	Costa Rica	Guatemala	Guatemala	Colombia	Ecuador
Number of clients	7,253	4,090	10,732	387,846	55,457
Average loan size (US$)	1,006	171	1,079	2,199	954
Average loan term (months)	24	6	36	15	24
Average loan as share of per capita GDP [%]	0.42	0.14	0.90	1.32	0.75
Average deposit size (US$)	25	53	204	217	149
Average savings as share of per capita GDP	0.01	0.04	0.17	0.13	0.12
Average equity shares of per capita GDP	150	0	53	226	59
Growth of loan portfolio (percentage per year)	16	71	43	27	36

Explanatory Notes: [p]rograms modelled on the GB copycat model; [b]Program modelled slightly different with emphasis on member equity shares or voluntary savings. Source: SBP case studies: 1995 data for FINCA, CARE, and Cupocredito; 1996 data for Union Popular, and OSCUS. Adopted from Julia Paxton and Carlos E Cuevas (2002, p.140).

Evidently the savings approach in the Kenyan ASCA programs as well as the holding of equity shares or contributions in their Central and South American Union Bank counterparts presented in Tables 3.3-3.4 compare favourably with the way the Nigerian self-help ROSCA institutions informally operate, all of which form the foundation of this research. Certainly Nigeria has multiplicities of informal self-help savings and credit associations/unions that operate in different parts of the country under various names discussed in section 3.3.4.1. It is therefore anticipated that the GB-ROSCA Hybrid Microfinance that will be developed in the study will be feasible in Nigeria (see Figure 3.3). What is required of the 6-member hybrid self-financing model presented in Figure 3.3 is a sound legal and policy frameworks to support and promote it. Research conducted in nine developing countries (Nigeria not included, though) report that around 95% of the loans and credits available for small business development come from the informal sources while at the same time a substantial number of the poor are in desperate need of savings facility to safely store their large cash holdings during bumper seasons (Zeller and Sharma 2002b). A UN sponsored pilot study conducted in Nigeria to determine the feasibility of phasing-in microfinance best practice there to help create jobs and reduce poverty reports that the country is viable for savings mobilisation, which can serve as a capital base for on-lending to group-based entrepreneurs (Alter et al 2002). Also a mid-term evaluation of same UN-sponsored program on the possibility of phasing-in MicroStart Nigeria programs (microfinance best practices) report that the pilot study mobilises saving deposits from its clients at 4-6% interest rate, and lends the saving deposits back to them (clients) at an interest rate ranging from 23% to 32% (Alter et al 2002). The above-cited report not only demonstrates the practicality of the model being investigated in the study for the funding of small development projects in Nigeria, but also re-enforces and strengthens the credibility of GB-ROSCA Hybrid Microfinance model that will be developed in the enquiry.

3.4.1.3 The need to maintain a financial link with self-help reciprocal group members

The joint liability group lending is a valuable asset that no group member would want to flout because of its function as a substitution for collateral asset: the foremost factor that inhibits and excludes the poor from participating in formal financial transactions of the economy. As discussed above in sections 3.3, the need to maintain access to an affordable credit source and the need to enter and maintain intra-group insurance were the two primary reasons compelling the Guatemalan poor households to repay their loans (Wydick 2001). While good repayment performance of the group joint liability loan raises hopes for its applicability in Nigeria where government loans or loans involving government have high default rates, the good repayment performance of the joint liability loan in itself does not necessarily suggest that the programs are making profits as previously thought (Morduch 1999b). Some enquiries have also reported two dominant problems facing these programs modelled on the GB joint liability copycat model. But there are some poor households, particularly the very poor, to whom MFI joint liability loans have put into serious debt, a situation described as microdebt (Hulme

(2000b). In the light of this revelation, what the poor really need is the provision of micro-saving services first before any loan or credit can be given. Hulme (2000b, page 155) states:

> microdebt can create considerable opportunities to utilize 'lumps' of money so that they can improve incomes and reduce vulnerability. But not all microdebt produces favourable results, especially for poor people working in low-return activities in saturated markets that are poorly developed and where environmental and economic shocks are common. Because of circumstances beyond their control (sickness, flood, drought, theft, and so on), lack of skills and knowledge or taking bad decisions, a proportion of poor borrowers encounter great difficulties in repaying loans.

The MFIs that serve the poor can first mobilise microenterprise savings from them as a more practical way of helping them in lieu of supplying them with microcredits, which most are incapable of repaying due to circumstances beyond their control (Hulme 2000b). The author supports this argument by citing numerous cases in Bangladesh whereby microdebtors have been threatened with violence or driven to commit suicide by these loans or have even met with fatalities while in police custody (Hulme 2000b).

Again there are some borrowers who are capable of repaying the loans and do not want to repay as a result of their improved sociological gains (improved socio-economic status) derived from government intervention programs. Yaqub (1995) has successfully chronicled that a considerable number of repeat borrowers in better-off positions wilfully breached the repayment of the government loans scheme for the Bangladeshi Rural Advancement Committee's Rural Development Program (BRAC's RDP). The study further found that repayment of government loans decreases with people who have land-ownership and wealth, education, experience, and social status, in effect repeating the mistakes of the subsidised credit schemes of the 1950s to the early 1980s for marginalised small-scale farmers (Adams et al. 1984, Morduch 1999a). Equally important were the studies conducted in India that linked the loan repayment default rates to income, wealth, education, experience, and social status (Mohan et al. 1985; Singh et al. 1988); and, in fact, much the same outcomes have been reported in the Nepalese Agricultural Development Bank (Gupta 1987) and also in Bangladesh reported by Chowdhury (1992).

Based on the reasons explored in Guatemala by Wydick's (2001) investigation on why poor households repay loans (subsections 3.3.1–3.3.2), the pooling or mobilisation of savings amongst the group-based solidarity entrepreneurs to re-lend to one another in a joint liability fashion is a viable means to either start or capitalise a business. It is also a means of decreasing dependence on external financial aid. Some have argued that the lack of voluntary savings is the greatest default in the GB's joint liability lending innovations (Zeller and Sharma 2002b; Shrieder and Heidhues 1995; Otero 1999, Robinson 2002; etc.). Unlike the GB's competitors (ASA and SafeSave) in Bangladesh that broke away from it to design various savings products, voluntary savings have never been a priority in the GB's programs (Morduch 1999b, 2000; Martin 2002). Whilst Otero (1991) contends that savings among the borrowers is a means of capitalising business and decreasing dependency on the moneylenders to whom even the program operators must turn to in times of emergencies, Rhyne and Jackelen (1991) have argued that the experience gained in Bangladesh, Indonesia, some countries of the Central and South American continent, and much recently in African countries demonstrates that savings deposits constitute at least one-third of the outstanding loans that can be generated from the poor.

Based on the reciprocal nature of pooling or mobilisation of self-help micro-savings that become credits for those waiting for their turn to take possession of the lump sum amounts from the joint liability group members to start or capitalise their own business, the GB-ROSCA hybrid microfinance model that will be developed in the study is expected to be a means to capitalise business projects of the participants, and in so doing, maximise the job and income growth.

3.4.1.4 Optimal interest rate operations stimulate enterprise development

The interest rate has been one of the contentious issues in microfinance programs. Researchers and donors are beginning to increasingly recognise that sustainability of formal or semi-formal institutions that provide microcredit to the poor is the key to poverty reduction, enterprise development, and financial sector deepening (Paxton and Cuevas 2002). The key issue here is how to achieve this objective since most MFIs that serve the economically active poor, including those that serve the very poor as in the GB's programs, can only attain financial sustainability by charging high interest rates to their clients (Morduch 2000; Rhyne and Jackelen 1991). As an alternative to attractive interest rates, emphasis should be placed on developing savings products for the rural poor with a view to accumulating liquidity and operating at low transaction costs (Morduch 2000; Zeller and

Sharma 2002a, and 2002b).

Whilst there is no general agreement on how MFIs that provide poor households with credit can attain self-financing status without imposing heavy costs on them, Paxton and Cuevas (2002) report that the interest rate is not the key element driving financial sustainability in some MFIs operating in the Central and Latin American countries (Table 3.3). This finding seems to suggest that the ability to internally mobilise funds (or pooling together micro-savings) from members to re-lend to other co-members, as in the case of the Credit Union programs, is the key factor promoting development and not necessarily the ‘high interest rate’ *per se* argued in some studies (Morduch 1999a, 1999b, etc.). These findings seem to suggest that the ability to design various savings products for poor clients along with other favourable economic indicators reflected in Tables 3.3–3.4 were the prime factors that helped the programs of the Credit Union to eschew subsidy and operate with relative financial independence and sustainability.

As a self-financing program, the GB-ROSCA hybrid microfinance model that will be developed in the research is expected to operate interest rates that are high enough to foster the growth and development of self-employed enterprises, thereby maximising job creation. The laws governing the operations of the NGOs in Nigeria currently permit them to mobilise savings from their member clients only. As stated earlier, the mid-term evaluation of the MicroStart Nigeria Programme reports that it is possible to mobilise savings deposits from the clients at 4–6% interest rates, and re-lend them back to them (other clients in need of credits) at 23–32% interest rates (Alter et al. 2002).

3.4.1.5 Reduction in timeframe to access enterprise development loans

The relative ease with which to access this kind of finance (group pooled funds) in terms of timeframe is one of the key advantages of the proposed model. Conventional approaches to credit access by poor borrowers are characterised not only by delays in the granting and disbursing of the approved funds, but also involves many complex form-filling exercises. Since there is no demand for collateral assets, understandably an access to common pooled joint liability funds will be faster and more responsive to one’s needs as long as one has the right level of savings or equity share commensurate with the ratio of the agreed amount sought, plus a good repayment history. The basic differences between institutional credits and various forms of ROSCA operations conducted in the informal sector are that the latter rely on a character-based assessment, a pragmatic and flexible concept of collateral, non-collateralised lending, and extremely simplified documentary requirements, small amounts of credit or savings per transaction, extremely rapid and decentralised approvals, and more importantly, easy access by clients since all transactions take place at close proximity (Rhyne and Jackelen 1991). Johnson et al. (2002) research on the Kenyan ASCA programs, and the NGO-funded ROSCAs (i.e. institutions dependent on external sources for financing operations) in comparison re-enforces and revalidates Rhyne and Jackelen's (1991) views on the distinction between the institutional credits and credits from various forms of informal ROSCA institutions. In ASCA programs, loans are more easily accessed in terms of timeframe (Johnson et al. 2002). It is therefore believed that the GB-ROSCA hybrid microfinance model that will be developed in the study will not only be simple and easy in terms of accessibility and form filling complexities; it will also be quicker to access as long as one is in good savings standing, and maintains good repayment records. Designed with Yaron and Benjamin's (2002) framework guide in mind (section 3.3.3), the hybrid microfinance models that will be developed in the study and recommended for adoption in Nigeria will not only save time and money, they can minimise waste while enhancing service efficiency.

3.4.1.6 Increased loan size

The proposed model offers clients the opportunity to take a lump sum amount for trade, service, small manufacturing, and asset investments of all sorts in order to smooth incomes and stabilise food consumption in both bad and good times. Again, this can only hold as long as the prospective loan applicant maintains good savings and repayment history commensurate with reciprocal obligation. The clients of ASCA's programs in Kenya, who were also the clients of the NGO-funded MFI programs simultaneously, not only reported that the flexibility of loan products along with time efficiency were the key issues that made them quit the latter (NGO-supported MFI credit programs modelled on the GB model), but that the amount of the loan offered by the former (ASCA programs) enable them to send their children to school or college, improve or build a house, construct a water tank, expand an existing business or start a new one, in stark contrast to the NGO-supported MFI loans that were only good enough to purchase consumer items (Johnson et al. 2002).

It has also been reported in other research in some countries of Central and Latin America (Paxton and Cuevas 2002) that larger loan sizes were attracting prospective clients to the programs of the Credit Union as opposed to those of the Village Bank (see Table 3.4). The size of an average loan in the NGO-sponsored Village Bank programs in Costa Rica was thought an exceptional case in contrast to the programs of the Village Bank in Guatemala (Table 3.4). This was partly because of the opportunity to purchase equity shares, which is one of the more characteristic features of the Credit Union microfinance programs. It was also exceptional partly because of the opportunity to make voluntary savings before a loan can be granted. Again, this was another characteristic feature of the Credit Union microfinance programs. Nevertheless, the average loan sizes in the Credit Union programs were reflective of the income levels of the clients across the lower socio-economic strata, the volume of the business operations, and the flexibility of financial products on offer (Paxton and Cuevas 2002 – Table 3.4). This clearly demonstrates the significance of exploring and developing other innovative techniques and methods to internally source funds for developing micro- and small-scale projects. The incorporation of the saving services in microfinance programs with appealing interest rates will not only encourage savings and discourage credit-seeking, but also enhances the household welfare. This is owing to the creation of common loan funds from which entrepreneurial group members can borrow to commence small business. The incomes derived from such business activities will smooth and stabilise food consumption, thereby enhancing and maintaining the welfare of the households and their members at all times (Zeller and Sharma 2002b and 2002a; Zeller and Sharma 1998; Diagne 2002).

Whilst a group-based social asset (or social collateral) is the main driving force behind the formation of the GB’s joint liability contracts by utilising group solidarity advantage, it is equally the same reason that inspires most Nigerians to seek out like-minded persons for ROSCA formations. Both institutions (GB and ROSCA) conduct their operations on similar principles and practices in order to benefit their members who have been excluded from the formal credit institutions due to their poverty status. While some studies have identified some common links between these two institutions (GB and ROSCAs) in terms of the operational mechanisms (Light and Pham 1998; Rutherford 1998; Armendariz and Morduch 2000), others have argued that these common mechanisms between them effectively transfer the screening and monitoring costs from the banks to them as borrowers, thereby providing an effective way which banks can use to overcome adverse selection, moral hazard, and enforcement problems (Stiglitz (1990); Varian (1990); Besley and Coate (1995); Van Tassell (1999), Morduch

(1999a); Armendáriz (1999); and Ghatak and Guinnane (1999). Both institutions (GB and ROSCA) have been fully explored in section 2.6 of Chapter Two. Going by the literature review conducted in Chapter Two, the researcher can conveniently state here that some features of the GB's microfinance institutional environment are theoretically relevant to Nigerian conditions. While many of these features common to the two institutions (GB and ROSCA) have been addressed in Chapter Two (section 2.6.1), other common features are explored below.

First, both institutions operate with the same basic premise: the provision of a flexible guarantee from one's neighbours in the GB system (Armendáriz and Morduch 2000) that also governs the operations of the ROSCA system to some extent.

Second, both institutions (GB and ROSCA) use the pre-existing social connections among their group members to help reduce the problems of imperfect information and social enforcement mechanisms to improve loan repayments. While the members of the GB joint liability group and the ROSCA possess a great deal of information about their members in terms of reliability before admission is granted, membership in both folds (GB and ROSCA) is appropriately vetted before one is allowed to join. Wydick (2001) has argued that group formation requires a process whereby members are admitted and expelled until a perfect group match is formed. The author further asserts that a joint liability group can only occur through processes of admissions and exclusions of members ex post to group formation.

Third, the overriding aim of the GB and ROSCA group formation is mutual aid and reciprocal support as a result of the inability to supply collateral or post assets (Besley et al. 1993). The GB programs lend only to groups from the same village and whose members are of same economic background (Hossain 1988). Similarly, ROSCAs are mainly formed by people of the same village or an office in urban settings (Besley et al. 1993) who pool their meagre savings to lend to one another; and this is what GB is doing in a modern version of cooperative pooling or aged-old ROSCA institutions (Ghatak et al. 1999).

Despite the apparent similarities between GB and ROSCA in terms of operational mechanisms, target groups, and focused objectives, some differences still exist between them. This is what this research partly sets out to investigate in Chapter Five, amongst the study participants. While the GB programs focus on supplying microcredit obtained externally on generous terms, ROSCAs are self-financing small institutions through members' pooled microsavings or micro-contributions over time to form lump sums for member borrowing.

Those members who are waiting to get the common pooled pot of savings are creditors to the ROSCA jury, while those who have already got the common pooled pot are debtors to the ROSCA jury**.** The 'evolving jury' means that group members self-select themselves under an imperfect informational environment, and rally round to the aid and support of any of theirs who becomes a victim of unavoidable economic shocks, and render harsh judgement of expulsion upon those who have misallocated their borrowed capital (Wydick 2001). The final models that can suit the Nigerian conditions will only be explored and determined in Chapter Five.

3.5 Summary

Firmly rooted in the culture of age-old traditional practices of diverse ethnic groups in Nigeria, the hybrid microfinance model explored in the research is one in which the credit or loan demanded matches the obligatory reciprocal contributions of all members of the solidarity self-help group. Nurtured around the concept of the closed circular flow of money for reciprocal mutual assistance and shared risks means there is no need for the collateral assets and exorbitant high interest rates usually demanded in banks. Many viable ROSCAs in Nigeria could be harnessed in this way in conjunction with the GB's joint liability approach as development agents. Microfinance institutions that continually receive grants or generous concessions see no reason to mobilise savings since funds can easily be obtained below market rates, ultimately leading to a disincentive to mobilise savings. Relying on one's own funds through a self-help and support group system makes good economic sense. Such a measure can be used to start one's own self-development projects that can generate income with which to reduce vulnerability and consumption volatility. More fundamentally, the GB-ROSCA hybrid microfinance model that will be developed is one that imposes no direct cost on either the government or donor agencies because of its relative financial independence. The knowledge of the weaknesses and failures of the SSE program as well as a clear understanding of its viable alternatives gained by studying the various institutional forms and varieties of microfinance models operating in a variety of countries equips the researcher with a more informed judgement in the choice of methods and procedures employed to conduct the study. Chapter Four follows next.

Chapter Four

Research Design and Methods

4.1 Introduction

This chapter discusses the design and methods of the research. The knowledge gained of the various forms and varieties of institutional microfinance programs that emerged in the 1980s and 1990s as a result of paradigmatic debates guided the choice for the methods and procedures employed to conduct the study. The key objectives of the study are as follows:

(i) to evaluate the key achievements and successes, and the key failures and weaknesses of the SSE program based on the opinions of the study participants, who constitute its major stakeholders

(ii) to determine to what extent the SSE program funding deficiency can be rectified along the lines of GB-ROSCA hybrid microfinance characteristics based on the opinions of program managers and reflective attitudes of program recipients

(iii) to design a new program which incorporates the features of the GB's joint liability credit system and ROSCA's individual pooled savings approach.

Thus the focus of the chapter is on the methods and procedures employed to conduct the study to accomplish the above objectives. The chapter, in a nutshell, provides a description of the design and methods adopted to successfully conduct the study.

4.2 Research design

Research design is concerned with the way research is carried out, the type of research, and its purpose (Sekaran 1992; Black 2002), and concern with a set of decisions on the topic to be studied among the given population, with what methods, and for what purpose, using one's own imagination and knowledge of the varieties of ways to conduct the study (Babbie 2008). All research undertakings have certain traits in common, such as the procedures to follow, and the stating of the hypotheses or questions that are often common to most research (Black 2002), notwithstanding the design. The design employed in this study is partly descriptive and partly exploratory as explained below.

The study is partly descriptive in the sense that, firstly, it is an evaluation and description of the key achievements and successes, and the key failures and weaknesses of the SSE program amongst the study participants. A descriptive research design can be undertaken when there is the need to systematically describe the situation or provide information about the issues under study (Kumar 1996; Cavana et al. 2001; Page and Meyer 2000). This study is in the nature of descriptive ex post facto research, as identified by Kerlinger (1986). This means that it is concerned with relationships involving the study of the independent variables that were pre-existing attributes and elements of the study participants. The researcher's task here is to evaluate and describe, with the help of the study participants' inputs, the dependent variables and examine their relationships (dependent variables) with the independent variables (Kerlinger, 1986). Attempts have not been made to manipulate independent variables as in the experimental studies. While Helmstadter would maintain that descriptive approaches are appropriate 'whenever a group of objects differs within itself, and one desires to know in what ways and to what extent they differ' (1970, p. 67), Johada, Deutsch & Cook (1951, p. 50) opine that descriptive studies can be studied with or without the help of hypotheses since the main concern is the depiction of the characteristics of the specific situations, individuals and groups; and studying the frequency with which things occur. The views of these scholars apply to the methods and procedures employed to achieve the key aims and objectives of the study.

This study is also exploratory because it sought to explore the opinions of the program managers, and the attitudes of the program beneficiaries in the study regarding the other two specific research objectives outlined in section 1.1.3 of Chapter One. Within the exploratory realm it is to determine the extent to which the SSE program funding deficiency can be rectified along the lines of the GB-ROSCA hybrid microfinance model based on the opinions of the program managers and the reflective attitudes of the program beneficiaries as study participants. Alternatively it is to design a new funding program that incorporates the key characteristics of the GB joint liability credit disbursement system, and the ROSCA individual pooled savings approach, which, if it is incorporated into the mal-funding of the SSE program or its defective loans scheme, rectifies it and makes it more effective in creating more jobs and job opportunities.

On the first research objective the study clearly aims to uncover these issues from the study participants, among other things, which are not yet in the public domain. This is all the more reason why this study is significant and necessary owing to the lack of adequate statistical information on the achievements and successes, and weaknesses and failures of the SSE program that include:

- the number of SSE training participants in self-employment after training or at least the success rate of the program
- the lines of trades or enterprises engaged in after training by the SSE participants
- the overall number of jobs indirectly generated by the program
- the reason for the failure to become self-employed after the training
- the contribution of the SSE program to the national economy in terms of employment creation and unemployment reduction.

On the second and third objectives, the study explores the opinions of the study participants (SSE program managers and program beneficiaries) in relation to the extent to which the SSE program funding can be modified. Evidently the study is purely of a qualitative nature and design from this angle. A qualitative research design tends to be more appropriate for studies, using questions to explore issues, while a quantitative research design uses a hypothesis (Cavana et al. 2001). An exploratory research design is usually carried out when one wants to uncover information about some issues one does not know much about or when there is a lack of satisfactory research on such issues (Cavana et al. 2001). The use of both designs is deemed the most appropriate methods and approach for the study. To achieve the goals set out in the second and third objectives of the study, normally one will resort to the use of:

- interviews or questionnaires as a method of data gathering to obtain a good grasp of the phenomena of interest to advance knowledge through good theory building (Sekaran 1992)

or

- surveys to better understand the nature of the phenomenon that has not been the subject of many studies (Cavana et al. 2001; Page and Meyer 2000).

As stated earlier, there were no hypotheses to be tested in the study. Instead, the study has been conducted with the help of three specific research objectives outlined above and in section 1.1.3 of Chapter One.

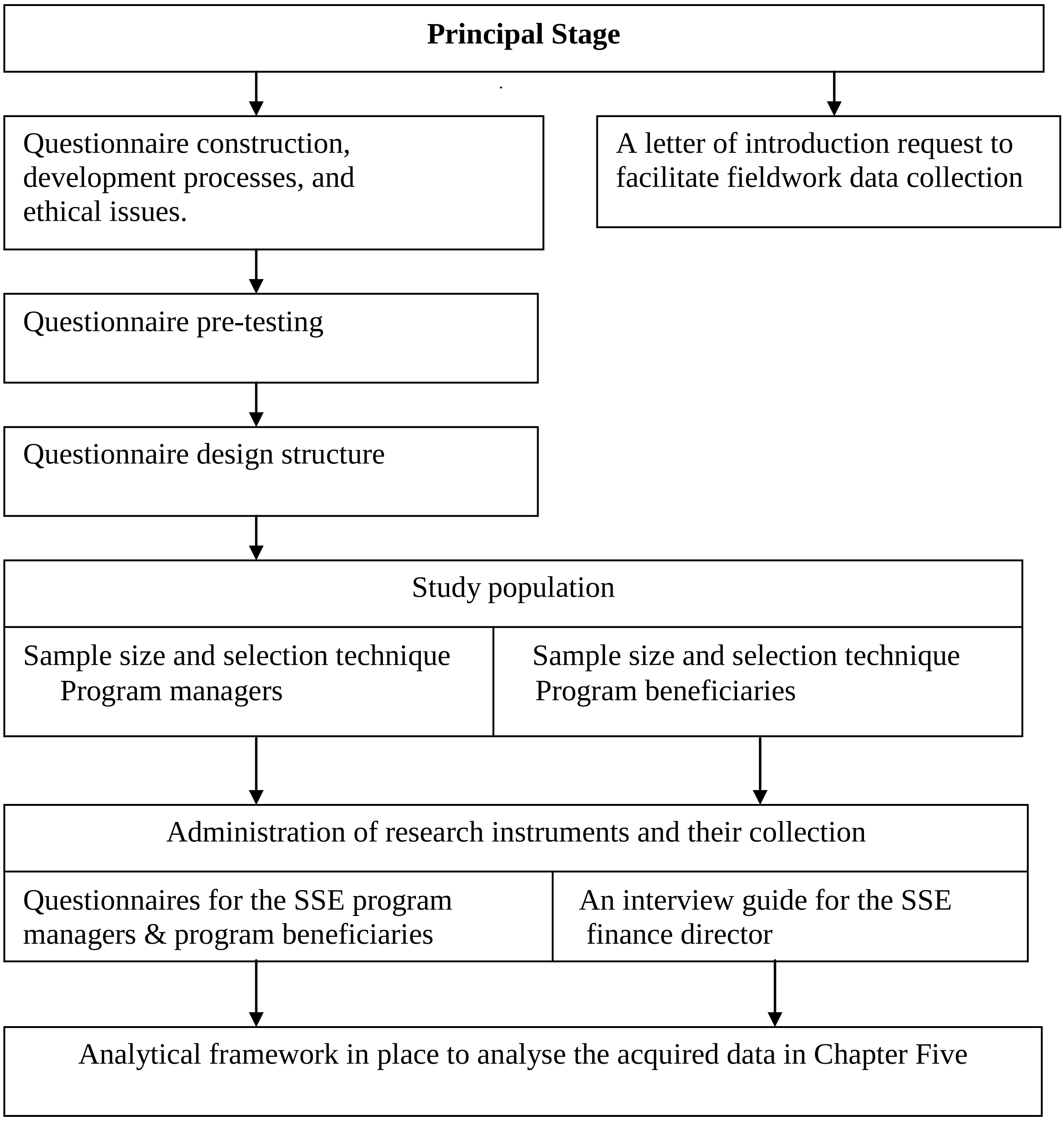
4.3 The methods and procedures of the research

Given the nature and focus of the research questions, triangulation research techniques (mixed methods strategies) are employed to conduct the study (Clarke 1999). One main advantage of this approach is that it allows the researcher to have greater confidence in the research findings than would have been the case with a single method (Clarke 1999). The shortcomings in one method can be complemented by another (Jicks 1979; Clarke 1999). Denzin (1970) was the first to identify four different types of triangulation, namely, data, investigator, theory, and mixed methods. Triangulation techniques in one form or another can be found in many evaluation research designs (Clarke 1999). Advocates of triangulation or multiple techniques believe that the use of the approach not only encourages greater research productivity, but also enhances the quality of the overall research outcomes. The two types of triangulation employed in the present study are data and mixed methods techniques. But these two approaches are used in tandem as explained below. Data triangulation involves the creation of multiple data sets by collecting data in a variety of contexts and settings (Clarke 1999; Brannen 1995).

The mixed methods triangulation involves the acquisition of different data sets from different key players of the SSE program: the program managers, program beneficiaries, and program's finance director. One set of questionnaire data was acquired from the program managers while another data set was derived from the program beneficiaries of two subgroups. One interview guide was also used to procure data from the program's finance director; hence the two techniques coalesce in a tandem manner. There was also an input of data from the secondary literature source. Mclvor (1992) used mixed methods (official documentary reports and case files, and questionnaires and interviews sources) to study the administration and implementation of the service orders in Scotland. Also, the use of the mixed methods approach in another study some years later to evaluate the Community Service Orders reaches the same outcomes using 'an inputs-process-outputs evaluation design' (Hine 1997).

The research instruments (questionnaires and an interview guide) employed to conduct the study, and data extracted from the secondary literature sources, were designed to enhance the quality of the research findings. All the techniques and processes described above constitute the methods and procedures employed to conduct the enquiry. These techniques and processes will be progressively explained in the chapter; hence the study was conducted in two main stages, namely, the preparatory stage and the principal stage. The preparatory stage was conducted simultaneously with the literature review stage (Chapter Two) while the principal stage commences from this point. While the activities and processes of the preparatory stage are only listed in section 4.3.1 of this chapter (since they have been discussed exhaustively in Chapter Two), activities and processes of the principal stage are shown in the Figure 4.1 concept flowchart.

Figure 4.1 Flowchart showing major activities and processes of principal stage study



4.3.1 Preparatory stage study

The preparatory stage consists of activities and processes made up of the following issues:

- a literature survey of the microfinance program as a new development strategy internationally with a focus on the Bangladeshi GB's joint liability model
- initial interviews and consultations with academic peers
- earlier attempts to liaise with the SSE program management in Abuja Nigeria with a view to getting data input to limit the scope of the study.

These activities were mainly undertaken to explore the key research variables for their development at the principal stage. The literature review was conducted in two phases, namely, a quick online scouting of preliminary information on the GB's micro-lending methodological model proceeded by an informal discourse with an academic peer who has heard about the GB's successful experiment in Bangladesh. An extensive review of the microfinance literature articles followed, focusing mainly on the GB's joint liability group lending model. Attempts were also made at this stage to review the effectiveness of the Nigerian development programs, followed by informal interviews of a few local Nigerians in Melbourne.

4.3.2 Principal stage study

The principal stage, and perhaps the most important stage, given that the focus of the key research questions is made up of the following activities and processes of the stage:

- questionnaire construction including assumptions, ethical consideration of issues, and a letter of introduction request to facilitate the data collection
- questionnaire development processes, and one short interview guide for financial data
- questionnaire pre-testing for revision, and sampling techniques
- questionnaire administration and collection.

4.3.2.1 The questionnaire construction

A Likert 5-point numerical rating scale has been employed in the construction and the development of the questionnaires. The 5-point rating scale offers respondents five response patterns, starting from the very negative to the very positive towards an issue or a question under study. The Likert rating scale allows respondents to respond to issues with degrees of agreement or disagreement (Kerlinger 1986) or to indicate how they agree or disagree with the statements relating to certain issues (Zikmund 1991). It is a technique that offers the respondents specific and limited alternatives to choose the one closest to their viewpoint (Duffy et al. 1992). Kumar (1996), as well as Sekaran (1992), advise that the statements on a rating scale be constructed in a manner that permits the reflection of opinions (and attitudes) about an issue in varying degrees, usually starting from the very negative to the very positive. A questionnaire with a 5-point rating scale in a three-directional anchor was considered a more appropriate primary data collection tool over other research tools for two primary reasons. All the study participants had tertiary-level qualifications; hence it is more helpful to the researcher and respondents alike because it offers the latter (respondents) the advantage of specific and limited alternatives from which to choose the one closest to their viewpoint, and the former (researcher) the advantage of easier analysis (Duffy et al. 1992). It was also considered more suitable because of the huge cost involved for any other alternative techniques in a country as big as Nigeria. The limited alternatives to choose from (reflecting issues or statements in varying degrees) are generally presented in a table format with endpoints such as: Minimum (Low), Medium (Average), and Maximum (High).

Ethical consideration of the issues became significant from this stage and this continued until the research was completed. As a result, due care was taken during the time of the questionnaire’s construction and development to ensure that the only issues put forward to the study participants were the ones that did not pose a danger or threat to any of them. The ethical issues are discussed further below.

4.3.2.2 The questionnaire development processes

There are two schools of opinion on the best way to order questions in a questionnaire design and construction. One school advises random questioning (Hoinville and Jowell et al. 1987) while the other advises that questions be constructed in a logical progression sequence based on the objectives of the study (Kumar 1996). The research has adopted a mixture of both approaches in ordering questions at the time of the questionnaire construction to maximise input from the study participants. For instance, the items or issues with close links were organised in a sequence as in the case of the program manager's questionnaire attached as 'A' of Appendix 1. In this questionnaire, respondents were asked to make an evaluation on every item or issue presented to them. Similarly, in the program beneficiary's questionnaire attached as 'B' of Appendix 1, respondents have been asked questions on various issues that were arranged in orderly fashion to elicit their interests in the exercise. For instance, the respondents were asked to describe their experience (satisfaction levels) with the SSE program in terms of the provision and delivery of the resources pledged for the program. Thus it is believed that the combination of the two approaches in the ordering of questions in the questionnaire construction and development would not only stimulate the participants' interest and passion in the survey, but could also sustain their interest in the completion and returning of the completed questionnaires.

During the questionnaire development processes care was taken to ensure that the final product was developed in a manner that could draw out varying degrees of opinions and attitudes from the study participants on the achievements and successes of the program as well as its failures and weaknesses, and the possibility of its modifications based on the integrated characteristics of the GB and ROSCA microfinance institutions. As a part of the questionnaire development process, numerical values (or codes) were assigned to each response category for analytical purposes. These numerical values or codes would not only make the computation of the evaluative score of each respondent easy, but would also be useful in the way the survey results are interpreted and the findings presented. The response categories were assigned code numbers starting from '0' in some cases (meaning that no issues were identified), followed by 1 (meaning lowest importance), and through to 5 (meaning highest importance). The coding system in surveys allows responses to be classified into meaningful categories in order to bring out their essential pattern and features (Moser and Kalton 1983).

4.3.2.3 Rationale behind the choice of the questionnaire over other major survey instruments

As already highlighted, a questionnaire with a five-point rating scale in a three-directional anchor (Low, Moderate/Average, and High) was considered a more appropriate primary data collection tool over other research tools owing to these advantages:

- all participants, (managers and beneficiaries), had tertiary-level qualifications
- the study population was scattered all over the Nigerian Federation, therefore a mail questionnaire administered through the Abuja NDE headquarters was less expensive and less time consuming than other primary survey methods
- the majority of the answers were structured and standardised and could easily be compared from person to person
- the answers would be easier to code than most other methods, thereby saving time and money.

4.3.2.4 Questionnaire pilot study

Several drafts of the questionnaire were made prior to the acceptance of the final version for the pilot study. Some academics and research scholars in the Business and Law Faculty of Victoria University helped check the questionnaire for content and clarity. The feedback on several drafts of the questionnaire helped the investigator to further modify and develop it before the pilot study. A questionnaire ought to engage and encourage the cooperation of the respondents in an interesting way so as to elicit answers as close as possible to the truth because their participation in a survey is voluntary (Hoinville et al. 1987). In view of the advice of Hoinville et al. (1987) after several drafts of the questionnaire had been produced and its format accepted, it was pilot-tested in September and October 2004. The final questionnaire was then ready for fieldwork that took place in Nigeria in late November 2004 through to mid-February 2005.

4.3.2.5 Ethical considerations of issues during the questionnaire's construction and development

As hinted earlier, ethical conduct in research that involves humans is a big issue (Sekaran 1992). In cognisance of this, the author lists a number of things a researcher should not indulge in while conducting such research in Nigeria. Some of these abiding principles are:

- putting pressure on individuals to participate in the research
- asking demeaning questions that diminish self-respect
- deceiving subjects deliberately about the purpose of the research
- exposing participants to physical or mental stress.

Based on the advice suggested, invariably, ethical considerations of issues were of significance to the researcher from the period the questionnaire's construction commenced. As a result, due care was taken to ensure that the only issues that appear in the final questionnaire version were the ones that do not pose any danger or threat to the study participants. Two actions taken in this regard to ensure that the study questionnaires conform to the University's accepted moral and ethical guidelines were in the:

- completion of an application form, and the submission of it along with the survey instruments for scrutiny and approval by the Research Ethics Committee of the University
- detailed instructions that were given in the accompanying letters to the questionnaires regarding the assurances of confidentiality and anonymity of the information supplied.

4.4 The questionnaire's design structure and layout for study population samples

The questionnaires developed for the fieldwork data collection were of two different structures and layouts. A questionnaire layout should be easy to read and pleasing to the eye and the questioning sequence should be easy to follow (Kumar 1996). While one set of the questionnaire structures for the research was developed for the SSE program managers, the other set was prepared for the SSE program beneficiaries of two subgroups. The two broad sets of the questionnaire structures (the managers' and beneficiaries' questionnaires) are discussed in sections 4.4.1 and 4.4.2 respectively.

4.4.1 Program managers' questionnaire layout

The managers' questionnaire which is attached as 'A' of Appendix I consists of a cover letter. The cover letter was merely releasing basic information relating to such issues as: the title of and the reasons for the survey, in addition to the confidentiality of data supplied, and the location of the researcher.

The managers' questionnaire consisted of seven sections. Whilst section 1 of the questionnaire was on the personal background information of respondents, section 2 was aimed at gathering more personal information concerning the designation and job responsibility of the respondents.

The main research issues were presented in sections 3, 4, 5, and 6 of the questionnaires. Section 3 of the managers' questionnaire was a mere enquiry into the SSE key achievements and successes, otherwise the key failures and weaknesses, while section 4 focused on the most significant problems of the SSE program.

Section 5 dealt with the ranking of the five most important problems facing the SSE program, although the acquired data was no longer analysed since the computer program had performed this task.

Given that before the research little information was known about the SSE key constraints other than the inadequate funding problem, section 6 sets out some possible reforms that can be made to the funding inadequacies or loans scheme deficiencies of the SSE program based on the integration of the key characteristics of the GB and ROSCA microfinance institutional approaches. The hybrid microfinance characteristics obtained from the two approaches were then used to develop some questionnaires for testing and evaluating the opinions of program managers as well as attitudes of the program recipients in the study with which to gauge their degree of acceptance of the new funding model as a more viable funding source for SSE projects.

4.4.2 Program beneficiaries' questionnaire layout

As stated earlier, separate questionnaires (attached as 'B' of Appendix I) were prepared for the SSE program beneficiaries of the two subgroups in the study. As in the managers' questionnaires, a cover letter was also prepared for them. Like the managers' questionnaires, the cover letter dealt with such subjects as the title and the purpose of the survey, along with the name and the location of the investigator. Again, the cover letter contained a pledge of the confidentiality assurance of the information supplied.

The beneficiaries' questionnaire consists of seven sections. Section 1 was about the personal information of the respondents; section 2 was more of business information after the SSE entrepreneurship training, while section 3 was about the source of the business start-up funds and the relative ease with which the start-up funds were secured to commence a business.

Section 4 sets out the main resources of the program (supposedly) for the evaluation of the beneficiaries, while in section 5, six issues were listed for assessment and for the ranking of them in their order of significance in commencing or operating self-employed enterprises. The issues in section 6 were not analysed though, since the computer program was again used to obtain the results intended in the section. As in the managers' questionnaire, inadequate funding of the program was already known prior to the research. Therefore, sections 7 and 8's contents of the questionnaires were exactly the same as in the managers' questionnaires. They were specifically designed to capture the opinions of the managers on the one hand and mark the attitudes of the beneficiaries on the other hand to the proposed reform agenda embodied in the questionnaires. The questionnaire's design structure and layout for the two subgroups of the program beneficiaries were identical in content and scope.

4.5 The administration of research instruments

The survey instruments, that is, the questionnaires and one interview guide were administered to the participants via the Abuja headquarters of the NDE (to which the SSE is a program department) in the second week of December 2004. As already explained, the SSE program managers and program beneficiaries were the recipients of the questionnaires, while the program's finance director received the only interview guide used in the research.

The state level coordinators of the programs were each given two survey questionnaires during their meeting at their Abuja headquarters. Each coordinator from the twelve states chosen to participate in the SSE beneficiaries' study was given an additional thirty beneficiary questionnaires for distribution in his or her state of operation. As already depicted in Figure 1.1 of Chapter One, the states from where the program beneficiaries were drawn to participate in the study are presented in Table 4.1.

Table 4.1 Location of the areas of the fieldwork study

Geopolitical divisions of the country	States within the geopolitical division[1]	States in the SSE beneficiary survey[2]
South-South	Rivers, Delta, Cross Rivers, Akwa Ibom, Bayelsa, and Edo	Rivers and Delta
South-East	Imo, Enugu, Abia, Ebonyi, and Anambra	Imo and Ebonyi
South-West	Lagos, Oyo, Osun, Ondo, Osun, and Ekiti	Lagos and Oyo
North-Central	Abuja FCT, Nassarawa, Niger, Kwara, Plateau, Taraba, and Benue	Abuja and Plateau
North-East	Bornu, Yobe, Jagawa, Bauchi, Gombe, and Adamawa.	Borno and Adamawa
North-West	Sokoto, Kebbi, Zamfara, Katsina, Kano, and Kaduna	Sokoto and Kano

[1]Denotes the states where the program managers were drawn; and [2]Denotes the states where the program beneficiaries' samples were drawn although the entire states of the Nigerian Federation were shown in the table.

Although questionnaires were distributed with the help of the SSE Abuja headquarters, respondents were clearly instructed to directly return the completed questionnaires to the researcher in self-addressed and pre-stamped envelopes provided for the purpose. This was to reassure them of the confidentiality of the information supplied in the questionnaires. Distributed questionnaires were sent out in this order:

- 76 questionnaires for the program managers
- 360 questionnaires for the program beneficiaries, further split into two subgroups of 180 each for the program full beneficiaries and the program partial beneficiaries.

Four hundred and thirty-six study participants altogether were chosen from all over Nigeria, including the Abuja Federal Capital Territory (FCT) shown in Figure 1.1. Both the program managers and program beneficiaries were chosen for the enquiry because they were the principal stakeholders of the SSE program.

4.5.1 Profile of study participants and selection technique employed: program managers

The program managers in the study were government employees charged with the responsibility of implementing the government policy proclamations and pronouncements on anti-poverty employment generation programs. All the 36 program managers in the study were administered the questionnaires in Abuja during their periodic meetings. Two research fellows in the Abuja headquarters of the SSE program, and two additional managers, one each chosen from the Lagos Zonal Office of the NDE/SSE, and the Abuja headquarters of the program were also administered questionnaires. Altogether, 76 senior officers of the SSE program were involved in the study. They were all purposefully chosen to participate in the study because they held the kind of data sought in the questionnaire survey. The decision to involve all of them in the study, including two research fellows at the administrative headquarters of the NDE programs, was based on non-probability judgemental sampling techniques (Sekaran 1992; Cavana et al. 2001, Page and Meyer 2000). According to Page and Meyer (2000, p. 99) ‘a judgemental sample consists of respondents who, in the judgement of the researcher, will best supply the information’. The decision to involve all of them was also due to their small number. Bouma and Ling (2004), in their research, believe that there is, at times, the ‘Purposive Sampling Technique’ (meaning Judgemental Technique) that is the only practical way to draw a sample. Since they were senior managers of the program, it was deemed necessary to design one questionnaire structure, identical in nature and scope for all of them, regardless of their specific roles or job title.

4.5.2 Profiles of study participants and selection technique employed: program beneficiaries

Three hundred and sixty program beneficiaries were chosen from an estimated 1.8–2 million unemployed tertiary graduates who had trained in one form or another of the SSE Entrepreneurship Development Schemes, including those who may have benefited from the SSE full program. This estimate has been based on the data contained in the annual reports of the NDE activities, and on the data emerging from the analysis of SSE program operations conducted in sections 2.5.2.2 and 2.5.2.4 of Chapter Two. As stated earlier, the SSE program beneficiaries were of two subgroups, namely, the program full beneficiaries and the program partial beneficiaries. The program full beneficiaries are those tertiary graduates who had completed the self-employment training with full resources (business training plus a government soft loan) to commence business, while the program partial beneficiaries denote those beneficiaries who only benefited from the training schemes of the SSE program.

The selection of twelve states only, out of thirty-six states named in Table 4.1 to participate in the study, was on the basis of the ‘accidental quota non-random sampling technique’ due to the geopolitical structure of the Nigerian Federation. For this reason, two states only were chosen from each of the six geopolitical divisions of the Nigerian Federation to participate in the beneficiary study, and to whom the beneficiary questionnaires were served in Abuja for onward transmission to them. In a non-random accidental quota sampling technique, the researcher is free to select individuals or groups on the basis of a set criteria, for example, comparing the opinions of 180 program full beneficiaries with another 180 program partial beneficiaries in a 360-person quota sample to ensure equal representations of the six geopolitical divisions of the country (Bourma and Ling 2004). Thus the term ‘geopolitical structure’ here refers to the selection of two samples from each of the six major divisions that the country is divided into and grouped, based on their common colonial history, administrative divisions and proximity to each other. The selection of the participating states for the program beneficiaries’ study though was made on the basis of geopolitical representation; there is nothing to suggest that the sampled size is a perfect representation of the estimated numbers of the SSE program beneficiaries quoted above. The 360 program beneficiaries were rather chosen to establish the initial data source that could be of immense value to subsequent studies.

The decision to choose 180 respondents amongst an estimated 30,000 program full beneficiaries, and another set of 180 respondents from an estimated 1.8–2 million partial beneficiaries was based on a non-probability theoretical sampling technique. The above quoted estimated population size (1.8–2 million program partial beneficiaries and 30,000 program full beneficiaries) were merely estimations since the SSE management did not have a database system at the time of the research. These figures were rather compiled from the annual reports of the NDE (of which the SSE program is a program department), and the financial data from the past four years that was acquired from the finance director of the program with an interview guide (Attachment 4 of Appendix II referred to). The concern here is more of generating initial data to later develop a theory (a theory that establishes a link between the sample and the parent population) rather than the justification of the sample size representation and the generalisation of the findings (Brannen 1995).

Brannen (1995, p. 9) also states, 'in so far as qualitative methods are employed on non-statistical samples, "sampling" may be conducted on the basis of theoretical criteria. The basic question in the theoretical sampling is which case or group to turn to next in the analysis, and with which theoretical purpose'. Minichiello et al. (1991) also concurs with the views of Brannen when he asserts, 'theoretical sampling is a process of data collection, which is generated by, and is used to generate theory … There is a tendency for qualitative researchers to utilise theoretical sampling … This does not encourage large samples by its very nature especially when linked with the concept of saturation'. Brannen (1995) takes a similar stance when he states that saturation is reached when there is no more additional data that can be found which is capable of changing the characteristics of the categories being developed and examined. In the opinion of Minichiello et al., the attainment of saturation makes qualitative research systematic *(*Minichiello et al.1991).

Table 4.2 Number of the questionnaires sent out to the study participants

Study population	**Number of states in the study**	**Population (est.)**	**Sample sizes**
Full beneficiaries (FB)[1]	12	30,000 (est.)	180
Partial beneficiaries (PB)[2]	12 (same states as of FB)[1]	1.8-2 million (est.)	180
Managers	**36**	**76**	**76**

[1]Program beneficiaries who benefited from the training and start-up loans; and [2]Program beneficiaries who benefited only from the skills-based training.

Out of the 36 Nigerian states that were in the study, including the Federal Capital Territory (FCT), the completed questionnaires were returned from the following states: Abuja Federal Capital Territory (FCT), Imo, Nassarawa, Akwa Ibom, Jigawa, Zamfara, Kaduna, Niger, Enugu, Oyo, Anambra, Adamawa, Cross River, Kwara, Gombe, Yobe, Eketi, Osun, Bayelsa, and Kebbi.

4.5.3 An interview guide for the program's finance director

One interview guide was also prepared to obtain a separate data set from the director of the program's finance. The interview guide was designed to acquire such data that is not in the public domain. It was considered necessary to acquire this kind of data with an interview guide because they are unavailable in the public domain in Nigeria. The data acquired from the program's finance director was of immense value to the investigation because it not only complemented the research findings it also reinforced some of the questionnaire data findings.

4.6 An introductory letter to facilitate fieldwork data collection

Direct liaison and consultations with the NDE-SSE management in Nigeria (expected to host the researcher for fieldwork data collection) were not possible from Melbourne owing to the distance between Nigeria and Australia. An indirect method involving the Nigerian High Commission in Australia was used to establish contact and facilitate the data collection from the SSE management in the Abuja NDE headquarters, Nigeria.

4.7 Collection of research instruments

The return of the completed questionnaires commenced three weeks after their distribution, and it continued well up to May 2005 when a cut-off date was reached. Fifty questionnaires were returned in the first week of January 2005, of which 28 were from the SSE program managers (SSEM), while 14 were returned from the SSE full program beneficiaries (SSEFB).

Following a reminder letter in the first week of February 2005 to those who had not returned their questionnaires, 51 more questionnaires were returned, and this batch was made up of two questionnaires from managers (SSEM), 19 from the program full beneficiaries (PFB), and 30 from the program partial beneficiaries (PPB).

From Table 4.3, 30 program managers (39.47%) out of 76 managers returned their questionnaires, while 71 beneficiaries (19.72%) altogether out of 360 surveyed had returned their questionnaires also. This would mean that an overall response rate of all the questionnaires was 23.14%. An overall response rate of 23.14% was okay considering the fact that mail questionnaires have poor response rates. It has been reported that a mail survey questionnaire data collection usually has response rates within the range of 5–10% (Alreck and Settle 1985). Falconer and Hodgett's (1999) work reports that the London School of

Economics holds the view that questionnaire response rates of around 10% are the highest one can expect from a large mail survey. The detailed scoring of the issues put forward for evaluation by each participant (i.e. how each study participant assigned scores) has been attached as 1 of Appendix 2 for program managers, 2 of Appendix 2 for the program full beneficiaries, and 3 of Appendix 2 for the program partial beneficiaries.

Table 4.3 questionnaire response rates and returned questionnaires useful for analysis

Study participants	**Sent out (%)**	**Returned (%)**			**Returned useful (%)**
PM	76	30	–	–	30 (39.47%)
PFB	180	–	33	–	31 (17.22%)
PPB	180	–	–	38	29 (16.11%)
Total numbers (%)	**436 (100%)**	**39.47%**	**18.33%**	**21.11%**	**20.64%**

4.8 Data analysis

After scrutinising the returned questionnaires, all the 30 questionnaires from the program managers were useable for the analysis while 31 questionnaires out of 33 from the program full beneficiaries (i.e. those trained and given loans) and 29 out of the 38 questionnaires that came back from the program partial beneficiaries (i.e. those who had trained in the business entrepreneurship and management skills only) were also good for the analysis. As shown in Table 4.3, on the whole, 90 questionnaires (20.64%) out of 101 (23.17%) that were returned out of 436 (100%) sent out were found useful for the analysis conducted in Chapter Five.

4.8.1 Framework plan for data analysis

As stated earlier in sections 4.3.2.1 and 4.3.2.2 of the chapter, the main issues of the research embodied in the questionnaires were presented in a 5-point Likert numerical scale technique, whereas the basic personal characteristics of the study participants were presented in the nominal scale technique. The rating scale used to measure the opinions of the study participants on the key research issues put forward to them (study participant) started from 0 (meaning Not Applicable – N/A), and this was followed by 1 (meaning Lowest or Least Significant) … up to 5 (Highest or Most Significant). At other times the rating system was only intended to secure the degree of agreement to the issues put to the study participants for assessment, and it also started from the lowest to highest as explained above. This is just a matter of change in nomenclature. Both Kerlinger (1986) and Kumar (1996) describe this type of rating or ranking as ordinal. It is ordinal because each subgroup was rated or ranked in ascending order while the background (or profile information) of the study participants was measured on the nominal-scaled data.

In order to make the analysis of the acquired ordinal-scaled data more comprehensive and the presentation of results in Chapter Five much clearer, the questions or statements on the questionnaires had to be re-numbered to run serially. The 5-point numerical scale categories employed at the time of the questionnaire construction would have to be reversed down to a 3-point directional scale or anchor. This means that the previous 5-point rating scale or categories used on the questionnaire to secure the participant's answer to any given question or issue would have to be ignored at the time of analysis in Chapter Five. While the items numbered in each section of the questionnaire are to be reversed now to run serially (in serial order), the 5-point numerical (or categorical) scales were collapsed into three main directional anchors shown below, for instance:

- 1 and 2 denote lowest (or least) significance
- 3 denotes medium (or average or moderate) significance
- 4 and 5 denote highest (or most) significance.

Similarly, the 10-point numerical techniques that had been employed on the questionnaires at the time of their construction (for managers only – see item/question number 9 on the managers' questionnaires) to gain better insight into the success or weakness of the SSE program, were also collapsed into five main divisions and re-numbered accordingly as shown below:

- 0–20%
- 21–40%
- 41–60%
- 61–80%
- 81–100%.

The collapsing and re-numbering of questions and issues in the questionnaires were only in relation to items 8, 9, 10, and 12 on the managers' questionnaires sample attached and captioned 'A' of Appendix I; and items 22, 23 and 25 on the beneficiary's questionnaire sample attached and captioned 'B' of Appendix I. Besides making the data analysis more comprehensive and the presentation of results much clearer, the collapsing of the acquired data and re-numbering of questions or issues for analysis are also significant from a reading viewpoint. Thus the reading of research findings will be easier and much more interesting. This aspect of the principal stage was undertaken to prepare the framework for analysing the acquired data in Chapter Five (Analysis and Results).

4.8.2 Justification of the analytical processes employed

The activities and processes of the later stage of the principal study were undertaken because of the statistical operations involved. Owing to this, it is a good idea to put an action plan in place or well in advance for analysing the acquired data in Chapter Five. This will then culminate in data analysis, interpretation of the results, and presentation of the major findings.

4.8.3 Frequency tabulation analysis

The processes employed to analyse the acquired questionnaire data and obtain results were frequency tabulation based and, sometimes, cross tabulations were resorted to. Tables and tabulations are the most basic form of presenting information for both the researcher and the reader (Zikmund 1991). This is as a result of its simplicity and comprehensiveness in data presentations.

4.9 Difficulties in the research

Several problems and difficulties were encountered in the research and the pre-eminent ones are summarised below.

First, the initial contact with the SSE program management in Nigeria was extremely difficult. It took well over a year to finally get a response to the initial letter of enquiry written by the researcher expressing interest in researching the SSE program operations, and when the reply was received, it embodied scant information.

Second, other than the annual reports that contain little information, there were no published reports relating to the operations, performance, and shortcomings of the SSE program. The lack of research reports or database from which to draw independent information on the effectiveness of the program immensely handicapped the study. The only research report available was of little value to this study because it was focused on another sister program, exclusively designed for the graduates and dropouts of the secondary schools (high school) in the country. Moreover, the year of the publication of this mini research report titled ‘A Tracer Study of the Graduate of the National Open Apprenticeship Scheme (NOAS) No. 5’ was not indicated on the report.

Third, the kind of information supplied in an interview guide to the researcher on loan management issues was not only of a general nature, but was also heavily qualitative.

Fourth, the NDE organisation itself to which the SSE is a program division/department has undergone structural changes since its inception in 1987, including the so-called graduate self-employment loan scheme. As opposed to the 1987/1988 standard practice, whereby many of the scheduled banks or almost all banks in the country administered the ‘Graduate Jobs Loan Scheme’ on behalf of the federal government, the NDE management currently seems to focus more attention on the provision of business training and entrepreneurship skills development.

4.10 Summary

The activities and processes discussed in the chapter are the methods and techniques that were employed strategically to answer the research questions carved out in the study. Essentially, these activities and processes revolve around the construction and development of questionnaires as the principal research instrument employed to secure data from the SSE participants (program managers, two subgroups of the program beneficiaries). This in turn culminated in their analysis followed by the interpretations of the results and the discussions that followed. Chapter Five follows next.

Chapter Five

Analysis and Results

5.1 Introduction

This part of the enquiry was undertaken to analyse the questionnaire responses acquired from the program managers and the beneficiaries of the SSE program. As the first objective of the study, the program managers and beneficiaries have been asked to evaluate the key achievements and successes, and the key failures and weaknesses of the SSE program as its major stakeholders. They were further asked to give opinions on the extent to which the GB-ROSCA integrated characteristics can be harnessed and incorporated into the SSE program to rectify its loan scheme deficiencies identified in sections 2.5.2.2, 2.5.2.3, and 2.5.2.4 of Chapter Two. This aspect of the enquiry not only enables the researcher to study the opinions of all the study participants, and make an informed determination on the extent to which the SSE loans scheme can be modified, but also helps the investigator to particularly study the attitudes of the SSE program beneficiaries. The procedures for the analysis of the acquired data and the presentation of results are as follows.

5.2 Analytical techniques adopted to process the acquired questionnaire data

Simple descriptive statistics were employed to analyse the acquired data from the study participants. This involved the use of frequency tables, and sometimes cross tables, to analyse the mail order questionnaires obtained from 90 respondents (thirty program managers, thirty-one program full beneficiaries, and twenty-nine program partial beneficiaries) whose data inputs were considered useful for analysis. Although the outputs of the questionnaire data analysed in Chapter five are within the text, access to the materials used in the collection of data and to some of the output tables that may be of interest to the reader have been attached as: ‘A’, ‘A1’, ‘A2’ and ‘A3’ in respect of the program managers, while ‘B’, ‘B1’, ‘B3’ and ‘B5’ come from the program full beneficiaries, and ‘B’, ‘B2’, ‘B4’ and ‘B6’ denote output data obtained from the program partial beneficiaries. The questionnaire sample or specimen for the program managers has been denoted here with the letter ‘A’ while the letter ‘B’ represents a questionnaire sample for the program beneficiaries of two subgroups in the study. This information has been presented in detail in the last paragraph of section 4.8.1 (Chapter

Four) that heralded and acted as a precursor on how the questionnaire data would be analysed in Chapter Five. The detailed scores of each study participant have also been attached in Appendix II in the following numerical order: '1' for the program managers, '2' for the program full beneficiaries, and '3' for the program partial beneficiaries, plus one interview guide numbered '4'. The sample of an interview guide response from the program's finance director has not been attached owing to the consideration of ethical issues.

5.3 The profiles of the study participants

As one category of study participants, the personal profiles of program managers are analysed below.

5.3.1 Personal characteristics of program managers

As shown in Table 5.1, ninety per cent of the program managers in the study were males and two-thirds of them, including females, were in the age bracket 45–54.

Table 5.1 Gender and age distribution of program managers

Age group	**Gender**	
	Male (%)	Female (%)
35–44	9 (30.0%)	–
45–54	17 (56.7%)	3 (10.0%)
55–64	1 (3.3%)	–
Total	**27 (90.0%)**	**3 (10.0%)**

From the Table 5.2 results, the highest educational qualification of the program managers is a master's degree, and thirteen of them had this qualification. It is expected that people who manage federal government business, including the SSE anti-poverty employment programs, should possess this level of qualification because of increasing competition. Moreover, senior managers are expected to possess this level of qualification due to the daily managerial and administrative tasks that the office demands. Table 5.2 equally shows that there were thirteen program officers who possessed a bachelor's degree qualification, suggesting exceptions to the norm. The reasons for the higher educational qualification exemption will be explored later.

Table 5.2 Educational qualifications of program managers

Qualifications	SSE program managers
HND (1st degree equivalent)	4 (13.3%)
Bachelor's degree	13 (43.3%)
Master's degree	13 (43.3%)
PhD/Professional doctorate	–
Total	**30 (100%)**

Out of the thirteen managers (Table 5.2) who possessed a master's degree qualification, two were females (Table 5.3). The non-possession of a master's degree qualification could have been the cause of poor female representation at the most senior level of program management. This will be further discussed as the analysis progresses.

Table 5.3 Gender and qualifications of program managers

Qualification	**Gender segregation**		**Total**
	Male	Female	
HND	4 (13.3%)	–	4 (13.3%)
Bachelor's degree	12 (40%)	1 (3.3%)	13 (43.3%)
Master's degree	11 (36.7%)	2 (6.7%)	13 (43.3%)
Total	**27 (90%)**	**3 (10%)**	**30 (100%)**

5.3.2 Personal characteristics of program beneficiaries

The personal profiles of program beneficiaries show that there were many more males participating (87.1% full beneficiaries and 65.5% partial beneficiaries) than females (Table 5.4), and many of them, including females, were in the age groups 25–34 years, and 35–44 years. The ratio of program full beneficiaries who were females was in the order of almost 1 to 7.

Table 5.4 Gender and age distribution of program beneficiaries

Age group	**Program full beneficiaries**		**Program partial beneficiaries**	
	Gender		Gender	
(Years)	Male	Female	Male	Female
18–24	1 (3.2%)	–	–	–
25–34	6 (19.4%)	3 (9.7%)	5 (17.25%)	5 (17.25%)
35–44	13 (41.9%)	1 (3.2%)	10 (34.5%)	5 (17.25%)
45–54	4 (12.9%)	–	2 (6.9%)	–
55–64	2 (6.5%)	–	1 (3.4%)	–
65 and over	–	–	1 (3.4%)	–
Non-response	1 (3.2%)	–	–	–
Total	**27 (87.1%)**	**4 (12.9%)**	**19 (65.5%)**	**10 (34.5%)**

Other than five respondents with other qualifications, such as a Grade II Teacher's Certificate, and an Ordinary National Diploma, the greater proportion of respondents had a bachelor's degree qualification, including those holding the HND qualification considered a bachelor's degree equivalent in the Nigerian higher education system (Table 5.5).

Table 5.5 Educational qualifications of program beneficiaries

Qualifications	**SSE program beneficiaries**	
	Full	**Partial**
HND (1st degree equivalent)	10 (32.3%)	7 (24.1%)
Bachelor's degree	12 (38.7%)	16 (55.2%)
Master's degree	6 (19.4%)	2 (6.9%)
PhD/Professional doctorate	–	1 (3.4%)
Others	2 (6.5%)	3 (10.3%)
Non-response	1 (3.2%)	–
Total	**31 (100%)**	**29 (100%)**

5.3.3 Summary of major findings

The managers of the SSE program were predominantly males (90%) and more than half of them (60.7%) were aged 45–54 years, including 10% females in the study sample. Thirteen managers altogether had a master's degree qualification, including two females. This level of qualification is normal for entry into the federal government civil service at the senior management level. However, the data in Table 5.2 clearly shows that 56.6% of the managers did not possess a master's degree qualification, which then suggests that there were some exemptions to the norm. This was designed to accommodate and reflect the federal character. The federal character is a kind of affirmative action designed to ensure that every ethnic group in Nigeria is represented in the appointment of persons to the federal government civil service, particularly at the management level. Greater proportions of all the program beneficiaries (full and partial), including females, were aged 34–44 years, and 6.5% of the program full beneficiaries in particular had other qualifications such as the Teachers' Grade II Certificate, and an Ordinary National Diploma (OND) considered lower than a bachelor's degree in Nigeria. This could be due to the application of affirmative action by the government.

5.4 Other profile information of study participants

Other physical profiles of the study participants are analysed in the following sections.

5.4.1 Other information from the program managers

Table 5.6 shows that out of the thirteen managers who had a master's degree, eleven males and two females were the state level coordinators of all the NDE programs (including the SSE program) in the constituents of the Nigerian federation.

Table 5.6 Program manager's educational qualifications and job title

Designation	**Qualifications**					**Total**
	HND	Bachelor's Degree		Master's Degree		
	Male	Male	Female	Male	Female	
Manager	–	–	–	1	–	1 (3.3%)
Instructor/trainer	2	4	1	4	–	11 (36.7%)
State-level co-ordinator	1	6	–	6	2	15 (50%)
Other (Entrepreneurship Dev. officer or instructor)	1	2	–	–	–	3 (10%)
Total	**4**	**12**	**1**	**11**	**2**	**30 (100%)**

Note that the HND qualification is equivalent to a Bachelor's Degree in Nigeria.

Table 5.7 shows that the minimum qualifications to assume the title of a state level coordinator in four zones was a master's degree, while a bachelor's degree or an HND qualification was a prerequisite qualification which was adequate in two other zones thereby re-affirming the operation of an affirmative action policy by the federal government in jobs appointments to the Federal Civil Service Commission.

Table 5.7 Highest educational qualification of co-ordinators of NDE programs at the state level by zones

Zones	Coordinators with these qualifications					
	Master's Degree	Coordinators with Master's Degree	Bachelor's Degree	Coordinators with Bachelor	HND	Coordinators with HND
South-South	2	1	2	–	–	–
South-East	3	–	2	–	–	–
South-West	2	1	2	–	1	–
North-Central	4	3	1	1	–	–
North-East	1	1	3	2	1	1
North-West	1	–	3	2	2	1
Total	**13**	**6 (19.9%)**	**13**	**5 (16.3)**	**4**	**2 (6.6%)**

Table 5.8 shows that there were thirteen program managers who had 2–5 years' program management experience, wh**ereas** half of the managers had more than five years' management experience but under 15 years.

Table 5.8 Number of years of management experience

Years of experience	Number
0–1 years	2 (6.7%)
2–5 years	13 (43.3%)
6–10 years	6 (20%)
11–15 years	**9 (30%)**

Table 5.9 presents two types of employment offered to people working with the sampled program managers in the study. Evidence in the table suggests that each manager works with an average of 28.5 staff in relation to full time.

Table 5.9 Number of persons working with program managers sampled in the study

Job tenure offered	Number
Full-time	547 (47.9%)
Part-time	595 (52.1%)
Total	**1142 (100%)**

5.4.2 Program beneficiaries' profile status after the SSE development training

Table 5.10 shows that almost half of the program full beneficiaries (48.4%) and more than half of the partial beneficiaries (55.2%) were from the 2004 training batch of the SSE program (year of this enquiry). They were mainly drawn from the recent batch of SSE graduates because of the difficulties in tracing the past graduates due to the lack of a database from which to draw a more balanced representative sample. Even if there were a database, it would have been difficult to obtain the names and addresses of the past participants in the program from the SSE program management.

Table 5.10 Year of participation in the SSE program

Years	Full program beneficiaries	Partial program beneficiaries
2004	15 (48.4%)	16 (55.2%)
2003	–	1 (3.4%)
2002	1 (3.2%)	3 (10.3%)
2001	3 (9.7%)	1 (3.4%)
2000	2 (6.5%)	2 (6.9%)
1999	3 (9.7%)	2 (6.9%)
1998	–	1 (3.4%)
1996	–	1 (3.4%)
1994	–	2 (6.9%)
1990	3 (9.7%)	–
1988	4 (12.9%)	–
Total	**31 (100%)**	**29 (100%)**

Table 5.11 shows that almost half of the program full beneficiaries (48.4%) in the study took at least 6-12 months to commence business after they had acquired the business training whereas more than half of the partial program beneficiaries (58.6%) never even started business three years after the entrepreneurship skills development and business management training (Table 5.11). Strangely, 16.1% of the program full beneficiaries stated that they were not in business. Perhaps, they might have started business with own private funds pending the disbursement of government start-up loans. Although this will be further interpreted later, the researcher arrived at this premise based on the inconsistencies of responses they (program full beneficiaries) had given in relation to the status of employment after the SSE training (item 10 on the beneficiary questionnaires), and also how business was funded if one was in business (items 12-18 on their questionnaire).

Table 5.11 Length of time taken to set up self-employed projects after training

Time taken to set up business	Full program beneficiaries	Partial program beneficiaries
0–6 months	5 (16.1%)	5 (17.2%)
7–12 months	15 (48.4%)	7 (24.1%)
13–24 months	3 (9.7%)	–
25–36 months	3 (9.7%)	–
Not in business as yet	5 (16.1%)	17 (58.6%)
Total	**31 (100%)**	**29 (100%)**

Evidence from Table 5.12 suggests that a vast majority of the program full beneficiaries (77.4%) were unable to commence business within the first six months of acquiring the entrepreneurship skills development and small business management training due to the delays in the processing of loans applications and the disbursement of sanctioned funds for the program full beneficiaries on the one hand, and, the lack of funds to commence business by a significant number of the program partial beneficiaries (41.4%), on the other hand.

Table 5.12 Reasons for the delay in commencing a project immediately after training

Reasons	Full beneficiaries (FB)	Partial beneficiaries (PB)
Waiting for the government-connected loans	24 (77.4%)	–
Lack of funds	–	12 (41.4%)
Inability to raise the required 20% equity	1 (3.2%)	–
Lack of land space	1(3.2%)	–
Personal weakness	–	1(3.4%)
Had other commitments	–	1 (3.4%)
Non-response	–	3 (10.3%)
N/A (started immediately)	5 (16.1%)	–
Started business with own funds	–	12 (41.3%)
Total	**31 (100%)**	**29 (100%)**

This type of timeframe though is normal in government business, particularly in developing economies, due to bureaucratic red tape. This is more apparent where an expenditure of government money is involved. However, it was unclear why 58.6% of the SSE program partial beneficiaries who had got business training and did not apply for any kind of loans the government was involved in were unable to commence business three years after the acquisition of management skills-based training. Perhaps they might have trained in anticipation of either mustering funds once the training was successfully completed or they might have been misguided into believing that government loans would be secured once the training was successfully completed with a sound feasibility business plan. The protracted time taken to commence business after the training skills acquisition on the part of the program full beneficiaries has other implications for them. It was revealed that the acquired business management skills not only became obsolete by the time the sanctioned loan was released, but also because of other problems ranging from anxiety, lack of faith in the system, price inflation of items and commodities to changes in the loan interest and foreign exchange rates, which will be discussed much later in the chapter.

Table 5.13 presents the distribution of the participants' chosen enterprises. The results in the table not only reflect the project areas of the SSE program beneficiaries, they show also the occupations that normally attract government loans or commercial bank loans supported by government. It is evident in Table 5.13 that agriculture along with husbandry (poultry, piggery, and fishery) was a common occupation of the program full participants. That agriculture was a popular choice of business occupation of the program full beneficiaries was not a coincidence. The five-year national development plans that had been implemented in Nigeria since independence in 1960 always had their focus on agriculture, rural development, and education (Obadan 2001 and 2003). The philosophy behind the special recognition accorded to agriculture in the national development plans dwells on the premise that agriculture is the supplier of foodstuffs for consumption, raw material for the manufacturing sector, and serves as the biggest employer of labour in Nigeria. Agriculture and its allied industries employ around 70% of the Nigerian population (Obadan 2001).

Table 5.13 Type of business

Business type	Number of full beneficiaries	Number. of partial beneficiaries
Admin support, binding, photocopying	1 (3.22%)	–
Agro-allied industries	1 (3.22%)	–
Bakery	2 (6.45%)	--
Business services	2 (6.45%)	1 (3.44%)
Beddings sale	–	1 (3.44%)
Children’s & babies’ wears sales	1 (3.22%)	–
Ceramics (pottery)	1 (3.22%)	–
Computer internet services	2 (6.45%)	1 (3.44%)
Confectionary	1 (3.22%)	–
Contract work	2 (6.45%)	–
Electrical auto repairs & spare parts	1 (3.22%)	–
Engineering works	1 (3.22%)	–
Fashion design & tailoring	2 (6.45%)	1 (3.44%)
Husbandry (poultry, piggery, fishery)	6 (19.35%)	3 (10.34%)
Restaurant	1 (3.22%)	1 (3.44%)
Block moulding/Stabilised soil block	2 (6.45%)	2 (6.88%)
Stationery	2 (6.45%)	–
Shoe production	–	1 (3.44%)
Nylon & poly bags production	1 (3.22%)	–
Optical services	–	1 (3.44%)
Non-response	2 (6.45%)	17 (58.62%)
Total	**31 (100%)**	**29 (100%)**

Table 5.14 shows that more than half of the program beneficiaries of both subgroups (60% program full and 51.7% partial beneficiaries) had prior business experience, whereas a significant percentage of the program full beneficiaries (66.7%) were working full time on their business.

Table 5.14 Type of prior business experience and the nature of self-employed project now

Type of prior business experience	**Frequency of responses**		**Nature of self-employment**			
	Full Beneficiary (F.B)	Partial Beneficiary (P.B)	Working full-time		Working part-time	
			Full Beneficiary	Partial Beneficiary	Full Beneficiary	Partial Beneficiary
Family business	10 (32.3%)	12 (41.4%)	20 (66.7%)	11 (37.9%)	10 (33.3%)	1 (3.4%)
Someone's business	7 (22.6%)	3 (10.3%)	–	–	–	–
Quasi-govt business	1 (3.2%)	–	–	–	1 (3.4%)	–
None	12 (40.0%)	14 (48.3%)	–	–	–	–
Non-response	**–**	**–**	**–**	**16 (55.3%)**	**-**	**–**

Table 5.15 data gives an idea of the number and the nature of employment offered to jobseekers. While the partial beneficiaries of the SSE program offered 51 full-time and 16 part-time positions to jobseekers, the program full beneficiaries offered employment to unemployed persons almost twice the numbers offered by the program partial beneficiaries.

Table 5.15 Number of jobs indirectly created through the program

Nature of employment offered to job-seekers	**Full beneficiaries**	**Partial beneficiaries**
	Number	Number
Full-time	76 (65.5%)	51 (78.5%)
Part-time	40 (34.5%)	14 (21.5%)
Total	**116 (100%)**	**65 (100%)**

5.4.3 Summary of major findings

A number of program officers (46.7%) who manage the NDE programs in the states, including the state level coordinators, had other qualifications lower than a master's degree, and half (50%) of the program managers had program management experience that stretched from 6–15 years. This was of immense value to the research because experience matters much in this type of enquiry seeking to ascertain the key achievements and successes, and key weaknesses and failures of the SSE program in order to design a new funding model with inputs of information from them (program officers and program managers). The opinions of managers with many years of program management experience are in a way considered an asset in the design and development of the new funding system.

From the program beneficiaries' perspective, female representation on the program was very poor, and this finding re-validates some studies that found that females are underrepresented in the programs of the NDE, including the SSE program (Okojie 2003). For instance, there were only 12.9% females among the program full beneficiaries, and 34.5% females among the program partial beneficiaries. Almost half of the respondents were from the 2004 training batch, and this reveals the difficulties experienced in tracing persons who had benefited from the program in the past, even with the assistance of the program managers. Half of the program full beneficiaries were only able to commence business 7–12 months after the entrepreneurship development and business management skills training. By contrast, 12 partial beneficiaries commenced business about the same period (7–12 months) as the program full beneficiaries. The latter group (full beneficiaries) offered full-time employment to 40 persons and part-time job positions to another 14 unemployed persons, while the vast majority of them (58.6%) never started business, even three years after training.

5.5 Program beneficiaries' source of business start-up funds after the SSE training

Table 5.16 results reveal that the Nigerian federal government was the main financier of the SSE program, either directly or indirectly. For instance, 45.2% of the program full beneficiaries got their loans direct from the Nigerian federal government coffers while another 45.2% had their applications for bank loans backed by the same authority.

Table 5.16 Source of business start-up funds after the SSE skills-based training

Start-up loans	**Program beneficiaries**		**Non-government loans source (Private sources)**		
	Full	Partial	Personal savings	Family	Friends
Federal govt loan	14 (45.2%)	–	–	–	–
State govt loan	2 (6.5%)	–	–	–	–
Bank loan support	14 (45.2%)	–	–	–	–
Other financial support	–	12 (41.4%)	4 (13.8%)	6 (20.7%)	2 (6.9%)
Non-response	1 (3.2%)	17 (58.6%)	–	–	–
Total	**31 (100%)**	**29 (100%)**	–	–	–

Interestingly, Table 5.16 indicates that twelve partial beneficiaries got money from other sources to commence business; for instance, four had commenced business with personal savings, six got family financial support, while two had their friends' financial support. However, it is important to note that seventeen partial beneficiaries never responded to the question.

There is a clear distinction between the federal 'government loan' and the 'government supported or backed loan'. A federal government loan denotes a direct loan from the federal government coffers while a 'government supported' or 'backed loan' denotes a loan secured from either a commercial bank or a government-owned bank such as the Nigerian Agricultural and Rural Cooperative Bank (NARCB) with the support or backing of government up to a certain amount, and amounts over and above that stipulated amount on one's own personal recognition.

Out of the fourteen program full beneficiaries who had commenced business with the government-backed bank loans (Table 5.17), eleven (78.6%) did so with the help of federal government support. Evidence in Tables 5.16–5.17 suggests that the federal government is the main sponsor or financier of the SSE program. The same evidence suggests that neither the state government nor the local government was making any significant financial contribution to the operations of the SSE program. Obviously there is heavy dependence on one tier of authority to fund the antipoverty employment generation programs in Nigeria, which is not healthy. It is not surprising that the federal government is the main financier of the intervention programs (Tables 5.16–5.17) at the time of this study, while some state government governors were busy misappropriating their state share of the national revenue allocations and stacking them in their overseas' private bank accounts (Ige 2007). If these revenue allocations to states stacked in overseas' banks had been channelled to credible antipoverty programs for employment generation at the grassroots levels, they could have gone a long way to augment the federal government's loans scheme for small business creation.

Table 5.17 Government tier that backed the bank loans scheme

Govt tier that backed the bank loans	**Full beneficiary frequency**	**Percentage (%)**
Federal govt supported loan	11	78.6%
State govt supported loan	2	14.3%
Local govt supported loan	1	7.1%
Total	**14**	**100%**

Table 5.18 reveals that 38.7% of the program full beneficiaries in the study got their loans in 2004 (the year of this enquiry). The high participation of the 2004 batch suggests that there were difficulties in tracing the earlier participants in the program even with the help of the program managers through whom the questionnaires were distributed.

Table 5.18 Year business start-up loan was secured

Year	**Full beneficiaries frequency**
1988	1 (3.2%)
1989	1 (3.2%)
1990	3 (9.7%)
2000	3 (9.7%)
2001	2 (6.5%)
2002	1 (3.2%)
2003	3 (9.7%)
2004	12 (38.7%)
2005	1 (3.2%)
Non-response	2 (6.5%)
Total	**31 (100%)**

As shown in Table 5.19, seventeen program full recipients (54.9%) had their loans applications approved within 1–6 months whereas eighteen others (58.1%) equally too an additional 1-6 months to get the loan in hand after the approval. About half of the program full beneficiaries only got the loan in hand after 7–12 months of applications (Tables 5.11–5.12). No wonder, it would seem as if 16.1% of the program full beneficiaries had started business with their own private funds but chose to lie in their response to item 5 on the questionnaire regarding their business status after the SSE training. They had responded negatively in Tables 5.11, and now 16.1% more of full beneficiaries have asserted that business was commenced within 7-9 months. The reason for the inconsistency in their responses (Tables 5.11–12, and 5.19) to some questions would be interpreted later in the chapter.

Table 5.19 Amount of time taken to secure loans to commence business

Timeframe in months	Time taken to get loan application approved		Time taken to get the loans after approval	
	Full beneficiaries	Partial beneficiaries	Full beneficiaries	Partial beneficiaries
1–3 months	4 (12.9%)	–	12 (38.7%)	1 (3.4%)
4–6 months	13 (42.0%)	–	6 (19.4%)	–
7–9 months	5 (16.1%)	–	3 (9.7%)	–
10–12 months	4 (12.9%)	1 (3.4%)	4 (12.9%)	–
13–24 months	2 (6.9%)	–	1 (3.2.%)	–
25–36 months	1 (3.2%)	1 (3.4%)	1 (3.2%)	1 (3.4%)
No funds	2 (6.5%)	–	–	–
Non-response	**–**	27 (93.1%)	4 (12.9%)	27 (93.1%)
Total	**31 (100%)**	**29 (100%)**	**31 (100%)**	**29 (100%)**

Unlike the length of time (6–9 months) it took a vast majority of the program full beneficiaries to get their loan applications approved, as many as 12 program full beneficiaries got the loan money in hand within three months of approval. It is clear therefore that the time taken to get the loan money in hand after approval was relatively shorter for many program full beneficiaries when compared with the application stage experience of many (Tables 5.11–12). With the exception of a small number of loan recipients (4) who did not experience any lengthy time waiting after the application, obviously a huge proportion (87%) of the program full beneficiaries had experienced tremendous difficulties in getting the loans to which the government was involved after the entrepreneurship development training. Many, too, continued to assert on the questionnaire that delays in the processing of applications and the disbursement of approved funds were the greatest problems for the SSE program.

Table 5.20 Whether services of business mentors were provided?

Availability of business mentors	Full program beneficiaries	Partial program beneficiaries
Yes	13 (41.9%)	8 (27.6%)
No	15 (48.4%)	15 (51.7%)
Non-response	3 (9.7%)	6 (20.7%)
Total	**31 (100%)**	**29 (100%)**

While the results in Table 5.20 show that about half of the beneficiaries had no business mentors, Table 5.21 data reveals that those beneficiaries (13 full beneficiaries and 8 partial beneficiaries in all), who had business mentors, found their services useful. There were minority numbers of them (3 program full and 6 partial beneficiaries) who never responded to the question. It is unclear why they never wanted to respond to the question put to them other than to speculate that it could be either due to privacy reasons or an intention to abscond with the loan money erroneously thinking that the researcher is from the government since these loans are considered ‘social loans’. It is called a ‘social loan’ in the sense that it is designed to help unemployed young school leavers commence self-employment.

Table 5.21 Opinions of program beneficiaries on the services of mentors

Usefulness of mentor services	**Program beneficiaries**	
	Full	Partial
Yes	13 (41.9%)	8 (27.6%)
No	–	–
Non-response	3 (9.7%)	6 (20.7%)
Not applicable	15 (48.4%)	15 (51.7%)
Total	**31 (100%)**	**29 (100%)**

Out of 26 program full and 25 partial beneficiaries who had started business within twelve months following training (Table 5.19), more than half in each category had no mentors provided for them (Table 20). However, while a little more than half of the partial beneficiaries would want the services of mentors provided, only one-third of the full beneficiaries would want the services of mentors for their enterprises (Table 5.22).

Table 5.22 Whether beneficiaries would want the services of mentors

In need of mentor service	**Program beneficiaries**	
	Full	Partial
Yes	10 (32.3%)	15 (51.7%)
No	5 (16.1%)	–
Non-response	3 (9.7%)	6 (20.7%)
Not applicable	13 (41.9%)	8 (27.6%)
Total	**31 (100%)**	**29 (100%)**

5.5.1 Summary of major findings

Based on the data analysed so far, some conclusions can be drawn on a number of issues.

First, there was heavy reliance on the federal government either directly (45.2%) or indirectly (78.6%) to provide funds to the SSE participants to operate enterprises after training. This presents a variety of problems summarised below. First, there is government inability to financially meet the demands of the SSE successful participants or provide adequate funds to run the program. Second, for many it takes an extremely long time (at least 9–12 months) to process loan applications and disburse the sanctioned funds. The SSE program is a 3-stage process involving: training, loan, and self-employed enterprise. The self-employed enterprise is the ultimate end product and it is the focus of the research. To achieve the goal of graduate self-employment, the availability of loans or funds and other related resources are the most fundamental of the 3-stage-process, hence the analysis of the main research issues commences from the next section. As explained in Chapter Four (sections 4.3.2.2 and 4.8.1), for this aspect of the analysis the acquired questionnaire data is ordinal-based on the Likert scale technique. Although the acquired data was on a 5-point Likert numerical scale technique, this time around it was resolved to collapse (reverse) the acquired data into 3-point directional anchors as already explained in Chapter Four (sections 4.8.1–4.8.2.1 and section 4.3.1.4), using frequency tabulations to analyse the questionnaire responses tied to the main research objectives restated below, as follows:

5.6 The main research objectives to be addressed

Specific research objectives are to evaluate the key achievements and successes and the key failures and weaknesses of the SSE program based on the opinions of program managers who constitute its major stakeholders.

5.6.1 The frequency table results obtained from the SSE program managers

From Table 5.23 it is clear that the key achievements and successes of the SSE program were in three areas, namely skills acquisition, awareness campaigns, and overall resource support for self-employment, whereas the key weaknesses and failures of the program were reported to be loan repayments and funding/start-up soft loans. In the opinion of 83.3% of the managers surveyed, the highest achievement of the SSE program was in the development of business ‘skills and knowledge’ of the unemployed, followed by 76.6% managers who also believed that the business training ‘awareness campaigns’ were undertaken extensively to sensitise the newly-graduated tertiary students to consider self-employment in lieu of white-colour, waged employed that was non-existent. Also, a substantial number of managers (70%) believed that the overall resource support provided to the SSE participants was adequate. However, a greater proportion of the managers (80%) in the study believed that ‘loan repayment defaults’ were high.

Table 5.23 The key achievements and key failures of SSE program based on the managers' general opinions

Questionnaire key item/variable	Frequency		
	Low	**Med/Ave**	**High**
8.01 Awareness campaigns	1 (3.30%)	6 (20%)	23 (76.6%)
8.02 Skills and knowledge imparted	–	5 (16.70%)	25 (83.3%)
8.03 Effectiveness of knowledge	1 (3.30%)	10 (33.30%)	19 (63.3%)
8.04 Funding/start-up soft loan	9 (30%)	7 (23.30%)	14 (46.6%)
8.05 Bank loan support	7 (23.3%)	8 (26.70%)	15 (50%)
8.06 Size/amount of sanctioned loan	4 (13.30%)	12 (40%)	14 (46.7%)
8.07 Loans repayment	14 (46.70%)	10 (33.30%)	6 (20%)
8.08 Mentoring service	4 (13.30%)	11 (36.70%)	15 (50%)
8.09 Overall resource support	6 (20%)	3 (10.00%)	21 (70%)

Table 5.24 reflects the evaluative results of SSE key achievements and key failures and weaknesses based on the number of years of management experience. Table 5.24 results that reflect 'awareness campaigns' were significantly accomplished in the view of 69.9% of those managers who have had program management experience that stretched from 2 to 15 years. Similarly, achievements were made in the delivery and acquisition of 'skills and knowledge' in the opinion of a vast majority of managers (79.9%) who have had program management experience of more than 1 year. Conversely, 86% managers who have been in the program management positions for 6 years or more believed that the "bank loan support" was either achieved at either the lower or average level.

From the foregoing results in Table 5.23–5.24, the following achievements and successes of the SSE program can be noted to the credit of the program management, going by the concurrence of the opinions and views of the program managers themselves, based on their combined general opinions as well as their respective opinions based on the number of years of their program management experiences:

- Skills and knowledge development
- Awareness campaigns for free training for self-employment option

From Tables 5.23–5.24 results also, the inability to deliver the two significant variables noted below constituted part and parcel of the failures and weaknesses of the program:

- bank loan support
- Loans repayments

Table 5.24 The key achievements and key failures of SSE program: assessment based on years of program management experience

Key item/variable	**Program management experience**											
	0–1 years			**2–5 years**			**6–10 years**			**11–15 years**		
	Low	Moderate	High	Low	Moderate	High	Low	Moderate	High	Low	Moderate	High
8.01. Awareness campaigns.	–	–	2 (6.6%)	-	4 (13.3%)	9 (30.0%)	–	2 (6.6%)	4 (13.3%)	1 (3.3%)	–	8 (26.6%)
8.02. Skills and knowledge imparted	–	1 (3.3%)	1 (3.3%)	–	–	13 (43.3%)	–	2 (6.6%)	4 (13.3%)	–	2 (6.6%)	7 (23.3%)
8.03. Effectiveness of knowledge	–	1 (3.3%)	1 (3.3%)	1 (3.3%)	4 (13.3%)	8 (26.6%)	–	3 (10.0%)	3 (10.0%)	–	2 (6.6%)	7 (23.3%)
8.04. Funding/start-up soft loan	–	1 (3.3%)	1 (3.3%)	5 (16.7%)	2 (6.6%)	6 (20.0%)	–	3 (10.0%)	3 (10.0%)	4 (13.3%)	1 (3.3%)	4 (13.3%)
8.05. Bank loan support	–	1 (3.3%)	1 (3.3%)	3 (10.0%)	3 (10.0%)	7 (23.3%)	–	2 (6.6%)	4 (13.3%)	4 (13.3%)	2 (6.6%)	3 (10.0%)
8.06. Size/amount of sanctioned loan	1 (3.3%)	1 (3.3%)	–	2 (6.6%)	6 (20.0%)	5 (16.7%)	–	2 (6.6%)	4 (13.3%)	1 (3.3%)	3 (10.0%)	5 (16.7%)
8.07. Loan repayment	1 (3.3%)	1 (3.3%)	–	7 (23.3%)	4 (13.3%)	2 (6.6%)	1 (3.3%)	4 (13.3%)	1 (3.3%)	5 (16.7%)	1 (3.3%)	3 (10.0%)
8.08.Mentoring service	1 (3.3%)	1 (3.3%)	–	2 (6.6%)	5 (16.7%)	6 (20.0%)	1 (3.3%)	2 (6.6%)	3 (10.0%)	–	3 (10.0%)	6 (20.0%)
8.09. Overall resource support	–	–	2 (6.6%)	2 (6.6%)	2 (6.6%)	9 (30.0%)	3 (10.0%)	–	3 (10.0%)	1 (3.3%)	1 (3.3%)	7 (23.3%)

Further to the results presented in Tables 5.23–5.24, it has been estimated that around 41–60% program participants usually go into self-employment after training in the opinion of eleven managers in the study (Table 5.25). However, seven managers thought it could be around 61–80%, while six others estimate it at 21–40%.

Table 5.25 Percentage of program participants in self-employment based on general opinions of managers (item 9 of questionnaire for managers)

Percentage of the program participants in business (est)	Frequencies
81%–100%	1
0–20%	5
21%–40%	6
61%–80%	7
41%–60%	11

In Table 5.26 results, which have been ascertained on the basis of years of program management experience, six of the managers who have had 6–15 years of program management experience revealed that 41–60% of program participants commence business after completing the training. But it was only three managers with a similar number of years of program management experience, believed to be somewhere between 0% and 20% of program participants who start self-employment after training, while three managers who have had program management experience of more than five years estimate the achievement of their main goal (graduate self-employment) could be around 61–80%.

Table 5.26 Percentage of program beneficiaries in self-employment based on the years of management experience

Years of experience	Estimated percentage of SSE participants in self-employment				
	0–20%	21%–40%	41%–60%	61%–80%	81%–100%
0–1	–	–	1	1	–
2–5	2	4	4	3	–
6–10	1	1	2	1	1
11–15	2	1	4	2	–
Total	5 (16.7%)	6 (20.0%)	11 (36.7%)	7 (23.3%)	1 (3.3%)

5.6.2 The frequency table results obtained from the SSE program recipients

From the results presented in Table 5.27 it is obvious that more than three-quarters of the program beneficiaries in both subgroups (full and partial beneficiaries alike) were satisfied with the resources or services provided to them (in terms of the number of instructors/trainers, knowledge of subject/expertise in the subject imparted, standard of delivery, and effectiveness of the skills acquired). While 82.8% of the program full beneficiaries were happy with the subject knowledge (or expertise in the subject) taught by their instructors/trainers, for example, as many as 77.4% of the program partial beneficiaries were satisfied. Similarly, 77.4% program full beneficiaries, and 79.3% partial beneficiaries believed that the standards of knowledge delivery were high while 74.2% program full beneficiaries and 79.3% program partial beneficiaries asserted that they were provided with a sufficient number of instructors or trainers. More significantly, 74.2% of the program full beneficiaries and 62.1% of the program partial beneficiaries believed in the effectiveness of the skills acquired.

However, some resources or services promised were not delivered, or were delivered at a lower level. These resources or services that were not delivered or had been delivered but poorly had to do with the issues that had a close association with the liquidity input resources. As reflected in the data table, some respondents, particularly the program partial beneficiaries, believed that the provision of the government start-up loan/loan access as well as the size/amount of the sanctioned loan was only achieved either at a paltry or moderate level.

Table 5.27 Program beneficiaries' experience of SSE program (refer to Section IV of the questionnaire for program recipients)

Items/Variables	**Degree of satisfaction**									
	Full beneficiaries					**Partial beneficiaries**				
	N/A	Low	Med	High	Total (%)	N/A	Low	Med	High	Total (%)
22.01. Number of instructors/trainers	–	1 3.2%	7 22.6%	23 74.2%	31 100	–	2 6.9%	4 13.8%	23 79.3%	29 100
22.02. Knowledge of subject imparted /expertise	–	2 6.5%	5 16.1%	24 77.4%	31 100	–	1 3.4%	4 13.8%	24 82.8%	29 100
22.03. Standard of knowledge delivery	–		7 22.6%	24 77.4%	31 100	–	–	6 20.7%	23 79.3%	29 100
22.04. Skills acquisition effectiveness	1 3.2%	4 12.9%	3 9.7%	23 74.2%	31 100	2 6.9%	2 6.9%	7 24.1	18 62.1%	29 100
22.05. Start-up loan access	2 6.5%	7 22.6%	9 29.0%	13 41.9%	31 100	16 55.2%	8 27.6%	–	5 17.2%	29 100
22.06. Bank loan support	6 19.4%	3 9.7%	6 19.4%	16 51.6%	31 100	10 34.5%	12 41.4%	1 3.4%	6 20.7%	29 100
22.07 Size/amount of sanctioned amount loan	3 9.7%	9 29.0%	10 32.3%	9 29.0%	31 100	11 37.9%	11 37.9%	4 13.8%	3 10.3%	29 100
22.08. Easy access to sanctioned loan	4 12.9%	11 35.5%	10 32.3%	6 19.4%	31 100	14 48.3%	9 31.0%	3 10.3%	3 10.3%	29 100
22.09. Resource support magnitude	2 6.5%	5 16.1%	11 35.5%	13 41.9%	31 100	7 24.1%	7 24.1%	4 13.8%	11 37.9%	29 100
22.10. In self-employment	4 12.9%	5 16.1%	5 16.1%	17 54.8%	31 100	6 20.7%	5 17.2%	8 27.6	10 34.5	29 100

On the basis of the foregoing analysis conducted in Table 5.27, it can be established that there are some achievements and successes that can be credited to the SSE program and they were, from the program recipients' perspective, in these areas:

- provision of an adequate number of instructors/trainers
- provision of instructors/trainers with good knowledge and skills
- provision of instructors/trainers whose standards of knowledge delivery were high enough
- provision of skills that help towards sound business plan development.

However, certain weaknesses and failures of the program were apparent (Table 5.27) and the preeminent ones were:

- inadequate government start-up loans or loan access
- inadequate size/amount of sanctioned loans
- access to sanctioned loans was extremely difficult.

5.6.3 The key achievements and successes and the key failures and weaknesses of SSE program based on the opinions and experiences of the study participants

The results in Tables 5.23–5.26 obtained from program managers (section 5.6.1), and in Table 5.27 obtained from program beneficiaries (section 5.6.2) are summarised in Table 5.28 below.

Table 5.28 Summary of key achievements and successes, and key failures and weaknesses of SSE program

Study participants	
Summary of the key achievements and successes of SSE program as assessed by managers	Summary of the key achievements and successes of SSE program as assessed by beneficiaries of the two subgroups
. skills and knowledge development . vigorous awareness campaigns aimed at the target group	. provision of adequate number of instructors/trainers . provision of instructors/trainers who possessed good knowledge (expertise) instrumental in developing business plan . provision of instructors/trainers with high standards of knowledge delivery
Summary of the key weaknesses and failures of SSE program as assessed by managers	Summary of the key weaknesses and failures SSE program as assessed by beneficiaries of two subgroups
. lack of bank loan support . loans repayments default	. inadequate government start-up loan; - access to sanctioned loan was difficulty; and . inadequate size/amount of sanctioned loans.

5.6.4 Major constraints to the SSE program operations

Of all the constraints to the SSE program operations (Table 5.29), two have been identified as most significant and ranked the top one by a greater majority of the program recipients, and these two were:

- the lack of business start-up loans/program funding based on the experience of 74.2% program full beneficiaries and 86.2% program partial beneficiaries
- the lack of infrastructure support going by the experience of 67.7% program full beneficiaries and 79.3% program partial beneficiaries.

While for the managers of the program, their immediate top constraints were similarly:

- the inadequate program funding/business start-up loans, going by the opinions of 80% of them
- the lack of infrastructure support
- the loan repayment defaults in the opinions of 56.7% managers for either problem.

From Table 5.29 results it is clear that 'business start-up loans/funding', 'empowerment of program managers', 'loan repayment defaults', 'collateral assets/guarantors' and the provision of 'infrastructure support' topped the list of twelve inhibitive factors to the SSE program operation. Out of five top constraints identified, the inadequacy of the program funding/loans scheme is glaring and quite outstanding. This raises some crucial issues or questions addressed in the next section.

Table 5.29 Relative significance of problems facing SSE program (constraints ranking): Assessment by all study participants

Item description on managers & beneficiaries questionnaires, items 10 and 23 referred to)	Impact of problems											
	Program managers				Program full beneficiaries				Program partial beneficiaries			
	N/A	Low	Moderate	High	N/A	Low	Moderate	High	N/A	Low	Moderate	High
Inadequate funds/access to business start-up loans	–	–	6 (20%)	24 (80%)	–	2 (6.5%)	6 (19.4%)	23 (74.2)	–	1 (3.4%)	3 (10.3%)	25 (86.2%)
Loans repayment breach	–	4 (13.3%)	9 (30%)	17 (56.7%)	–	–	–	–	–	–	–	–
Enabling laws.	–	10 (33.3%)	8 (26.7%)	12 (40%)	–	–	–	–	–	–	–	–
Empowerment.	–	7 (23.3%)	5 (16.7%)	18 (60%)	–	–	–	–	–	–	–	–
Self-employment apathy.	–	8 (26.7%)	8 (26.7%)	14 (46.7%)	–	–	–	–	–	–	–	–
Infrastructure support.	–	7 (23.3%)	6 (20%)	17 (56.7%)	1 (3.2%)	3 (9.7%)	6 (19.4%)	21 (67.7%)	3 (10.3%)	2 (6.9%)	1 (3.4%)	23 (79.3%)
Federal and State cooperation	–	4 (13.3%)	12 (40%)	14 (46.7%)	–	–	–	–	–		–	–
Coordination of programs	1 (3.3%)	7 (23.3%)	7 (23.3%)	15 (50%)	–	–	–	–	–	–	–	–
Collateral assets /guarantor	–	–	–	–	–	5 (16.1%)	7 (22.6%)	19 (61.3%)	–	6 (20.7%)	3 (10.3%)	20 (69.0%)
Loan interest rate.	–	–	–	–	–	7 (22.6%)	11 (35.5%)	13 (41.9%)	1 (3.4%)	8 (27.6%)	6 (20.7%)	14 (48.3%)
Savings facility proximity.	–	–	–	–	–	8 (25.8%)	10 (32.3%)	13 (41.9%)	1 (3.4%)	2 (6.9%)	11 (37.9%)	15 (51.7%)
Mentoring service.	–	–	–	–	2 (6.5%)	8 (25.8%)	6 (19.4%)	15 (48.4%)	1 (3.4%)	3 (10.3)	6 (20.7%)	19 (65.5%)

From Table 5.30 it is evident that all program managers as well as all program full beneficiaries but one would want the SSE program reformed. Also, about two-thirds of the program partial beneficiaries would want the SSE program reformed even though a minority number (17.2%) would want the SSE program continued in its present form while a tiny proportion (17.2%) refused to respond to the question asked.

Table 5.30 Whether the SSE program should continue in its present form

Respondents	**Yes**	**No**	**N/A**
Program managers	–	30 (100%)	–
Program full beneficiaries	1 (3.2%)	30 (96.8%)	–
Program partial beneficiaries	5 (17.2%)	19 65.6%)	5 (17.2%)

The specific research objective (ii) restated as follows: to determine to what extent the SSE program funding deficiency can be rectified along the lines of the GB-ROSCA hybrid microfinance characteristics based on the opinions of program managers and reflective attitudes of program recipients.

5.7 The extent to which the funding/loans scheme of the SSE program can be modified along the lines of GB-ROSCA hybrid microfinance characteristics: results interpretation

Table 5.31 results reflect all the possible reforms that can be made to the SSE program based on the opinions of the program managers and the reflective attitudes of the program beneficiaries, which in their view could enhance the job creation function of the SSE program. Hence a close examination of the results displayed in the table clearly reveals the extent of the proposed financial reforms that had appeal to the study participants. These possible reforms, which can be made to the SSE program funding, varied greatly across the three groups in the study. The degrees of financial reforms acknowledged by each of the three groups (program managers, program full beneficiaries, and program partial beneficiaries) in the study are clearly reflected in the table results (Table 5.31). The possible financing reforms that were most popular with the study participants are:

- incorporation of GB-ROSCA institutions into the SSE program (program managers, program full beneficiaries, and program partial beneficiaries)
- GB-ROSCA jury joint liability asset (or social collateral) accreditation as the only route or vehicle to access collateral-free loans (program managers and program partial beneficiaries)
- GB-ROSCA jury joint liability loans subjected to mandatory saving (program managers and program partial beneficiaries)
- GB-ROSCA jury joint liability loans interest rates operate below market rates (program managers, program full beneficiaries and program partial beneficiaries).

From Table 5.31 the extent of financing reforms that can be made to the SSE program is quite clear. Going by the opinions of the program managers, and the reflective attitudes of the program recipients, four financing reforms have been identified, which if incorporated into the SSE program, can enhance and strengthen its effectiveness in funding self-employed enterprises and creating jobs. Whilst four models of the financing reforms had strong appeal to the vast majority of program managers and program partial beneficiaries, a significant proportion of the program full beneficiaries exhibited some lukewarm attitudes to all models but one (Table 5.31). These results are fully analysed and interpreted below.

5.7.1 Incorporation of GB-ROSCA hybrid microfinance into the SSE program

It was revealed in the research that a significant number of study participants welcomed the incorporation of the GB-ROSCA type of self-savings or equity contributions into the SSE project. This would mean the formation of self-help small groups under which its members agree to enter into a reciprocal partnership with one another to jointly fund small-scale development projects based on shared responsibilities and risks between the government and the governed. It implies the provision of opportunities not necessarily in monetary terms by the government to small community groups (such as GB-ROSCAs), the capacity of the small community groups to take up such opportunities, and the overall job outcomes (jobs growth) resulting from the network relationships formed thereof. This reform is somewhat similar to the immediate one discussed below in the sense that it is an import of the GB's joint liability innovative lending contract into the GB-ROSCA hybrid model developed in the study. Both reforms were contrived as balanced hybrid characteristics of the two institutions (GB and ROSCA): that is, the substitution of the GB's group joint liability lending contract for an individual-based liability lending of the ROSCA approach.

5.7.2 The GB-ROSCA jury joint liability (or social collateral) as the only accredited route or vehicle to access collateral-free loans

It was established in the research that all participants, except a few program full beneficiaries, would want to use small, self-help groups formed along the lines of the GB-ROSCAs joint liability to access loans or credits free of physical collateral assets which characterise the lending practices of the GB institutions. Again this would imply the recognition of a group-based solidarity action as a perfect substitute for physical collateral. The fulfilment of collateral assets generally demanded in the formal financial institutions for lending purposes is not only the greatest hurdle that faces the economically active poor entrepreneurs, but also serves as an effective deterrent to many would-be SSE training participants from partaking in the business skills training. As Table 5.31 results suggest, this particular reform agenda discussed here was the most popular with all the study participants, and in fact, its popularity was only next to the interest rate reforms.

5.7.3 The GB-ROSCA jury collateral-free loans and mandatory savings

The research also revealed that the imposition of mandatory savings on all the GB-ROSCA joint liability pooled savings received a very high endorsement of the participants, except the program full beneficiaries' group. There is no doubt that the self-savings groups have a variety of advantages. After all, it is the ability to save from incomes (profits) generated from the credit usage that levers the poor out of poverty, and not necessarily the credit itself *per se* (Buckley 1997). The incorporation of savings in microfinance programs makes economic sense for a variety of reasons: firstly, it can serve as a means of raising capital for re-lending, and secondly, the money saved today can be borrowed tomorrow, thereby creating a client-based pool (Robinson 1995). Other scholars also contend that saving deposits can be used as partial collateral for easy access to loans as well as offering low-income households the advantage to build up capital assets to use as collateral to cushion the effect of consumption volatility over time, and to self-finance investments rather than always turn to lenders (Otero 1991; Wright et al. 1997). A fairly good number of the program full beneficiaries (29%) in the study were unenthusiastic about these reforms, particularly mandatory savings. A sizeable number of the study participants did not welcome the idea of imposing compulsory savings on the GB-ROSCA joint liability jury loans, but wouldn't mind pegging the interest rates of the GB-ROSCA joint liability pooled pot loans below market rates. Obviously the response to the 'mandatory savings' reforms probed by the researcher amongst the study participants was found to elicit more negative views towards self-reliance by program full beneficiaries except in the case of interest rates. An inference therefore can be drawn that government full financial aid programs actually encourage a dependency culture while partial program benefits or no benefits at all not only discourage a dependency culture but actually encourage self-reliance and independence.

5.7.4 The GB-ROSCA jury collateral-free loan interest rates operate below market rates

It was equally revealed that all participants of the study were of the opinion that the GB-ROSCA loans interest rates should operate below market rates. This insightful revelation could be a pointer to the serious problem hitherto unknown in the operation of the SSE program. Since there was strong consensus of opinions across the three groups of the study participants (Table 5.31) that interest rates should operate below the market rates, it would seem as if the interest rate on these loans was a part of the SSE slow performance, ultimately contributing to its failures and weaknesses in generating self-employed enterprises. It was noticed that 20% was being charged on these loans at the time of the study. It is believed that this percentage of interest rates may have contributed to dampening the interest of some participants who perhaps were in a position to borrow funds from the participating banks to commence a business but did not do so, particularly among the program partial beneficiaries. Even then, the Nigerian government until recently was known to have operated an interest rate policy that tended to suppress the real interest rates for deposits and lending in the banking industry with the prevailing rates being so low as to reflect the real market rates for the SME operators in the country (Muhtar 1990).

5.31 The GB-ROSCA Hybrid Microfinance Models: Assessment of issues by all study participants (program managers and recipients)

Items	Self-employment creation potential Degree of impact												
	Program manager (PM)				**Program Full beneficiary (PFB)**				**Program partial beneficiary (PPB)**				
	L	M	H	T	L	M	H	T	N/A	L	M	H	T
GB-ROSCA incorporation into SSE	3 10.0%	5 16.7%	22 73.3%	30 100%	5 16.1%	9 29.0%	17 54.9%	31 100%	2 6.9%	2 6.9%	6 20.7%	19 65.5%	29 100%
GB-ROSCA joint liability accreditation as a collateral substitute for loans.	7 23.3%	6 20.0%	17 56.7%	30 100%	10 32.3%	8 25.8%	13 41.9%	31 100%	2 6.9%	3 10.3%	8 27.6%	16 55.2%	29 100%
GB-ROSCA should be the only route or vehicle to access collateral-free loans	3 10.0%	2 6.7%	25 83.3%	30 100%	6 19.4%	10 32.3%	15 48.4%	31 100%	2 6.9%	–	3 10.3%	24 82.8%	29 100%
25% subsidy for every GB-ROSCA 3rd successful business establishment	4 13.3%	12 40.0%	14 46.7%	30 100%	7 22.6%	9 29.0%	15 48.4%	31 100%	2 6.9%	6 20.7%	10 34.5%	11 37.9%	29 100%
Govt co-contribution of initial expenses for successful business establishment	11 36.7%	7 23.3%	12 40.0%	30 100%	12 38.7%	13 41.9%	6 19.4%	31 100%	2 6.9%	10 34.5%	7 24.1%	10 34.5%	29 100%
GB-ROSCA jury held accountable for loans repayment defaults.	6 20.0%	8 26.7%	16 53.3%	30 100%	6 19.4%	9 29.0%	16 51.6%	31 100%	2 6.9%	5 17.2%	7 24.1%	15 51.7%	29 100%
GB-ROSCA jury joint loans subjected to mandatory savings.	5 16.7%	3 10.0%	22 73.3%	30 100%	9 29.0%	10 32.3%	12 38.7%	31 100%	2 6.9%	1 3.4%	4 13.8%	22 75.9%	29 100%
GB-ROSCA joint liability pooled pot attracts insurance cover	5 16.7%	6 20.0%	19 63.3%	30 100%	12 38.7%	12 38.7%	7 22.6%	31 100%	3 10.3%	5 17.2%	6 20.7%	15 51.7%	29 100%
GB-ROSCA joint liability pooled pot operates at par with market rates	16 53.3%	5 16.7%	9 30.0%	30 100%	18 58.1%	6 19.4%	7 22.6%	31 100%	2 6.9%	16 55.2%	3 10.3%	8 27.6%	29 100%
GB-ROSCA joint liability pooled pot operates below market rates	2 6.7%	4 13.3%	24 80.0%	30 100%	5 16.1%	6 19.4%	20 64.5%	31 100%	2 6.9%	2 6.9%	2 6.9%	23 79.3%	29 100%

(Referred to question/item 12 on the program manager's questionnaire, and question/item 25 on the program beneficiary' questionnaire).

5.8 Motivational factors influencing the choice of reforms determined in section 5.7

The underlying motivation for and against the chosen responses analysed in Table 5.31 have been presented in Table 5.32. The results in Table 5.32 suggest that the propensity to widen the outreach (expand) of the SSE program to many unemployed tertiary graduates was the foremost motivating factor for 63.3% program managers, 29% program full beneficiaries and 55.2% program partial beneficiaries in endorsing the GB-ROSCA hybrid microfinance program for Nigeria. However, a significant number of program full beneficiaries (41.9%) offered other reasons that were not relevant to the questions asked, but were too important to ignore. Many of the reasons offered for the non-feasibility of the new financing model in Nigeria centre on endemic corruption in the system or comments such as nothing ever works in Nigeria. Others include making substantial improvements in the existing SSE program, for example, expeditious processing of loan applications, and the expeditious disbursement of sanctioned funds.

Table 5.32 Factors motivating the respondents' chosen models of reforms

Item	SSE Stakeholders		
	Program managers (30)	Full beneficiaries (31)	Partial beneficiaries (29)
Cultivation of saving culture (Inculcation of saving habit).	1 (3.3%)	3 (9.7%)	3 (10.3%)
Subsidy-driven competitions.	1 (3.3%)	3 (9.7%)	9 (31.0%)
Employment creation potential	1 (3.3%)	–	–
Change of orientation (attitudes)	3 (10.0%)	–	–
Community groups led initiative.	4 (13.3%)	3 (9.7%)	1 (3.4%)
Low interest rate	–	6 (19.4%)	7 (24.1%)
Greater potential for profit margin.	4 (13.3%)	–	–
Personal equity contribution forced commitment	5 (16.7%)	12 (38.7%)	–
Larger pool to meet demand	8 (26.7%)	3 (9.7%)	5 (17.2%)
Easy access to a joint pool makes members watchdogs of the common funds.	8 (26.7%)	4 (12.9%)	6 (20.7%)
Propensity for wider outreach	19 (63.3%)	9 (29.0%)	16 (55.2%)
Responses not relevant to questions asked, but too significant to be ignored.	4 (13.3%)	13 (41.9%)	9 (31.0%)

(Questions/items 13 and 14 on the manager's questionnaire, and questions/items 26 and 27 on the beneficiary's questionnaire referred to).

Specific research objective (iii): to design a new program which incorporates the features of GB's joint liability credit system and ROSCA's individual pooled savings approach.

The findings uncovered in research objectives 1 and 2 would be used to modify or design new funding schemes which, when incorporated into the existing SSE program funding scheme, not only rectify it but also strengthen and improve its funding potential, ultimately leading to more job creation opportunities. The modifications of the existing program or the designing of new ones would be made on the basis of data inputs from the study participants. Ultimately, the resulting programs (models) are based on the wishes and expectations of the principal stakeholders of the program. A good government is one that carries the governed along in the formulation of its policies and programs – a principle that dates back to the old Greek City states.

5.9 The overall findings to the main research objectives recapped

The key achievements and key successes of the SSE program revealed in the foregoing analysis can now be highlighted as follows:

5.9.1 The key achievements and successes of the SSE program

Some of the positive achievements of the SSE program revealed in the analysis were in the fulfilment of various elements of the training scheme, specifically in the provision of adequate numbers of instructors or trainers, but also in the provision of instructors or trainers who were masters in their area of expertise and possessed adequate knowledge as well as delivered it to high standards. Above all, the awareness campaigns targeted at tertiary graduates to train for self-employment in lieu of looking for waged employment were extensive and effective, which culminated in inspiring many unemployed graduates or would-be unemployed graduates to undertake the enterprise training, particularly in the early years of the program establishment (section 2.5.2.4).

5.9.2 The key failures and weaknesses of the SSE program

The key failures and weaknesses of the program included, among other things, the failure to provide the pledged government loan for self-employment, and more significantly, when it was provided it was either late or a paltry amount was sanctioned, thereby resulting in few benefitting from the program. The procurement of the loan money after application was not only grossly late, many awardees were either compelled to seek waged employment or relapse into the unemployment market by the time it was released. All this was largely due to the lack of immediate funds to commence business after the business training (Tables 5.11–12). Infrastructure support was also a huge problem to a substantial number of study participants, which according to them contributed to the failure of the program to generate more self-employed enterprises. The infrastructure support though was found to be significant in the operation of the SSE program; it is beyond the scope of this enquiry. A microfinance program can only thrive in an environment with good infrastructure support and complementary services. As discussed in Chapter Three section 3.3.2, the returns on microfinance institutions that operate in environments with good infrastructure and complementary services will be higher than those operating in environments of reversed situations (Yaron and Benjamin 2002; Zeller and Sharma 2002b).

5.9.3 Summary of possible reforms of possible reforms that can be made to the loans scheme of the SSE program

Substantial numbers of study participants across the three groups but one in the enquiry have identified these reforms as crucial in enhancing the effectiveness of the SSE program in generating self-employed enterprises:

- GB-ROSCA joint loans rates operate below market rates
- Incorporation of GB-ROSCA hybrid microfinance into SSE programs
- Recognition of GB-ROSCA jury as the only route or vehicle to access collateral-free loans
- GB-ROSCA joint liability collateral-free loans subject to mandatory savings.

5.10 Would the GB-ROSCA hybrid microfinance models finally obtained in the study create more self-employed enterprises in Nigeria? Discussion of major result findings

The findings to the first research question suggest that the SSE program has been bedevilled by a number of constraints and shortcomings. No wonder an overwhelming number of the study participants now believe that the SSE program should reform (Table 5.30), and reform substantially. This is by incorporating the mechanisms of the Nigerian ROSCAs, and the Bangladeshi GB joint liability group lending strategies (section 5.7). Therefore, the failures and weaknesses of the SSE program identified from the secondary and primary sources of data formed the basis upon which evidence will be drawn to support the new funding models for the Nigerian conditions. If these reforms identified in the study can be introduced into the SSE program, it has the propensity to rectify the following constraints to the program:

- Easy accessibility to loans/business start-up funds after training
- Easy accessibility to loans/funds after application
- Improvement in repayments
- Collateral assets required for borrowing business funds can be dispensed with
- Fulfilment of a guarantor for business funds can be dispensed with
- Infrastructure support substantially improved
- Interest rates on the GB-ROSCA joint liability loans could operate at optimum levels.

Based on the inadequacies of the SSE program identified, it is believed that the financing reforms determined in section 5.7 of the chapter can be harnessed to address the following problems.

5.10.1 The GB-ROSCA reciprocal financial assistance intermediary leverages easy access to development funds

There is a huge gap between the supply of start-up loans and their demand by many successful participants to the SSE program. Out of 469 unemployed graduates who had successfully completed the EDP and SYOB training schemes in 2000, for instance, it was only a tiny proportion of 12 that benefited from the government loans scheme in that year (NDE 2000). Based on this analysis, it would seem as if the number of the SSE participants who benefit from the government pledged start-up soft loans is insignificant. Again, out of one hundred thousand unemployed graduates who had EDP training in the year 2000, it was only 469 who exhibited interest for the second and final phase of the program (SYOB). When a total number of 100,000 unemployed graduates who had been trained on the EDP in 2000 are compared with the 2001 figure of 46,949, it is clear that a substantial number of the unemployed tertiary graduates were losing interest in the SSE program. This can be traced to the lack of business start-up funds identified as the greatest constraint to the program's performance and expansion. Beyond this there is also the problem of the protracted time many program full beneficiaries took to access loan money after applications. As a consequence of all this it is reasonable to expect that the unemployment rates among tertiary educated persons will be on the increase. Therefore, it can be inferred that the government was unable to deliver on its pledge to provide business start-up loans to unemployed graduates with sound business plans. Under the hybrid microfinance scheme developed in the study, the funding constraint would not only become forestalled for many starters, but could also extricate many from the culture of dependence on the government budget to operate a business. Based on the fundamental principle of group member reciprocal financial support and assistance via rotating savings and credit associations (ROSCAs), the GB-ROSCA model developed in this way has the capacity to pull together large sums of money to fund many small projects, which are impossible under the current method of funding SSE projects. For many participants this is an overriding motivation for endorsing the new funding initiative (Table 5.32).

5.10.2 Long timeframe to access business start-up loans can be dispensed with or at least minimised

The processing of loan applications along with the disbursement of sanctioned funds was also another constraint identified in the study. A vast majority of the program full beneficiaries took an average of 7–9 months to get the loan money in hand after application. Again, the delays in commencing business immediately after the SSE training were traced to the lack of personal funds or waiting for a government loan to commence business. This situation is unwholesome in the sense that the program becomes constrained by the lack of personal funds and the lack of government subventions or government subventions disbursed in trickles. Also, the delays in releasing funds involving government to successful loan applicants has other implications, such as changes in the prices of items or commodities of trade or changes in the bank interest and foreign exchange rates by the time one gets the loan in hand to commence business. Under the GB-ROSCA hybrid microfinance model the root cause of these other problems can be minimised, if not completely eliminated. Conventional approaches to credit access by poor borrowers are not only characterised by the delays in granting and disbursement of the approved funds, but also involve many complex form-filling exercises. Under the GB-ROSCA hybrid microfinance model, quick access to a common pool of savings with a joint liability group lending contract is the hallmark of the new financing system as long as one has the right level of savings or equity shares that are commensurate with the ratio of the agreed amount sought. Rhyne and Jackelen (1991) believe that the basic differences between institutional credits and the various forms of ROSCA operations conducted in the informal sector are that the latter rely on: character-based assessment, a pragmatic and flexible concept of collateral and non-collateralised lending, extremely simplified documentary requirements, small amounts of credit or savings per transaction, extremely rapid and decentralised approvals, and above all, easy accessibility to clients since all transactions take place at close proximity. Hence there is the need to recognise and empower some ROSCA institutions that demonstrate financial viability and operational independence through policy frameworks.

5.10.3 Loan repayment defaults can be minimised

The low levels of loan repayments as a result of unaccounted loans or loan losses are often the primary causes of the failure to recapitalise credit institutions with the much-needed cash to re-cycle to other clients, ultimately leading to the destruction of these institutions (Von Pischke et al. 1998). The loan repayment breach was identified in the study as posing a significant impediment to the SSE program's operations based on the opinions of a significant proportion of program managers in the study. The interview guide data (copy unattached because of ethical issues) clearly affirmed the views of the program managers that the non-repayment of these loans was an impediment to scaling up the SSE program. When loans are not repaid when due, they cannot be recycled to others who want to borrow from the scheme; and when they are not recycled to others, it is doubtful whether many self-employed enterprises can be generated. Loans have an employment multiplier effect. Good repayment performance was behind the success of the GB's loans scheme in Bangladesh. No wonder that the GB's program was able to provide credits to as many as 6.6 million poor entrepreneurs in Bangladesh by 2006 (Acher 2006). By incorporating the mechanisms of the GB-ROSCA hybrid microfinance model developed in the study into the SSE program, perhaps the non-repayment of loans that the Nigerian government is involved in can at least be forestalled. Moreover, as revealed in Chapter Three, sections 3.3.1, and 3.3.2, borrowing group members repay their uncollateralised group credit because of two primary considerations: the need to maintain an affordable credit source, and the need to maintain an intragroup insurance in case of emergencies (Wydick 2001). Owing to these findings, it is clear that the GB-ROSCA strategy developed in the research has a superior advantage over the existing SSE program.

5.10.4 Collateral asset (or supply of a guarantor) can be dispensed with

Collateral, in terms of a monetary-based physical asset is the biggest hurdle facing small business operators worldwide, particularly among new starters. Collateral is an indication of the borrower's creditworthiness and in the process, decreases credit rationing by helping lenders attract low-risk borrowers. Equally significant in the findings of the enquiry was the lack of acceptable collateral assets or guarantors ready to back bank loan applications. Again, it is reasonable to expect that many unemployed graduates cannot provide collateral assets acceptable to the credit institutions. Therefore, the fulfilment of a collateral asset or the supply of a guarantor that enables one to access bank credit was a major handicap to many program full beneficiaries (61.3%) as well as program partial beneficiaries (69%) in the study. The GB-ROSCA financing model determined in the study can effectively address this problem if it is incorporated into the SSE program.

5.10.5 Infrastructure support services can be substantially improved

The provision of microfinance complementary infrastructure or support services was of immense significance to a sizeable majority of study participants across the three groups (56.7% program managers, 67.7% program full beneficiaries, and 79.3% program partial beneficiaries), which they had ranked as the top number 2 constraint to the SSE program after the operating funds or loans access constraint (Table 5.29). Although infrastructure is beyond the scope of this investigation, this research recognises its significance in improving the yield of microfinance programs. Based on the opinions of significant numbers of the study participants, inadequate infrastructure support or their complete lack was among the major reasons the SSE program was not performing impressively in the opinions of many managers, and deterring significant proportions of SSE-trained participants from establishing businesses. Perhaps some participants were in a position to raise their own private funds to commence business immediately after the training had certain facilities and infrastructure support services been provided and properly functioning to support business operations. Business operations require not only the efficient supply of electricity, water, telephone facilities, accessible good roads, but also the protection and security of lives and business assets. The researcher does not have to worry about security problems in Melbourne twenty-four hours around the clock, knowing full well that the Victoria Police's response to emergencies and crime detection is highly efficient. In Nigeria, it is not uncommon for people to make their own private arrangements in such things as security, water, and electricity. Normally these types of services are prerogatives of any good government or state authority. Therefore, many scholars are now placing great emphasis on the provision of microfinance complementary services and facilities to poor entrepreneurs as a new strategy to reduce poverty (Zeller 1998; Sharma and Shrieder 1998; Zeller and Sharma 2002; Akinbobola and Saibu 2004). These scholars believe that these infrastructures improve the dividends of microfinance services reaching the poor, while their lack impoverishes the poor. Therefore, the hybrid microfinance model developed in the enquiry could allow the Nigerian government to shelve off certain intervention programs that are currently absorbing big chunks of public funds in the annual budgets even though there is nothing to show for them. Instead, the developed GB-ROSCA model could allow the government to focus attention on the provision and maintenance of essential infrastructures and capital projects as long as the safeguards suggested in Chapter Six are embraced.

5.10.6 Interest rates on the GB-ROSCA joint liability loan could operate at optimum levels

An overwhelming number of study participants across the three groups want GB-ROSCA joint liability jury loan interest rates to operate below market rates (Table 5.31). It would seem as if the interest rates charged on the loans scheme of the SSE program was very high for new business operators or would-be operators since there was consensus of views in this regard. If the levels of interest rates charged on the SSE loans were high, then this may have contributed to the failures and weaknesses of the program to generate many self-employed enterprises as originally intended. The SSE program's unsatisfactory jobs creation performance might have been partly due to the interest rates charged on these start-up loans, quoted at 20% at the time of the fieldwork data collection in 2004, ultimately dampening the interest of some participants who perhaps were in a position to borrow funds from banks on their own personal recognition to commence business. It was noted during the literature review in Chapter Two that the Nigerian government, until recently, operated an interest rate policy that tended to suppress and insulate the real market interest rates for bank deposits and bank lending between 1980 and 1988, with the prevailing rates being so low as to reflect the real market rates for business operators (Muhtar 1990; Carpenter 2001). The scheduled banks operating in the country at this time were required to set aside 16% of their total loans for lending to small-scale business operators. Rather than comply with the Central Bank's directives to set aside the said percentage amount, some banks preferred to pay the penalty imposed on them for non-compliance (Muhtar 1990). This is a clear indication of the negative attitudes that commercial banks usually display towards small enterprises in spite of the best intentions of the government. Although the Nigerian government has since 1988 deregulated interest rates for banks operating in the country (Muhtar 1990), the fact remains that the success of any rural institution will not only depend on charging its clients high enough interest rates that allow it to eschew the subsidies listed in Figure 3.2 of Chapter Three; it also has to operate such interest rates in a portfolio-like spread coupled with a high level of autonomy in the formulation and operation of policies that leverage financial independence, as in the BRI-Unit Desa system in Indonesia. The BRI-Unit Desa system, though a government-owned bank, was given a free hand in its daily operations (Yaron and Benjamin 2002). It has often been argued that the MFIs, including the government-funded institutions, could charge clients such interest rates that are high enough to leverage them to eschew subsidies without unnecessarily compromising outreach (Morduch 2000). Morduch (2000) believes that such a measure can enable the MFIs to grow without the constraints imposed on them by the budget of their financiers (Morduch 2000). However, Zeller and Sharma (2002b), Paxton and Cuevas (2002), and Zeller (1999) would prefer to place more emphasis on the savings side of the microfinance argument for any microfinance institution to approach self-financing sustainability status (section 2.4.3.5).

5.11 Time for attitudes to change

The weight of the employment generation in Nigeria resides with the informal small enterprise operators, whether it is in agricultural occupations or trade and industry. The fact that the SSE partial program indirectly generated as many as 51 full-time jobs and 14 part-time job positions (Table 5.15) underscores the need to formulate a new policy framework that promotes member-based financial intermediations and reciprocal support networks as developed in this study. If the components of the GB-ROSCA model determined in the study were to be incorporated into the existing SSE program, the model can grow more jobs as well as promote income growth, than the current SSE program's achievements. The new method, however, demands the re-orientation of attitudes among the principal stakeholders of the government aid programs on the limitations of the aid programs. It also requires the formulation of appropriate policies that not only accord recognition to social capital possessed by solidarity group members as opposed to an individual's efforts (financial resources and knowledge), but also provides motivation for attitudinal change. The reciprocal rotating savings and credit scheme with joint liability lending developed in the study, for instance, could be employed as a strategy to ensure not only that the unemployed tertiary graduates who participate in the business training schemes of NDE programs are brought into the mainstream development, but also to ensure the effective utilisation of their productive capacity. For example, out of one hundred thousand newly-graduated tertiary students who participated in the EDP training in 2000, only a tiny proportion of 469 (0.47%) of them progressed to the final phase of the training scheme captioned Start-Your-Own-Business (SYOB). This means that around 99.53% others relapsed into the unemployment market after the training. Again, this was largely due to the lack of immediate operating funds (start-up loans) to commence self-employment. Beyond this, there were also additional time delays to secure loans in which the government was involved. There was also the problem of loan repayment defaults discussed already. In all this, the two fundamental issues that have emerged in this research concern the attitudes of the principal stakeholders of the government intervention aid programs, which are discussed as follows:

Some stakeholders of the government intervention aid programs have now come to understand that there are limitations to the assistance that government can provide to its citizens. The results obtained from the program managers and the program partial beneficiaries (Table 5.31) seem to confirm this fact. On the other hand, the results obtained from the program full beneficiaries (Table 5.31) reveal the contrary. It can then be inferred that people who enjoy partial or no benefit at all from their government can easily shift their attitudes towards achieving one's self-development goal through group-based solidarity support and reciprocal financial assistance, while those who get the full benefits of intervention aid programs find it a bit difficult to shift their attitudes away from such aid programs. With proper education and motivation it is possible to overcome this problem.

5.12 Summary

The chapter presents the results of the data analysis on the key achievements, and the key weaknesses and failures of the SSE antipoverty employment generation program in Nigeria. It also embodies the possible modifications that can be made to the SSE program funding/loans scheme based on the GB-ROSCA microfinance hybrid developed in the research to maximise its job creation potential. Although the qualitative technique was fundamentally employed to analyse the acquired questionnaire data using frequencies and percentages, some quantitative methods were also applied where considered appropriate. The study was guided by the three specific research objectives set out at the very beginning in Chapter One, but were restated at the various stages of the analysis and results. The profiles of the respondents, particularly of the program managers, showed a normal distribution in terms of demographic characteristics: meaning that the samples were representative of the program managers domiciled in different geopolitical zones of the country. The profile data from all the study participants, and the data on their other physical characteristics were processed using tabulations and cross tabulations, while the data on the key research issues and objectives were tabulated using three main variants of anchors (Low, Moderate/Average, High) for the frequency scores in order to ensure equality in the variance across the three groups in the study. The next chapter presents the summary and the conclusions of the study with some implications and study limitations.

Chapter Six

Conclusions

6.1 Introduction

This chapter of the thesis ties up the major findings of all issues investigated in the study with policy implications. Given that the poor performance of the SSE antipoverty job creation program has been linked to various inhibitive factors other than the funding issue alone widely reported in other studies, efforts will be made to proffer some recommendations for the attention of policy makers.

Firstly, this study sought to evaluate the key achievements and successes, and key failures and weaknesses of the SSE program of the NDE organisation. Secondly, the study further examined whether there were other extraneous factors inhibiting the satisfactory performance of the SSE program other than the funding issue reported in all studies and the logistics reported in a few other studies.

Thirdly, and perhaps the most fundamental of the study is the investigation of whether the integration of the Nigerian ROSCA method of raising credits, and the Bangladeshi GB's mechanism of disbursing credits would be an effective pathway to create more jobs and reduce poverty in Nigeria. This was based on the opinions of the program managers and the reflective attitudes of program beneficiaries of the SSE program (as its principal stakeholders) deployed in the study as an in-depth case study. For this reason, the study participants were asked to indicate the extent of the reforms they would like to incorporate into the loans scheme of the SSE program based on the GB-ROSCA hybrid microfinance characteristics. After studying various models influencing the design of the model (GB-ROSCA), this model is believed to be apt enough to not only rectify the SSE program malfunctioning loans scheme, but also to enhance and strengthen its job creation potential, if incorporated.

Thus the goal of the chapter is to re-evaluate whether the main research questions set out in Chapter One (section 1.2.1) of the thesis have been answered. Chapter Six, therefore, concludes the study and draws on the major findings reported in the thesis, specifically in Chapters Two and Five. The two main research questions of the study are restated below:

1. What have been the key achievements and key failures of the Small-Scale Enterprises (SSE) program?
2. Will the GB-ROSCA hybrid microfinance model create more self-employed enterprises in Nigeria?

Essentially, the findings of the study were obtained from two main stages, namely the preparatory and principal stages. Whilst the former denotes some findings that reinforce the outcomes of the previous works conducted by others (see Chapter Two), the latter exclusively represents the findings from the survey of the study participants. Although the key findings to research Question One have been partly reported in Chapter Two and partly reinforced with evidence emerging from this study in sections 5.6.1–5.6.4 of Chapter Five (Tables 5.23–5.29), the key findings to research Question Two above have been revealed exclusively in sections 5.7–5.8 of Chapter Five (see Tables 5.30–5.31).

For Question 1 above: the following conclusions were drawn from studying the opinions of the program managers and the experiences of the program beneficiaries in relation to the key achievements and successes, and key failures and weaknesses of the SSE program of the NDE organisation. There were certain resources and services considered paramount by the program's principal stakeholders, and of these resources and services pledged by the government for the successful execution of the SSE program, three issues that appear stood out clearly for each category of the study participants as having been achieved (Chapter Five, sections 5.6.1–5.6.3) are:

- The skills and knowledge development of the participants were enormous based on 83.3% managers' general opinions (Table 5.23), and affirmed by 79.9% of those managers who have had program management experience of more than two years on the job (Table 5.24).
- The awareness campaigns for the self-employment training option was significantly achieved according to 76.6% managers' general opinions (Table 5.23) and affirmed by 79.9% of managers with management experience that stretched from 2–15 years (Table 5.24).
- The overall business resource support was adequate according to the general opinions of 70% program managers in the study (Table 5.23), and these views were reinforced

by 63.3% of the managers who had program management experience of not less than two years (Table 5.24).

These findings from the program managers reported in section 5.6.1 of Chapter Five can also be found in attached as 'A1' of Appendix I. But going by the experiences of the Program Full Beneficiaries attached as 'B1' of Appendix I, the key achievements of the SSE program reported in section 5.6.2 of Chapter Five are mainly in these areas:

- knowledge of subject imparted (77.4%)
- standards of the knowledge delivery (77.4%)
- number of instructors/trainers (74.2%).

Also going by the experiences of a vast majority of program partial beneficiaries ('B2' of Appendix I), the achievements of the SSE program reported in section 5.6.2 of Chapter Five point to these directions:

- knowledge of subject imparted (82.8%)
- standards of knowledge delivery (79.3%)
- number of instructors/trainers (79.3%).

On the whole, the principal research has established that solid achievements were made in all aspects of the SSE training scheme. These achievements are in congruence with the literature review findings uncovered in Chapter Two of the thesis (sections 2.5.2.2 and 2.5.2.4) which seem to suggest a huge surge of interest in the number of unemployed tertiary graduates trained for the SSE program in the early formation years of the program, and well up to the 1990s as a direct result of increased funding by the federal government. These achievements and successes point to the areas of 'skills and knowledge development', 'awareness campaigns' to sensitise and solicit the interest of the target group, and the 'provision of overall business resource support'. Others included 'knowledge imparted', 'standards of knowledge delivery', and the 'number of instructors/trainers' provided for the training.

Conversely, the key failures and weaknesses of the SSE program reported in section 5.6.1 of Chapter Five (Tables 5.23–5.26) corroborated the findings reported in sections 5.6.3–5.6.4 of the same chapter (Tables 5.27–5.29) and seem to strongly confirm and reinforce the literature review findings obtained in Chapter Two (Notes E–F of section 2.5.2.1, and sections 2.5.2.3 & 2.5.2.4). These key failures and weaknesses are:

- the lack of operating funds/start-up loan access according to 80% program managers, 74.2% program full beneficiaries, and 86.2% program partial beneficiaries in the study
- inadequate infrastructure support based on the experiences of 79.3% program partial beneficiaries
- long waiting time to access loans to commence business after applications based on the experiences of a vast majority of program full beneficiaries (Tables 5.11–5.12)
- the lack of acceptable collateral assets or guarantors to support a bank loan reported by 69% program partial beneficiaries.

However, as the decline of financial resources support (loans) sets in for subsequent or succeeding years there was also a decline of interest in the program by the target group, resulting in smaller numbers enrolling to train for the program, particularly from the mid-1990s. For instance, the literature review outcomes suggest that the number of tertiary graduates who participated in the SSE program in 2001 decreased substantially for that year when compared with the 2000 figures of 46,949 reported in the annual reports of the NDE (Year 2001 and Year 2000), thereby suggesting that the scheme was no longer healthy. This also suggests the non-creation of self-employed enterprises for unemployed tertiary graduates in concrete terms (subsections 2.5.2.2 and 2.5.2.4). Again, this can be traced to the lack of program funding or healthy loan schemes for SSE program operations reported in the literature review, paragraph two of section 2.5.2.3, Chapter Two.

Therefore, the outcomes of the primary study highlighted in this chapter regarding the achievements and failures of the SSE program strongly re-affirm the literature findings in Chapter Two. Of all the inhibitive factors to the SSE program, funding or loan access has been identified and ranked the top number one constraint to the program operations. This was closely followed by the long timeframe taken to access the business start-up loans after applications and the inadequate infrastructure support. Hence the lack of funds or easy access to loans after applications plus inadequate infrastructure support were all major contributors to the SSE program failure to generate self-employed enterprises for its target group. More interestingly, all other constraints reported in the study had their origins externally and not internally (within the SSE management). Based on this premise, therefore, it can be concluded that the SSE program was not achieving its overriding twin objective of self-employment generation and creation of jobs for other unemployed Nigerians. Unfortunately, there was no quantitative hard data accessed at the time of the enquiry with which to compare and contrast the exact magnitude of self-employed enterprises directly generated by the SSE program or jobs indirectly generated by the program and its overall contribution to the economy.

For Question 2 on page 192, some conclusions that were drawn after studying the opinions of the program managers and the reflective attitudes of program beneficiaries relate to the extent to which the loans scheme of the SSE program can be modified along the lines of the issues considered best practices in microfinance programs. Of the extent of financial reforms that can be made to the loans scheme of the SSE program (sections 5.7–5.8, and Tables 5.30–5.31 of Chapter Five), four issues that clearly stood out for each category of the study participants. For the program managers these are:

- ROSCA as the only route to access the collateral-free loans (83.3%)
- ROSCA-joint liability pooled pot attracts interest rates below the market rates (80%)
- ROSCA-incorporation into SSE (73.3%)
- ROSCA loans should be subjected to mandatory savings (73.3%).

These reforms stemmed from the program managers (refer to ‘A3’ of Appendix I). They believe that if the GB-ROSCA system is incorporated into the SSE program, they have the potential to rectify its funding deficiency and improve funding, ultimately leading to creation of more job opportunities and reduction of poverty.

From the program full beneficiaries’ perspective (refer to ‘B5’ of Appendix I), these acceptable reforms are:

- ROSCA-joint liability pooled pot operates below market rates (64.5%)
- ROSCA-incorporation into the SSE (54.9%)
- ROSCA jury held liable for repayment defaults (51.6%).

Conversely more than three-quarters of the program partial beneficiaries (‘B6’ of Appendix I) welcomed the incorporation of these financing reforms into the SSE program:

- ROSCA as the only route to access the collateral-free loans (82.8%)
- ROSCA-joint liability pooled pot operates below market rates (79.3%)
- ROSCA joint loans be subjected to mandatory savings (75.9%)
- ROSCA incorporation into the SSE (65.5%).

Before making these evaluations and determinations reported above, participants were first asked in a precursor question to indicate whether the SSE program should be reformed or not. The precursor question revealed interesting outcomes across the three groups of study participants. Clearly all the program managers (100%) want the SSE program funding reformed, while 96.6% of the program full beneficiaries also answered in affirmation. Having said that, it was only 65.6% of the program partial beneficiaries that would like the SSE program reformed along the lines of the GB-ROSCA hybrid microfinance features, while 17.2% others want the SSE program continued in its present form (Table 5.30).

On the whole the extent to which the GB-ROSCA hybrid microfinance models developed in the study can be harnessed and incorporated into the funding/loans scheme of the SSE program varied greatly between the program managers and program partial beneficiaries on one end and the program full beneficiaries on the other. Whilst there were greater proportions of the program managers and program partial beneficiaries who were strongly in favour of incorporating four hybrid microfinance reforms determined in Chapter Five by them into the SSE program, it is also fair to conclude that these reforms did not convince a sizeable number of the program full beneficiaries, except in the case of low interest rate operations below the market rates.

Conclusions can therefore be drawn that all the participants in the study, except for a few, welcomed the incorporation of the GB-ROSCA self-financing hybrid methodological model into the SSE program solidified with joint liability group lending contracts. But then an inference can be drawn that government full financial aid programs actually encourage a dependency culture while the provision of partial benefits or none at all not only discourage a dependency culture but actually encourage self-reliance and independence. Moreover, the evidence presented in Table 5.12 clearly reveals that a vast majority of the program full beneficiaries (77.4%) was unable to commence business within the first six months of acquiring the entrepreneurship development and small business management skills training because of the delays in the processing of loan applications and disbursement of sanctioned funds on the one hand and the lack of funds to commence business immediately by a significant number of others (program full and partial beneficiaries alike).

6.2 Implications of findings

The research has practical implications for employment, resource mobilisation for development, and financial market operations in Nigeria. The review of the relevant literature, and the questionnaire surveys of the program managers and program beneficiaries (considered principal stakeholders of the program), made it possible to effectively diagnose and identify the main causes of the SSE program failures and weaknesses to generate more self-employed enterprises for its target group. The research has, in this way, uncovered the inhibitors to the SSE program operations hitherto unknown, as well as re-affirmed the lack of program funding that was known before the study. These inhibitors of the SSE program were: the inadequate provision of funds/loans to execute the program, the delays in the processing of loan applications and disbursement of the sanctioned loans, the loan repayment defaults, the fulfilment of a collateral asset or a guarantor requirement, and the inadequate infrastructure support. This research has equally established the extent of the financial reforms that can be made to the SSE program along the lines of the GB-ROSCA hybrid characteristics suitable for Nigerian conditions. The findings of the second research question thus have widespread practical implications in the Nigerian economy, namely:

- enterprise and employment generation for the unemployed
- resource allocations and community development
- the formulation of appropriate financial market policies.

6.2.1 Enterprises and jobs creation implications

From an employment sector angle, the GB-ROSCA hybrid microfinance model has a greater potential to scale up enterprises (micro and small) as well as job creation than the current approach. For example, many of the currently unemployed persons (including unemployed graduates) have greater opportunities to commence self-employment with the obligatory reciprocal financial assistance and support of other like-minded entrepreneurs in joint liability settings. With this process in operation, more jobs will be created for other unemployed Nigerians. When small-scale projects are funded through the cooperation and collective efforts of small joint liability group members who pool their meagre financial resources and knowledge together, many small entrepreneurial projects can be developed and created over time. Nigeria has multiplicities of ROSCA-styled savings and credit self-help groups, which if harnessed productively, have a high propensity to stimulate the economy faster than the current status quo. Historically, the most common source of enterprise finance in Nigeria comes from self-savings, family, friends, moneylenders, and the ROSCA self-savings clubs (Myrdal 1956; Geertz 1962; Bascom 1952; Ardener 1953; Gerdes 1975; Bouman 1995); it has never been through government financial assistance intervention. By all accounts, this mutual reciprocal strategy dates back to the pre-colonial administration period in Nigeria (Myrdal (1956; Geertz 1962; Bascom 1952; Ardener 1953; Gerdes 1975; Bouman 1995). The *Mbaise* people of the *Ibo* ethnic group of Nigeria, for instance, have used the ROSCA strategy to raise funds adequate enough to successfully transit from farming occupations to trading and commerce to a great extent as a result of the heavy population pressure on land in the area (1000 persons per sq mile – Adener 1953). Even this kind of association (ROSCAs) got much bigger among the *Mbaise* people of both sexes, with at least 248-membership strength unlike other ethnic groups of the Nigerian federation, such as the *Esusu* of the *Yorubas* of the West (Adener 1953).

Moreover, Adener (1953) has noted in his studies that each beneficiary of the group funds must produce a senior man from his or her compound as a guarantor who will agree in writing to continue the shares should the fund recipient default. From this standpoint, therefore, resources both human and material that are on the ground in Nigeria can easily be exploited to create employment opportunities if appropriate climates or environments are in place. The appropriate climates or environments referred here include favourable financial market policies tilted deliberately towards the promotion of a reciprocal pool of savings and cooperative support as a more viable strategic device for self-employment and development.

6.2.2 Financial markets implications

The research has some financial market policy implications that fall within the domain of the government machinery. Given a favourable climate, for instance, the GB-ROSCA hybrid microfinance model developed in the study has the potential to extend financial services to many teeming millions of unemployed Nigerians, particularly among those residing in the rural sector currently excluded from formal financial services owing to a variety of factors. The foremost of these factors are the smallness of transactions and the lack of acceptable collateral assets for borrowing small business funds, to mention but two. Of course the creation of favourable financial market policies and regulations is an exclusive prerogative of all governments. Hence the formulation of a favourable microfinance climate must touch such policies concerning the recognition of savings and credit associations and unions as in the GB-ROSCA hybrid microfinance system and under well-defined rules and regulations guiding the documentation and registration processes of the most viable ones as well as their integration into the mainstream formal financial institutions in the economy. In other words, the well-defined legal framework ought to be formulated to support the operation of such initiatives as in the GB-ROSCA hybrid microfinance model.

The financial implications also relate to the operation of interest rates: that is, the government is not expected to interfere in the interest rate operations of the developed model and other like microfinance institutions operating in the country. As would be expected, the interest rates would automatically adjust themselves under the market forces of demand and supply among the co-group members of such institutions. Equally, this research has other financial implications for the government such as the application of prudent deposit regulations to protect the savings of the members of the joint liability self-funding institutions, and the maintenance of law and order for microfinance operations. This encourages competition in the economy, particularly in the rural areas and rural markets: for example, the location of new banks or new financial intermediaries as well as complementary support services within easy proximity to promote the hybrid microfinance model as a new development device. Yaron and Benjamin’s (2002) and Lapenu’s (2002) studies favour an active role of the government in establishing a favourable policy environment: for example, public works, rural infrastructure, and sound legal and regulatory frameworks. Yaron and Benjamin’s (2002) advice in this regard is that such intervention measures must be limited and fully justified.

6.2.3 Resource allocations and community development initiative implications

The research has community development as well as resource allocation implications in a couple of ways. First, the prioritising of group formation and networking at the village level serves as the basis for a new development financing approach. To this end, the government's financial co-contribution within a specified timeframe, say one national plan period in the financial outlay of any accredited community joint liability groups' efforts, jumpstarts and promotes even development. The GB-ROSCA microfinance hybrid model in this respect not only has the potential to ginger or promote competition among the various ethnic communities of the Nigerian federation, it also has the tendency to quicken the pace of development as well as promote development throughout Nigeria since any set of ethnic groups that does not participate in the race for the government co-contributions misses out. Obviously this involves the prevalence or observance of certain conditions: that is, the government should show strong commitment to poverty reduction by becoming honest with its citizenry; government co-contribution of business capital at the take-off stage of the program trials; the retraining of some government officers in the old program for the new development financing regime with good remuneration to possibly obviate corruption; the periodic evaluation of the program's progress with quantitative data publications; and the consistency of policy implementation.

Second, the solidarity cooperative organisations have several advantages in microfinance initiatives, the foremost being the pooling of human and material resources. The support and strength of solidarity group members like the GB-ROSCA model can lead to community self-consciousness in the pooling of local knowledge and resources to solve common problems at the village level. In effect, this model (GB-ROSCA hybrid microfinance) leaves only major projects for the government to tackle with the money saved, since the government does not have to be called upon to provide amenities and infrastructure at the village level. More than 80% of the Nigerian population resides in villages (Muhtar 1990), and this means that a lot of money will be saved. Monies thus saved can be re-allocated to the provision and maintenance of capital infrastructure projects such as roads, transport, electricity, telephone, pipe-borne water supply, and the hiring of more people into the security agencies of government to improve the security of lives and business assets found wanting in Nigeria at the present time.

6.3 Limitations of the research

This research suffered a number of shortcomings and limitations, some of which are discussed below. Firstly, the lack of substantive prior studies on the operational performance of the SSE program, its problems, and constraints were the greatest hurdle in the research; hence there was not only an absence of prior reports to draw data from, but also there was nothing to compare the findings of the study.

Secondly, the population studied consists of managers and beneficiaries of the SSE program where cooperation was anticipated and actually gained. While the outcomes of the enquiry should be instructive to other states and zones of the federation that were not in the study of the program beneficiaries, the conclusions cannot be generalised beyond those states in the study of program managers and program beneficiaries together with any degree of certainty. The fact that the inclusion of any program beneficiary represents a voluntary decision on the part of the program manager that administered the questionnaires could also be considered a limitation since the researcher could not control the selection of this group of participants. Perhaps the researcher-respondent direct contacts or interactions could have provided the researcher the opportunity to better explain certain issues in the questionnaires to the respondents, and perhaps this could have positively influenced the rate of questionnaire completion and return as well as the research findings.

Thirdly, there was also an issue of honesty in the respondents' responses. Some of the program partial beneficiaries, for example, responded to some issues listed in the survey questionnaires when in fact they were not expected to respond to them. Tables 5.11–5.12 of Chapter Five tell this story. This seems to suggest that some respondents were not being all that honest in their responses whatever the reason they had, or perhaps they were honest but misunderstood the questions or issues asked as pointed out above as constituting a limitation.

Fourthly, there was also the problem of study sample size that is closely related to the above point. While the program managers' sample size is statistically adequate since all were in the study because of their population size explained in sections 4.5 and 4.5.1 of Chapter Four, this cannot be said of program beneficiaries whose estimated population for partial recipients stood at 1.8–2 million, and 30,000 for program full recipients already explained in section 4.5.2 of Chapter Four. Considering the estimated population of each subgroup, their samples in the study are insufficient to generalise the findings. As discussed in section 4.5.2 of Chapter Four (pages 138-140), what is more significant at this stage of the enquiry is to establish the initial research data for subsequent studies aimed to modify the SSE program or any other like intervention aid programs in Nigeria. In other words, it is more important at this stage to examine the possibility of introducing the GB-ROSCA hybrid microfinance features (operational mechanisms) into the SSE program or other like programs to deliver greater dividends.

Fifthly, there was the lack of registers or a database from which to independently draw the addresses of the program beneficiaries. Although the questionnaires were administered to them indirectly (i.e. with the help of the state level program coordinators and managers), the research findings therefore were limited by the extent to which the survey questionnaires were completed honestly, carefully, and independently.

Sixthly, there was also the problem of using the Likert scaling technique in analysing the acquired questionnaire data. It was a drawback in the sense that other than displaying the intensity of opinions or attitudes of study participants towards the issues presented for assessment, it was often difficult to ascertain in an exact quantity sense what the rating scores they had chosen meant. The scaling technique employed to analyse the acquired data was rather a device to help the researcher rank the study participants' intensity of opinions or attitudes and their frequencies towards various issues listed in the questionnaires.

6.4 Recommendations

Since this is initial research into the SSE program's performance, its problems and constraints in a more substantive way, further investigations are recommended to ascertain in quantitative terms the rate of SSE program achievements and successes in terms of the self-employment it generates, the jobs it creates for other unemployed Nigerians, and the contribution it makes to the Nigerian economy. The recommended investigations could be conducted along the lines of program full beneficiaries and program partial beneficiaries for the purposes of comparison. Since this is a preliminary investigation, more research with increased sample sizes of the two subgroups is recommended as follow-up studies to re-affirm the findings of this study.

It is equally suggested that the outcomes of this enquiry could be fully field tested, possibly with any SSE schemes or NDE programs in general, and with some kind of government co-contribution in order to make it not only more attractive, but also competitive for excellence and success even though a vast majority of study participants rejected this aspect of the SSE reforms. The Department of Economics, University of Western Cape (UWC), South Africa, has just begun similar trials to create jobs and reduce poverty in that country, and university authorities have even proceeded to establish a postgraduate degree program in microfinance (Anonymous 1), the first of its kind in Africa and the Middle-East. On the other hand, where the Nigerian authorities want to persevere with the current SSE program, it is recommended that the government modify the processing of loan applications and disbursement of sanctioned funds in an efficient manner. Perhaps it will be a good idea to have the loan application processing stage in-house to speed up processes and minimise delays. It is also recommended that the fewer loans that the federal government awards could be diversified, and not be lopsided in favour of agriculture and agricultural-related projects.

6.5 Concluding remarks

Microfinance is an effective tool currently employed around the world, particularly in developing economies to create employment and reduce poverty. In this regard, the Asian and Latin American countries lead the way. The use of microfinance holds one of the keys to the fast track development that took place in Taiwan and South Korea in the 1980s, and now Bangladesh, China, Thailand, Bolivia, and Indonesia are applying the same tool (microfinance) to their respective economies to ginger or accelerate development; and the results in these countries so far have been impressive as cited in many places in the thesis, particularly in Chapters Two and Three.

If accorded its proper place in the development of Nigerian policies and programs, the model of microfinance (GB-ROSCA hybrid microfinance) developed in the study can go a long way to generating jobs and reducing poverty in Nigeria as long as certain conditions prevail. Since the role of government in all this (under the new development financing regime of the GB-ROSCA microfinance hybrid model determined in the research) will be minimal, then the government can have enough money in its coffers to strengthen the development of entrepreneurship and business skills management training, security, and more importantly, will possess enough money to fund new capital infrastructure development projects such as roads, transport, electricity, water, etc., to mention a few revealed in the study as posing significant problems in operating micro, small and medium enterprises (MSMEs) in Nigeria, or at least make substantial improvements in them.

The contribution of the research to the existing body of knowledge and practice is fundamentally important. The role of microfinance in the development perspective in the past one-and-a-half decades is quite immense, as it has now been adopted by the United Nations (UN) System as a tool with which to halve the number of the world's people living below the poverty line by 2015. Consequently, this project takes into account and builds upon the UN documents relating to microfinance and poverty eradication in Africa with a focus on Nigeria, including the Advancement of Financial Intermediation in Africa (A/50/400 of 6 October 19945), the Report of the African Advocacy Microcredit and Poverty Eradication, the Constraints and Challenges Associated with Developing Sustainable Microfinance System in Disadvantaged Rural Areas of Africa (UN/CDF 1999), Case Studies on Best Practices Aimed at Popularising Microfinancing (UNECA Working Paper Series, ECA/DMD/PSD/OSCAL), and the 2015 United Nations Millennium Development Goals.

Thus by developing a microfinance hybrid model (GB-ROSCA hybrid microfinance) that combines the fundamental characteristics of the Bangladeshi GB and the Nigerian ROSCA microfinance institutions in such a way that generates employment opportunities and reduces unemployment and poverty in Nigeria, the research substantially advances the knowledge and practice in microfinance. Underlying the research is the discovery of a novel idea under which the Nigerian government can provide opportunities (not necessarily in financial terms) to its economically disadvantaged active citizens in the form of enabling laws and policies to enhance their capacity to take up these opportunities by way of forming community small solidarity and joint liability groups and the network of relationships formed thereof, and their overall effect on employment outcomes. This study, therefore, is an attempt to contribute to the United Nations' drive to use microfinance programs to reduce poverty in Nigeria.

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Attachment "A" of Appendix I: Program Manager's Questionnaire Sample

The Victoria University of Technology
City Campus 300 Flinders Street
Telephone + 61 3 9248-1073   Fax + 61 3 9248-1065
Melbourne 3000-**Australia**

17 November 2004

Dear respondent,

Re: Microfinance as a Strategy for Small-Scale Development Project Survey

I am conducting an enquiry about 'microfinance' as a strategy for small-scale development projects in Nigeria. For the purposes of this enquiry, 'microfinance' is described as a small amount of financial service (loans, credits, savings or insurance covers) to unemployed graduate entrepreneurs who do not possess recognised physical collaterals as security for small business loan; whereas 'small-scale development project' refers to small self-employment enterprise. Experts believe that around 85% of Nigerian enterprises are small-scale.

The National Directorate of Employment (NDE) launched in 1986 is charged to encourage and assist unemployed Nigerian graduates with viable business idea set up their own small business. The measure aims to reduce national unemployment rate amongst this group. It is believed through the measure employment opportunities can also be created for other unemployed Nigerians.

What economic assistance government should provide to its citizens and to what level assistance package can be provided are two important controversial issues these days.

This research requires voluntary information from you as managers and associates of the SSE programs. You are invited to identify issues affecting the optimal performance of the SSE scheme. Any identified constraint factors and suggestions thereof will provide valuable data for your operations.

Your input in the survey is purely voluntary, yet your participation is valuable in many ways. The data sought is purely for research purposes and will be treated with strictest confidentiality.

Do not write your name or provide any identifying information on the response sheet. All collected data will be stored at The Victoria University in Australia until the research concludes.

Please read each statement carefully and mark your response to each one separately. Return completed questionnaire in the self-addressed and stamped envelop within three weeks of the receipt to:

Attention: basil ogunedo Nwosu (boN-Researcher)

PMB 6203 Port Harcourt
Rivers State.

If you have any questions regarding this survey, please do not hesitate to contact the researcher on a **mobile phone No. 08033367313** in Nigeria or the project principal supervisor in Australia on: + 61 3 9688-5328.

basil ogunedo Nwosu (boN-Researcher); Dr segu Zuhair (Project Principal Supervisor).

Thank you for your help.

Microfinance as a Strategy for Small-Scale Development Project Survey

Questionnaire for the Small-Scale Enterprise (SSE) Managers and Associates

Please complete this questionnaire and mail it back to the researcher in the attached self-addressed and stamped envelope within three weeks of the receipt. Your collective response to this questionnaire will provide data to inform the management of the program.

Section I: Getting to Know You
(Tick √only one box in the following questions please)

1. What is your gender? □ Male □ Female

2. Which age group do you belong to? □ 18-24 □ 25-34 □ 34-44 □ 45-54 □ 55-64 □ 65 & 0ver

3. What is your highest academic qualification?
□ WASC/GCE O/L □ HSC/GCE A/L
□ OND □ HND □ Bachelor Degree □ Master Degree
□ PhD/Doctoral Degree
□ Other______________________________

Section II: Information About Your Designation and Responsibility
(Tick √only one box in the following questions where appropriate please)

4 What is your designation in the SSE programs? □ Manager □ Assistant Manager □ Instructor/trainer □ State-level co-ordinator □ Financial/loans officer □ Other____________

5 In which state are you stationed?____

6 How long have you been in this position? □ Less than 1 year □ 1-5 years □ 6-10 years □ 11-15 years

7 How many people work with you? No. Full-time.______. No. Part-time______.

Total ____________________

Section III: The Graduates' Small-Scale Enterprise (SSE) Key Achievements

DIRECTIONS

Please indicate in the table below what you perceive as the SSE key achievements of its principal objectives. Do this by circling a number to the right of each statement that best represents your response. Please remember to respond to every statement in the table. Some blank lines are left for you to fill in other key achievements of the SSE, which have not been covered. Remember also to circle a number to the right of the new issues (items) you have listed; that is, the degree of achievement in each new issue listed.

Question 8	**Achievements of the objectives of the Graduates' SSE program**	**(Circle one number only)** **Degree of achievement**					
		N/A	**Low**		**Ave/Mod**	**High**	
8.01	Self-employment training campaigns.	0	1	2	3	4	5
8.02	Skills acquisition	0	1	2	3	4	5
8.03	Effectiveness of knowledge	0	1	2	3	4	5
8.04	Funding/start-up soft loan access	0	1	2	3	4	5
8.05	Bank loan support	0	1	2	3	4	5
8.06	Size/amount of sanctioned loan	0	1	2	3	4	5
8.07	Loan repayment	0	1	2	3	4	5
8.08	Mentoring services	0	1	2	3	4	5
8.09	Overall business resource support	0	1	2	3	4	5
8. 10			1	2	3	4	5
8.11			1	2	3	4	5
8.12			1	2	3	4	5
8.13			1	2	3	4	5
8.14							
8.1.5			1	2	3	4	5

Question 9 Since the inception of the SSE, estimate the percentage of the tertiary graduates on your SSE program on self-employment? **Circle one option only in the table to your right**

91-100%	1
81-90%	2
71-80%	3
61-70%	4
51-60%	5
41-50%	6
31-40%	7
21-30%	8
11-20%	9
0-10%	10

Section IV: Significance of Problems Affecting the Optimal Performance of the SSE Programs

Please indicate in the table below what you perceive as the most important constraints (material and/or human resources) to the SSE program. Do this by circling the appropriate number that best represents your response to problems listed. Please remember to response to each and every statement in the table. Some blank lines have been left for you to list other key problems not listed in the table. Also circle a number to the right of each new problem (or item) that listed by you; that is, your degree of opinion in each new problem listed as you did in Section III.

Ques 10	Relative significance of problems affecting the performance of the SSE program	Circle one number only Degree of impact					
		N/A	Low		Ave/Mod.		High
10.01	Inadequate funds/access to start-up loan	0	1	2	3	4	5
10.02	Loans repayment breach	0	1	2	3	4	5
10.03	Lack of enabling laws.	0	1	2	3	4	5
10.04	Empowerment of program managers	0	1	2	3	4	5
10.05	Apathy towards self-employment	0	1	2	3	4	5
10.06	Infrastructure support such as transport, telephone, etc.	0	1	2	3	4	5
10.07	Lack Federal and State cooperation	0	1	2	3	4	5
10.08	Lack of coordination of among concerned agencies	0	1	2	3	4	5
10.09			1	2	3	4	5
10.10			1	2	3	4	5
10.11			1	2	3	4	5
10.12			1	2	3	4	5
10.13			1	2	3	4	5

Question 11: Should the graduate self-employment SSE program continue in its present form without any reforms? □ Yes □ No. "Yes", please proceed to question 14 in Section VI

Section V: Proposed Modifications on the Graduate SSE Program

In the table below please indicate your view of the possible changes to the SSE program. Please circle one number to the right of each statement that best represents your opinion of the degree of impact of the possible changes.

Ques 12	Possible modifications	Circle one response only Degree of impact				
		Low		Ave/Mod		High
01	ROSCA incorporation into SSE	1	2	3	4	5
02	ROSCA joint liability status recognised as a collateral substitute for loans.	1	2	3	4	5
03	ROSCA as the only route to access the collateral-free loans	1	2	3	4	5
04	25% subsidy for every 3rd successful business established	1	2	3	4	5
05	Govt co-contribution of initial expenses for successful business	1	2	3	4	5
06	ROSCA jury held liable for repayment defaults.	1	2	3	4	5
07	ROSCA joint loans be subjected to mandatory savings.	1	2	3	4	5

08	ROSCA-joint liability pooled pot attracts insurance cover.	1	2	3	4	5
09	ROSCA-joint liability pooled pot operates at par with the market rates	1	2	3	4	5
10	ROSCA-joint liability pooled pot operates at the below the market rates	1	2	3	4	5

Section VI: Concluding Questions

Question 13: What do you consider most important of all the possible modifications to the SSE program?

Question 14: Please state your reasons for the response.

Attachment "A1" of Appendix I. Q8 Frequency table results from the PMs in relation to the SSE achievements and successes and failures and weaknesses

Q/N	Item description	Frequency of the degree of achievement (%)				Percentage (%)						
		N/A	Low	Medium	High	**N/A**	1	2	3	4	5	Total
8.01	Awareness campaigns.	-	01 (3.30%)	06 (20%)	23 (76.6%)	-	-	01 (3.30%)	06 (20%)	13 (43.30%)	10 (33.30%)	30 (100%)
8.02	Skills and knowledge	-	-	05 (16.70%)	25 (83.3%)	-	-	-	05 (16.70%)	9 (30.00%)	16 (53.30%)	30 (100%)
8.03	Effectiveness of knowledge	-	01 (3.30%)	10 (33.30%)	19 (63.4%)	-	01 (3.30%)	-	10 (33.30%)	11 (36.70%)	08 (26.70%)	30 (100%)
8.04	Funding/start-up soft loan access	-	09 (30%)	07 (23.30%)	14 (46.6%)	-	01 (3.30%)	08 (26.70%)	07 (23.30%)	07 (23.30%)	07 (23.30%)	30 (100%)
8.05	Bank loan support	-	07 (23.3%)	08 (26.70%)	15 (50%)	-	01 (3.30%)	06 (20%)	08 (26.70%)	10 (33.30%)	05 (16.70%)	30 (100%)
8.06	Size/amount of sanctioned loan	-	04 (13.30%)	12 (40%)	14 (46.7%)	-	-	04 (13.30%)	12 (40%)	9 (30.00%)	05 (16.70%)	30 (100%)
8.07	Loans repayment	-	14 (46.7%)	10 (33.30%)	06 (20%)	-	03 (10.00%)	11 (36.70%)	10 (33.30%)	05 (16.70%)	01 (3.30%)	30 (100%)
8.08	Mentoring service	-	04 (13.30%)	11 (36.70%)	15 (50%)	-	-	04 (13.30%)	11 (36.70%)	05 (16.70%)	10 (33.30%)	30 (100%)
8.09	Overall resource support	-	06 (20%)	03 (10.00%)	21 (70%)	-	-	06 (20%)	03 (10.00%)	08 (26.70%)	13 (43.30%)	30 (100%)

Attachment "A2" of Appendix I: Q10 Frequency table results on the greatest constraints to the program operations from the PM's perspective

Q/N 10	**Item description**	**Degree of impact %**				**Percentage (%)**						
		N/A	Low	Medium	High	N/A	1	2	3	4	5	Total
10.01	Inadequate funds/access to start-up loan	-	-	6 (20%)	24 (80%)	-	-	-	6 (20%)	14 (46.7%)	10 (33.30%)	30 (100%)
10.02	Loans repayment	-	4 (13.3%)	9 (30%)	17 (56.7%)	-	1 (3.3%)	3 (10.0%)	9 (30%)	8 (26.7%)	9 (30.0%)	30 (100%)
10.03	Enabling laws.	-	10 (33.3%)	8 (26.7%)	12 (40%)	-	3 (10.0%)	7 (23.3%)	8 (26.7%)	8 (26.7%)	4 (13.3%)	30 (100%)
10.04	Empowerment of program managers	-	7 (23.3%)	5 (16.7%)	18 (60%)	-	1 (3.3%)	6 (20.0%)	5 (16.7%)	12 (40.0%)	6 (20.0%)	30 (100%)
10.05	Apathy towards self-employment	-	8 (26.7%)	8 (26.7%)	14 (46.7%)	-	1 (3.3%)	7 (23.3%)	8 (26.7%)	7 (23.3%)	7 (23.3%)	30 (100%)
10.06	Infrastructure support (such as transport, telephone, etc).	-	7 (23.3%)	6 (20%)	17 (56.7%)	-	2 (6.7%)	5 (16.7%)	6 (20%)	11 (36.7%)	6 (20.0%)	30 (100%)
10.07	Federal and State cooperation	-	4 (13.3%)	12 (40%)	14 (46.7%)	-	2 (6.7%)	2 (6.7%)	12 (40%)	6 (20.0%)	8 (26.7%)	30 (100%)
10.08	Coordination among concerned agencies	1 (3.3%)	7 (23.3%)	7 (23.3%)	15 (50%)	1 (3.3%)	1 (3.3%)	6 (20.0%)	7 (23.3%)	12 (40.0%)	3 (10.0%)	30 (100%)

Attachment "A3" of Appendix I (Q12 of managers' questionnaire referred to): Frequency table results from Program Managers in relation to possible reforms that can be made to the SSE program financing system

Q/N12	Item description	Degree of agreement (%)			Percentage (%)					
		Low	Medium	High	1	2	3	4	5	Total
12.01	ROSCA incorporation into SSE	3 (10.0%)	5 (16.7%)	22 (73.3%)	1 (3.3%)	2 (6.7%)	5 (16.7%)	10 (33.3%)	12 (40.0%)	30 (100%)
12.02	ROSCA joint liability status recognised as a collateral substitute for loans.	7 (23.3%)	6 (20.0%)	17 (56.7%)	3 (10.0%)	4 (13.3%)	6 (20.0%)	9 (30.0%)	8 (26.7%)	30 (100%)
12.03	ROSCA as the only route to access the collateral-free loans	3 (10.0%)	2 (6.7%)	25 (83.3%)	3 (10.0%)	-	2 (6.7%)	9 (30.0%)	16 (53.3%)	30 (100%)
12.04	25% subsidy for every 3rd successful business established	4 (13.3%)	12 (40.0%)	14 (46.7%)	1 (3.3%)	3 (10.0%)	12 (40.0%)	8 (26.7%)	6 (20.0%)	30 (100%)
12.05	Govt co-contribution of initial expenses for successful business	11 (36.7%)	7 (23.3%)	12 (40.0%)	4 (13.3%)	7 (23.3%)	7 (23.3%)	7 (23.3%)	5 (16.7%)	30 (100%)
12.06	ROSCA jury held liable for repayment defaults.	6 (20.0%)	8 (26.7%)	16 (53.3%)	4 (13.3%)	2 (6.7%)	8 (26.7%)	6 (20.0%)	10 (33.3%)	30 (100%)
12.07	ROSCA joint loans be subjected to mandatory savings.	5 (16.7%)	3 (10.0%)	22 (73.3%)	2 (6.7%}	3 (10.0%)	3 (10.0%)	7 (23.3%)	15 (50.0%)	30 (100%)
12.08	ROSCA-joint liability pooled pot attracts insurance cover.	5 (16.7%)	6 (20.0%)	19 (63.3%)	3 (10.0%)	2 (6.7%)	6 (20.0%)	10 (33.3%)	9 (30.0%)	30 (100%)
12.09	ROSCA-joint liability pooled pot operates at par with the market rates	16 (53.3%)	5 (16.7%)	9 (30.0%)	7 (23.3%)	9 (30.0%)	5 (16.7%)	5 (16.7%)	4 (13.3%)	30 (100%)
12.10	ROSCA-joint liability pooled pot operates at the below the market rates	2 (6.7%)	4 (13.3%)	24 (80.0%)	2 (6.70%)	-	4 (13.3%)	11 (36.7%)	13 (43.3%)	30 (100%)

Attachment “B “of Appendix I: Beneficiary’s Questionnaire

The Victoria University of Technology
City Campus 300 Flinders Street
Telephone + 61 3 9248-1073 Fax + 61 3 9248-1065
Melbourne 3000-**Australia**

17 November 2004.

Dear respondent,

Re: Microfinance as a Strategy for Small-Scale Development Project Survey

I am conducting an enquiry about ‘microfinance’ as a strategy for small-scale development projects in Nigeria. For this enquiry, ‘microfinance’ is described as small financial services (loans, credits, savings or insurance covers) provided to unemployed entrepreneurs; whereas ‘small-scale development project’ is synonymous with self-employed small-scale enterprise. Experts believe that around 85% of Nigerian enterprises are small-scale. The National Directorate of Employment (NDE) launched in 1986 is charged to encourage and assist unemployed Nigerian graduates with viable business idea set up their own small business. The measure is not only designed to reduce national unemployment level amongst graduates, it is hoped the measure will also generate jobs for other unemployed Nigerians.

What economic assistance package government ought to provide to its citizens and to what extent assistance can be provided are two important controversial issues these days?
This research requires voluntary information from you as a beneficiary of the Small-Scale Enterprise (SSE). You are requested to identify fundamental issues affecting your SSE-backed business (or a business start intention). Any identified constraint factors and suggestions thereof will provide data for the relevant authorities of the program.

Your participation in this survey is purely voluntary. Yet its outcome is of immense value to your business or business intention. The information sought in the questionnaire is purely for research purposes and will be treated with strictest confidentiality.

Do not write your name or provide any identifying information on the response sheet. All collected data will be stored at The Victoria University in Australia until the research concludes.

Please read each statement carefully and mark your response to each one separately. Please return completed questionnaire in the self-addressed and stamped envelop within three weeks of the receipt to: **Attention** basil ogunedo Nwosu (boN-Researcher):

PMB 6203 Port Harcourt, Rivers State.

If you have any questions regarding this survey, please do not hesitate to contact the researcher on a **mobile phone No. 08033367313** in Nigeria or the project principal supervisor in Australia on: + 61 3 9688-5328.

basil ogunedo Nwosu (boN-Researcher); Dr segu Zuhair (Project Principal Supervisor).

Thank you for your help.

Microfinance as a Strategy for Small-Scale Development Project Survey

Questionnaire for the Small-Scale Enterprise (SSE) Beneficiaries

Please complete this questionnaire and mail it back to the researcher in the attached self-addressed and stamped envelope within three weeks of the receipt.

Section I: Getting to Know You
(Tick √only one box in the following questions please)

4. What is your gender? ☐ Male ☐ Female

5. Which age group do you belong to? ☐ 18-24 ☐ 25-34 ☐ 34-44 ☐ 45-54 ☐ 55-64 ☐ 65 & 0ver

6. What is your highest academic qualification?
   ☐ HND ☐ Bachelor Degree
   ☐ Master Degree ☐ PhD/Doctoral Degree
   ☐ Other________________________________

Section II: Information About Your Business (if applicable)
(Tick √only one box in the following questions where appropriate please)

4 In which year did you receive SSE skills training? ___________________________________

7. At the end of the SSE training program, when did you set up your business?
   ☐ Immediately within 6 months
   ☐ 6 Months-1Year ☐ 1-2 Years
   ☐ 2-3 Year ☐ Have not yet started a business

6. If you did not set up a business immediately after the SSE training, please explain the delay.

____

____

____

____

____

7. If you now operate your own business, what is the nature of your business?

____

____

____

____

____

8. Did you have prior business experience before starting your own business? ☐ Yes ☐ No. (Go to question 6).

9. If you answered yes, what type of business? □ Family business □ Someone's business
□ Quasi-govt business

10. Are you working full time or part-time in your own business? □ Fulltime □ Part-time

11. How many people work in your business? Full-time_____, Part-time______, Total_______

Section III: Aftermath of Your SSE Skills Training
(Tick √the appropriate boxes in the following question where applicable please)

12. Did you start your business with the help of access to:
□ Federal Govt loan □ State Govt loan
□ Local Govt loan □ Govt-supported commercial bank lank loan □ Other type of loans

13. If it is a government supported bank loan, which of the government supported the loan application? □ Federal Govt loan □ State govt loan □ Local govt loan

14. In which year did you secure the start-up loan? _____________________________________

15. How long did it take to get a loan approval after applying? ___________________________

16. How long did it take you to secure a loan after approval? _____________________________

17. Did you apply for any type of govt loan (or govt-backed loan) after the SSE training? □Yes □ No.

18. If you did not apply for govt start-up loan (or govt-supported loan) after the SSE training, how did you finance the start of your own business?
□ Personal savings □ Family financial support
□ Friends' financial support □ Other________________

19. Do you have an SSE mentor for your business? □ Yes □ No. (Go to question 21 please).

20. If yes, were the mentor's services helpful to your business? □ Yes □ No.

21. Would you have liked the services of a mentor for your business? □ Yes □ No.

Section IV: Experience of the SSE Program

DIRECTIONS

Please indicate in the table below what have been your personal experiences with the Graduates SSE program operations by circling a number to the right of each statement that best represents your response. Please remember to respond to each and every statement in the table. Some blank lines have been left for you to list other key experiences of yours, if any, please. Also circle a number to the right of the new issues (items) you have listed that best represents your response; that is, the degree of agreement in each new issue you have listed.

Ques 22	**Your personal experience with the SSE program operations**	**Circle one number only** **Degree of agreement** N/A Low Ave/mod. High
01	Number of instructors/trainers	0 1 2 3 4 5
02	Knowledge of imparted subject	0 1 2 3 4 5
03	Effectiveness of imparted knowledge	0 1 2 3 4 5
04	Skills acquisition	0 1 2 3 4 5
05	Start-up loan	0 1 2 3 4 5
06	Support for bank loan	0 1 2 3 4 5
07	Size/amount of amount loan	0 1 2 3 4 5
08	Access to sanctioned loans	0 1 2 3 4 5
09	Magnitude of resource support	0 1 2 3 4 5
10	In self-employment	0 1 2 3 4 5
11		1 2 3 4 5
12		1 2 3 4 5
		1 2 3 4 5
14		1 2 3 4 5

Section V: Importance of Issues to You

DIRECTIONS: Please indicate the importance of every issue (item) listed in the table below. Do this by circling the appropriate number to your right that appeals to you, that is, the degree of importance of each issue. Please remember to respond to each and every statement.

Ques 23	**How important are these issues to you?**	**Circle one response only** **Degree of importance** N/A Low Ave/Mod. High
01	Program funding/business start-up loans	0 1 2 3 4 5
02	Collateral assets /guarantor	0 1 2 3 4 5
03	Business loan interest rate	0 1 2 3 4 5
04	Savings facility proximity.	0 1 2 3 4 5
05	Mentoring service.	0 1 2 3 4 5
06	Infrastructure support (such as transport, telephone, etc).	0 1 2 3 4 5

Section VI: Ranking Problems (Issues) Affecting Your Business (or Self-Employment Business Start Intention)

DIRECTIONS

Please use the table to your right to rank issues listed in the table below. Please remember to place one number only in the rank column for each issue (item) listed in the table below.

Most important	1
Important	2
Slightly important	3
Not important	4
Much Less important	5

Issues (items)	Rank
Funds (including access to a loan, loans' interest rate, etc) to start one's own business.	
Funds (including access to a loan, loans' interest rate, etc) to start one's own business	
Enabling laws that encourage people to go into self-employment business, including policy implementation that really makes a change.	
Provision and maintenance of infrastructural facilities.	
Market access to sell products of small business factories.	

Note the following explanations of some key words used in the above table.

Key terms	**Explanation of the key terms used**
Funds	Availability of monies, including loans and credits for commencing my own small business.
Enabling law	Enactment of laws, which are friendly to self–employed small businesses, including business support services; laws specially designed to promote and foster growth of small businesses, eg, easy access to credits & loans, small savings facilities, product protection and product promotions, etc.
Policy implementation	Rules, practices or causes of action often and consistently followed by government officials in the discharge of their lawful duties including red tape and bureaucracies.
Infrastructure support	Water, electricity, good roads, transport, telephone, security, etc.
Market access	Difficulties in getting your products to the marketplace due to regulations, fierce competitions, trade association or trade cooperation, etc.

Please briefly explain why you have ranked the problem in the table prior to the one above as the most important problem facing your business (or preventing you commencing your own business).

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____
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____

Question 24: Should the graduate SSE program continue in its present form without any reforms? □Yes (please go to question 27 in Section VIII) □ No.

Section VII: Proposed Modifications to the SSE Program

In the table below please indicate your view of the possible changes to the SSE program. Please circle one number to the right of each statement that best represents your opinion of the degree of impact of the possible changes.

Ques 25	**Possible modifications**	**Circle one response only** **Degree of impact** **Low**		**Ave/Mod**		**High**
01	ROSCA incorporation into SSE	1	2	3	4	5
02	ROSCA joint liability status be recognised as a collateral substitute for loans.	1	2	3	4	5
03	ROSCA should be the only route to access the collateral-free loans	1	2	3	4	5
04	25% subsidy for every 3rd successful business established	1	2	3	4	5
05	Govt co-contribution of initial expenses for successful business	1	2	3	4	5
06	ROSCA jury held liable for repayment defaults.	1	2	3	4	5
07	ROSCA joint loans subjected to a mandatory savings.	1	2	3	4	5
08	ROSCA-joint liability pooled pot attracts insurance cover.	1	2	3	4	5
09	ROSCA-joint liability pooled pot operates at par with the market rates	1	2	3	4	5
10	ROSCA-joint liability pooled pot operates at the below the market rates	1	2	3	4	5

Section VIII: Concluding Questions

Question 26: What do you consider most important of all the possible modifications to the SSE program?

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____

Question 27: Please state the reasons for your response

Attachment "B1" of Appendix I. Frequency table results based on the program experience of SSE Full Beneficiaries (FB)

Q/N	Item description	Degree of satisfaction				Percentage (%)						
		N/A	Low	Med	High	N/A	1	2	3	4	5	Total
22.01	Number of instructors/trainers	-	1 (3.2%)	7 (22.6%)	23 (74.2%)	-	1 (3.2%)	-	7 (22.6%)	12 (38.7%)	11 (35.5%)	31 (100%)
22.02	Knowledge of subject imparted	-	2 (6.5%)	5 (16.1%)	24 (77.4%)	-	-	2 (6.5%)	5 (16.1%)	17 (54.8%)	7 (22.6%)	31 (100%)
22.03	Standard of knowledge delivery	-	-	7 (22.6%)	24 (77.4%)	-	-	-	7 (22.6%)	13 (41.9%)	11 (35.5%)	31 (100%)
22.04	Skills acquisition effectiveness	1 (3.2%)	4 (12.9%)	3 (9.7%)	23 (74.2%)	1 (3.2%)	-	4 (12.9%)	3 (9.7%)	11 (35.5%)	12 (38.7%)	31 (100%)
22.05	Start-up loan access	2 (6.5%)	7 (22.6%)	9 (29.0%)	13 (41.9%)	2 (6.5%)	-	7 (22.6%)	9 (29.0%)	8 (25.8%)	5 (16.1%)	31 (100%)
22.06	Bank loan support	6 (19.4%)	3 (9.7%)	6 (19.4%)	16 (51.6%)	6 (19.4%)	1 (3.2%)	2 (6.5%)	6 (19.4%)	13 (41.9%)	3 (9.7%)	31 (100%)
22.07	Size/amount of amount loan	3 (9.7%)	9 (29.0%)	10 (32.3%)	9 (29.0%)	3 (9.7%)	3 (9.7%)	6 (19.4%)	10 (32.3%)	7 (22.6%)	2 (6.5%)	31 (100%)
22.08	Access to sanctioned loans	4 (12.9%)	11 (35.5%)	10 (32.3%)	6 (19.4%)	4 (12.9%)	7 (22.6%)	4 (12.9%)	10 (32.3%)	6 (19.4%)	-	31 (100%)
22.09	Magnitude of resource support	2 (6.5%)	5 (16.1%)	11 (35.5%)	13 (41.9%)	2 (6.5%)	-	5 (16.1%)	11 (35.5%)	8 (25.8%)	5 (16.1%)	31 (100%)
22.10	In self-employment	4(12.9%)	5 (16.1%)	5 (16.1%)	17 (54.8%)	4(12.9%)	1 (3.2%)	4 (12.9%)	5 (16.1%)	11 (35.5%)	6 (19.4%)	31 (100%)

Attachment "B2" of Appendix I. Frequency table results based on the SSE program experience of PBs

Q/N 22	Item description	Degree of satisfaction					Percentage (%)					
		N/A	Low	Med	High	N/A	1	2	3	4	5	Total
22.01	Number of instructors/trainers	-	2 (6.9%)	4 (13.8%)	23 (79.3%)	-	1 (3.4%)	1 (3.4%)	4 (13.8%)	12 (41.4%)	11 (37.9%)	29 (100%)
22.02	Knowledge of subject imparted	-	1 (3.4%)	4 (13.8%)	24 (82.8%)	-	-	1 (3.4%)	4 (13.8%)	16 (55.2%)	8 (27.6%)	29 (100%)
22.03	Standard of knowledge delivery	-	-	6 (20.7%)	23 (79.3%)	-	-	-	6 (20.7%)	11 (37.9%)	12 (41.4%)	29 (100%)
22.04	Skills acquisition effectiveness	2 (6.9%)	2 (6.9%)	7 (24.1%)	18 (62.1%)	2 (6.9%)	-	2 (6.9%)	7 (24.1%)	9 (31.0%)	9 (31.0%)	29 (100%)
22.05	Start-up loan access	16 (55.2%)	8 (27.6%)	-	5 (17.2%)	16 (55.2%)	5 (17.2%)	3 (10.3%)	-	-	5 (17.2%)	29 (100%)
22.06	Bank loan support	10 (34.5%)	12 (41.4%)	1 (3.4%)	6 (20.7%)	10 (34.5%)	8 (27.6%)	4 (13.8%)	1 (3.4%)	3 (10.3%)	3 (10.3%)	29 (100%)
22.07	Size/amount of amount loan	11 (37.9%)	11 (37.9%)	4 (13.8%)	3 (10.3%)	11 (37.9%)	7 (24.1%)	4 (13.8%)	4 (13.8%)	1 (3.4%)	2 (6.9%)	29 (100%)
22.08	Access to sanctioned loans	14 (48.3%)	9 (31.0%)	3 (10.3%)	3 (10.3%)	14 (48.3%)	7 (24.1%)	2 (6.9%)	3 (10.3%)	-	3 (10.3%)	29 (100%)
22.09	Magnitude of resource support	7 (24.1%)	7 (24.1%)	4 (13.8%)	11 (37.9%)	7 (24.1%)	3 (10.3%)	4 (13.8%)	4 (13.8%)	4 (13.8%)	7 (24.1%)	29 (100%)
22.10	In self-employment	6 (20.7%)	5 (17.2%)	8 (27.6%)	10 (34.5%)	6 (20.7%)	2 (6.9%)	3 (10.3%)	8 (27.6%)	6 (20.7%)	4 (13.8%)	29 (100%)

Attachment "B3" of Appendix I - Frequency table results from the FBs in relation to their greatest constraints in starting/operating a business

Q/N 23	Item description	Degree of impact				Percentage (%)						
		N/A	Low	Med	High	N/A	1	2	3	4	5	Total
23.01	Program funding/business start-up loans	-	2 (6.5%)	6 (19.4%)	23 (74.2%)	-	-	2 (6.5%)	6 (19.4%)	5 (16.1%)	18 (58.1%)	31 (100%)
23.02	Collateral assets /guarantor	-	5 (16.1%)	7 (22.6%)	19 (61.3%)	-	1 (3.2%)	4 (12.9%)	7 (22.6%)	10 (32.3%)	9 (29.0%)	31 (100%)
23.03	Business loan interest rate	-	7 (22.6%)	11 (35.5%)	13 (41.9%)	-	2 (6.5%)	5 (16.1%)	11 (35.5%)	7 (22.6%)	6 (19.4%)	31 (100%)
23.04	Savings facility proximity.	-	8 (25.8%)	10 (32.3%)	13 (41.9%)	-	1 (3.2%)	7 (22.6%)	10 (32.3%)	9 (29.0%)	4 (12.9%)	31 (100%)
23.05	Mentoring service.	2 (6.5%)	8 (25.8%)	6 (19.4%)	15 (48.4%)	2 (6.5%)	5 (16.1%)	3 (9.7%)	6 (19.4%)	10 (32.3%)	5 (16.1%)	31 (100%)
23.06	Infrastructure support (such as transport, telephone, etc).	1 (3.2%)	3 (9.7%)	6 (19.4%)	21 (67.7%)	1 (3.2%)	-	3 (9.7%)	6 (19.4%)	9 (29.0%)	12 (38.7%)	31 (100%)

Attachment "B4" of Appendix I - Frequency table results from the PBs on their greatest constraints to starting or operating a business

Q/N 23	Item description	Degree of impact				Percentage (%)						
		N/A	Low	Med	High	N/A	1	2	3	4	5	Total
23.01	Inadequate Program funding/business start-up loans	-	1 (3.4%)	3 (10.3%)	25 (86.2%)	-	-	1 (3.4%)	3 (10.3%)	6 (20.7%)	19 (65.5%)	29 (100%)
23.02	Collateral /guarantor	-	6 (20.7%)	3 (10.3%)	20 (69.0%)	-	-	6 (20.7%)	3 (10.3%)	6 (20.7%)	14 (48.3%)	29 (100%)
23.03	Business loan interest rate	1 (3.4%)	8 (27.6%)	6 (20.7%)	14 (48.3%)	1 (3.4%)	2 (6.9%)	6 (20.7%)	6 (20.7%)	5 (17.2%)	9 (31.0%)	29 (100%)
23.04	Savings facility proximity.	1 (3.4%)	2 (6.9%)	11 (37.9%)	15 (51.7%)	1 (3.4%)	1 (3.4%)	1 (3.4%)	11 (37.9%)	8 (27.6%)	7 (24.1%)	29 (100%)
23.05	Mentoring service.	1 (3.4%)	3 (10.3%)	6 (20.7%)	19 (65.5%)	1 (3.4%)	1 (3.4%)	2 (6.9%)	6 (20.7%)	14 (48.3%)	5 (17.2%)	29 (100%)
23.06	Infrastructure support (such as transport, telephone, etc).	3 (10.3%)	2 (6.9%)	1 (3.4%)	23 (79.3%)	3 (10.3%)	-	2 (6.9%)	1 (3.4%)	3 (10.3%)	20 (69.0%)	29 (100%)

Attachment "B5" of Appendix I: Frequency table results on the possible funding reforms of SSE program from FBs

Q/N	Item description	Degree of agreement			Percentage (%)					
		Low	Med	High	1	2	3	4	5	Total
25.01	ROSCA incorporation into SSE	5 (16.1%)	9 (29.0%)	17 (54.9%)	2 (6.5%)	3 (9.7%)	9 (29.0%)	10 (32.3%)	7 (22.6%)	31 (100%)
25.02	ROSCA joint liability status be recognised as a collateral substitute for loans.	10 (32.3%)	8 (25.8%)	13 (41.9%)	3 (9.7%)	7 (22.6%)	8 (25.8%)	8 (25.8%)	5 (16.1%)	31 (100%)
25.03	ROSCA should be recognised as the only route to access the collateral-free loans	6 (19.4%)	10 (32.3%)	15 (48.4%)	4 (12.9%)	2 (6.5%)	10 (32.3%)	8 (25.8%)	7 (22.6%)	31 (100%)
25.04	25% subsidy for every 3rd successful business established	7 (22.6%)	9 (29.0%)	15 (48.4%)	-	7 (22.6%)	9 (29.0%)	12 (38.7%)	3 (9.7%)	31 (100%)
25.05	Govt co-contribution of initial expenses for successful business	12 (38.7%)	13 (41.9%)	6 (19.4%)	4 (12.9%)	8 (25.8%)	13 (41.9%)	4 (12.9%)	2 (6.5%)	31 (100%)
25.06	ROSCA jury held liable for repayment defaults.	6 (19.4%)	9 (29.0%)	16 (51.6%)	3 (9.7%)	3 (9.7%)	9 (29.0%)	12 (38.7%)	4 (12.9%)	31 (100%)
25.07	ROSCA joint loans be subjected to mandatory savings.	9 (29.0%)	10 (32.3%)	12 (38.7%)	3 (9.7%)	6 (19.4%)	10 (32.3%)	9 (29.0%)	3 (9.7%)	31 (100%)
25.08	ROSCA-joint liability pooled pot attracts insurance cover.	12 (38.7%)	12 (38.7%)	7 (22.6%)	6 (19.4%)	6 (19.4%)	12 (38.7%)	4 (12.9%)	3 (9.7%)	31 (100%)
25.09	ROSCA-joint liability pooled pot operates at par with the market rates	18 (58.1%)	6 (19.4%)	7 (22.6%)	13 (41.9%)	5 (16.1%)	6 (19.4%)	5 (16.1%)	2 (6.5%)	31 (100%)
25.10	ROSCA-joint liability pooled pot operates at the below the market rates	5 (16.1%)	6 (19.4%)	20 (64.5%)	2 (6.5%)	3 (9.7%)	6 (19.4%)	9 (29.0%)	11 (35.5%)	31 (100%)

Attachment "B6" of Appendix I: Frequency table results on the possible SSE funding reforms from the PBs

Q/N 25	**Item description**	**Degree of agreement**				**Percentage (%)**						
		N/A	Low	Med	High	N/A	1	2	3	4	5	Total
25.01	ROSCA incorporation into SSE	2 (6.9%)	2 (6.9%)	6 (20.7%)	19 (65.5%)	2 (6.9%)	1 (3.4%)	1 (3.4%)	6 (20.7%)	9 (31.0%)	10 (34.5%)	29 (100%)
25.02	ROSCA joint liability status be recognised as a collateral substitute for loans.	2 (6.9%)	3 (10.3%)	8 (27.6%)	16 (55.2%)	2 (6.9%)	1 (3.4%)	2 (6.9%)	8 (27.6%)	8 (27.6%)	8 (27.6%)	29 (100%)
25.03	ROSCA should be the only route to access collateral-free loans	2 (6.9%)	-	3 (10.3%)	24 (82.8%)	2 (6.9%)	-	-	3 (10.3%)	11 (37.9%)	13 (44.8%)	29 (100%)
25.04	25% subsidy for every 3rd successful business established	2 (6.9%)	6 (20.7%)	10 (34.5%)	11 (37.9%)	2 (6.9%)	2 (6.9%)	4 (13.8%)	10 (34.5%)	8 (27.6%)	3 (10.3%)	29 (100%)
25.05	Govt co-contribution of initial expenses for successful business	2 (6.9%)	10 (34.5%)	7 (24.1%)	10 (34.5%)	2 (6.9%)	5 (17.2%)	5 (17.2%)	7 (24.1%)	7 (24.1%)	3 (10.3%)	29 (100%)
25.06	ROSCA jury held liable for repayment defaults.	2 (6.9%)	5 (17.2%)	7 (24.1%)	15 (51.7%)	2 (6.9%)	4 (13.8%)	1 (3.4%)	7 (24.1%)	7 (24.1%)	8 (27.6%)	29 (100%)
25.07	ROSCA joint loan be subjected to mandatory savings.	2 (6.9%)	1 (3.4%)	4 (13.8%)	22 (75.9%)	2 (6.9%)	-	1 (3.4%)	4 (13.8%)	11 (37.9%)	11 (37.9%)	29 (100%)
25.08	ROSCA-joint liability pooled pot attracts insurance cover.	3 (10.3%)	5 (17.2%)	6 (20.7%)	15 (51.7%)	3 (10.3%)	2 (6.9%)	3 (10.3%)	6 (20.7%)	7 (24.1%)	8 (27.6%)	29 (100%)
25.09	ROSCA-joint liability pooled pot operates at par with the market rates	2 (6.9%)	16 (55.2%)	3 (10.3%)	8 (27.6%)	2 (6.9%)	11 (37.9%)	5 (17.2%)	3 (10.3%)	2 (6.9%)	6 (20.7%)	29 (100%)
25.10	ROSCA-joint liability pooled pot operates at the below the market rates	2 (6.9%)	2 (6.9%)	2 (6.9%)	23 (79.3%)	2 (6.9%)	1 (3.4%)	1 (3.4%)	2 (6.9%)	6 (20.7%)	17 (58.6%)	29 (100%)

Attachment 1 of Appendix II. Detailed Scores of Each Study Participant: The Program Managers

Managers	Q1	Q2	Q3	Q4	Q5	Q6	Q7FT	Q7PT	Q7TS	Q801	Q802	Q803	Q804	Q805
1	1	3	5	4	14	1	60	-	60	4	3	3	3	3
2	1	4	6	3	19	3	1	-	1	5	5	3	4	4
3	1	4	6	4	19	2	10	31	41	3	5	1	5	3
4	1	4	6	4	18	2	63	-	63	3	4	4	3	2
5	1	4	5	6	18	3	4	-	4	4	3	4	4	3
6	1	4	6	1	9	4	6	-	6	5	5	5	5	5
7	1	4	6	3	1	4	5	-	5	5	5	5	2	5
8	1	4	6	4	1	4	56	-	56	2	3	3	3	2
9	1	4	6	4	10	2	56	-	56	3	5	4	5	5
10	1	4	5	4	6	2	22	-	22	4	4	4	4	4
11	1	4	5	4	7	3	54	50	104	3	3	3	4	3
12	1	3	5	3	17	2	2	-	2	5	5	4	4	2
13	1	4	5	4	5	2	34	-	34	5	5	5	5	5
14	1	4	5	4	2	2	31	-	31	4	5	4	4	5
15	1	3	6	4	8	4	3	-	3	4	5	5	4	1
16	1	4	5	4	16	3	1	4	5	4	5	5	5	4
17	1	4	6	3	7	3	2	1	3	3	4	3	4	3
18	1	5	6	4	11	2	43	-	43	5	5	5	5	5
19	1	3	4	3	5	1	-	500	500	4	4	4	3	4
20	1	3	4	6	15	3	3	2	5	4	5	4	5	4
21	2	4	6	4		2	48	-	48	4	4	3	4	3
22	1	3	4	3	5	2	3	-	3	5	4	4	4	2
23	2	4	6	4	4	2		-	-	3	5	3	3	2
24	2	4	5	3	14	2	1	1	2	4	4	3	5	2
25	1	4	5	3	12	4	1	-	1	4	3	3	3	2
26	1	3	5	6	3	4	2	-	2	5	5	5	5	4
27	1	3	6	3	2	4	4	6	10	5	5	4	4	2
28	1	3	5	3	12	4	2	-	2	5	4	4	5	3
29	1	4	5	3	4	4	7	-	7	4	5	5	5	5
30	1	4	4	4	20	2	23	-	23	4	4	3	3	4

(Data Continued)

Managers	Q806	Q807	Q808	Q809	Q810	Q9	Q1001	Q1002	Q1003	Q1004	Q1005	Q1006	Q1007	Q1008
1	3	3	3	2	4	3	4	4	3	4	4	3	2	2
2	4	4	1	3	2	1	4	5	4	4	5	5	5	4
3	4	3	1	5	3	1	5	5	5	5	5	5	5	4
4	4	3	2	3	3	2	4	4	3	3	4	2	3	4
5	3	3	3	4	4	3	4	5	2	2	5	4	4	5
6	5	5	4	5	5	3	5	3	3	2	5	2	3	2
7	2	5	1	3	2	2	5	4	4	3	4	5	5	3
8	2	3	2	3	3	1	5	4	1	3	3	4	4	4
9	4	2	2	3	5	2	5	4	4	4	3	4	5	4
10	4	3	2	4	4	4	4	4	1	5	4	4	1	1
11	4	4	3	2	2	3	4	4	2	3	2	4	3	4
12	2	5	5	5	4	2	4	4	3	2	5	5	1	2
13	5	4	4	4	5	3	3	2	1	1	2	1	3	3
14	2	5	3	5	5	3	3	5	2	4	2	4	4	4
15	2	3	2	4	4	3	5	5	5	5	2	1	5	3
16	5	4	4	5	5	5	3	5	5	4	3	5	5	5
17	3	3	3	3	2	2	4	3	2	3	3	3	3	2
18	4	3	3	3	5	3	3	5	5	4	1	2	3	4
19	5	2	2	3	5	4	3	3	3	2	2	2	3	2
20	4	4	3	5	5	4	3	2	2	4	3	3	2	3
21	3	4	3	5	5	3	4	1	2	2	4	4	3	3
22	3	3	2	3	2	1	4	5	4	5	5	4	5	5
23	1	2	2	2	2	2	4	3	3	4	4	4	4	4
24	3	4	2	2	4	4	5	3	2	2	3	4	3	2
25	3	3	3	4	4	1	4	2	4	4	4	2	3	4
26	4	4	4	5	5	4	4	3	4	5	3	3	3	3
27	3	2	2	5	5	3	4	3	3	4	5	3	4	4
28	2	4	2	3	4	3	5	3	4	4	3	4	4	3
29	4	5	4	5	5	4	5	3	3	4	2	5	5	-
30	5	3	3	3	5	4	5	5	4	5	2	3	3	4

(Data Continued)

Managers	Q11	Q1201	Q1202	Q1203	Q1204	Q1205	Q1206	Q1207	Q1208	Q1209	Q1210	Q13	Q14
1	2	3	3	5	2	2	5	5	5	2	5	1, 2	1,2
2	2	5	5	5	5	2	5	5	4	1	5	3,5	6,4
3	2	5	5	5	5	5	3	5	3	5	5	2	4
4	2	4	4	4	3	3	3	2	1	1	4	6	2,8
5	2	2	4	4	4	2	4	2	2	2	4	2,3	2,4
6	2	5	3	4	2	2	3	5	5	2	4	1	3,9
7	2	5	1	5	5	1	1	5	4	1	5	8	11
8	2	5	5	5	3	1	1	5	5	1	5	1,4	2,3
9	2	2	3	5	3	4	3	4	3	2	4	3	11
10	2	4	4	5	4	2	4	4	4	4	4	8	11
11	2	4	2	4	3	4	4	3	4	2	3	8	11
12	2	4	2	4	3	4	5	5	4	2	5	5	1,9
13	2	5	5	5	5	5	5	5	5	5	1	3,2	2,4
14	2	4	2	5	4	4	5	5	4	3	4	3	1,4
15	2	4	5	5	4	5	3	4	5	4	4	6	4
16	2	5	3	5	4	4	5	5	4	5	5	5,7	1,7
17	2	3	4	3	3	1	3	2	3	4	4	8	11
18	2	3	5	1	3	3	5	5	5	3	5	7	10
19	2	4	4	3	3	3	3	4	4	3	3	8	11
20	2	4	4	5	4	3	4	3	3	2	4	8	11
21	2	5	3	4	3	3	4	5	2	1	3	1	1,4
22	2	5	2	5	4	1	3	4	3	2	4	1,6	2,4
23	2	5	5	5	5	3	2	3	4	2	5	8	11
24	2	3	4	5	3	2	5	5	5	3	4		
25	2	5	1	1	2	3	1	1	1	1	5		
26	2	1	1	1	1	2	1	1	1	1	1	8	11
27	2	4	5	5	5	4	2	5	5	5	5	8	11
28	2	5	3	4	4	5	5	4	5	4	5	1,3	2,3
29	2	4	4	4	3	4	4	4	3	4	3	8	11
30	2	3	4	4	3	5	5	5	4	3	5	8	11

Attachment 2 of Appendix II. Detailed Scores of Each Study Participant: The Program Full Beneficiaries

F Beneficiary	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11FT	Q11PT	Q11TS	Q12
1	1	2	1	2004	2	1	19	1	2	1	4	-	4	4
2	1	2	2	2004	5	1	11	1	2	1	3	1	4	1
3	1	3	3	2004	1	1	14	1	1	1	2	-	2	1
4	1	2	2	2004	2	1	14	1	2	1	1	-	1	1
5	2	2	1	2000	2	-	15	2	-	1	2	2	4	2
6	1	2	3	1980	1	-	10	2	-	2	-	1	1	4
7	1	3	1	1990	1	-	17	1	2	2	-	2	2	4
8	1	1	1	2001	3	1	8	2	-	-	4	2	6	1
9	1	3	2	2004	2	1,2	-	2	-	2	2	2	4	1
10	1	3	2	2004	1	-	3	2	-	1	3	2	5	4
11	1	-	-	1988	2	6	7	1	3	1	15	-	15	1
12	2	3	1	2001	3	1	1	2	-	1	3	-	3	4
13	1	3	3	1999	2	1	14	1	1	1	3	1	4	4
14	1	4	3	1999	2	1	13	2	-	1	3	-	3	4
15	2	2	1	2004	2	-	6	1	1	1	2	-	2	1
16	1	3	2	1999	4	2	8	2	-	1	2	1	3	1
17	1	4	2	2004	2	1,2	4	1	1	1	4	-	4	4
18	1	3	2	2004	5	3	-	1	2	1	3	-	3	1
19	1	3	2	2004	2	1	3	2	-	2	-	1	1	4
20	1	4	2	2001	2	1,2	16	2	-	1	4	4	8	1
21	1	3	1	2004	5	1	9	1	1	1	1	1	2	4
22	1	3	2	2000	5	4	16	1	1	2	1	2	3	1
23	2	2	1	2004	5	1	2	1	1	2	2	3	5	1
24	1	5	5	2004	2	1	14	1	1	1	2	5	7	1
25	1	3	2	1990	4	1	15	2	-	1	3	2	5	4
26	1	4	5	2004	2	1	14	1	2	1	2	4	6	1
27	1	3	2	2002	2	1	14	1	1	1	4	-	4	4
28	1	3	1	1990	2	-	17	1	2	2	2	-	2	4
29	1	5	1	2004	1	1	-	1	1	2	-	3	3	5
30	1	2	3	1988	2	-	-	2	-	2	1	-	1	4
31	1	2	3	1988	3	-	10	2	-	2	-	1	1	2

(Data Continued)

F Beneficiary	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q2101	Q2102	Q2103	Q2104	Q2105
1	1	2004	6moths	3moths	-	1	1	-	5	5	5	5	4
2	1	2004	7	4	-	1	1	-	4	4	4	4	3
3	-	2004	6	6	-	2	-	1	5	4	4	5	3
4	1	2004	6	2	-	2	2	1	4	3	3	2	2
5	2	2001	3	15	-	2	1	1	3	3	4	4	3
6	1	1980	4	2	-	2	-	2	4	4	5	2	5
7	1	1992	3	6	-	2	2	2	3	2	4	3	2
8	1	2003	6	12	-	2	-	1	5	5	4	4	4
9	1	2004	3	3	-	1	1	2	4	4	3	4	3
10	1	2004	6	-	-	2	-	1	3	3	3	4	5
11	1	1989	12	6	-	1	1	-	5	5	5	5	4
12	1	2003	12	12	-	2	2	1	3	3	3	4	4
13	1	2000	8	8	-	1	1	-	4	4	4	5	3
14	1	2000	6	8	-	1	1	-	5	4	5	5	4
15	-	2004	6	-	-	2	-	1	5	4	5	5	4
16	-	2002	36	-	-	1	1	-	5	5	5	5	2
17	1	2004	6	-	-	1	1	-	5	5	5	5	5
18	-	2005	4	-	-	2	-	1	5	5	5	4	3
19	1	2004	12	1	-	1	1	-	5	5	5	5	5
20	1	2001	6	2	-	2	-	2	2	4	4	5	4
21	1	-	5	3	-	2	-	1	4	4	4	5	-
22	1	2000	24	12	-	2	-	1	3	3	3	4	4
23	-	2004	8	2	-	-	-	-	4	4	3	3	-
24	-	2004	8	2	-	1	1	-	4	4	4	4	2
25	-	1990	24	24	-	1	1	-	4	4	4	-	2
26	-	2004	8	6	-	1	1	-	4	4	4	5	2
27	1	2003	12	12	-	1	1	-	3	4	3	4	3
28	2	1992	1	3	-	2	-	2	3	2	4	3	2
29	1	-	-	-	-	-	-	-	5	4	4	4	3
30	3	1990	-	4	-	-	-	-	4	4	5	2	3
31	-	1990	6	8	-	2	-	2	4	4	5	2	5

(Data Continued)

F Beneficiary	Q2106	Q2107	Q2108	Q2109	Q2110	Q2201	Q2202	Q2203	Q2204	Q2205	Q2206	Q23	Q2401
1	2	4	3	4	5	4	5	5	4	4	4	2	5
2	4	5	4	4	4	3	4	4	3	4	4	2	4
3	4	4	4	-	-	5	4	5	3	4	5	2	3
4	4	3	2	2	2	5	4	4	2	2	4	2	4
5	-	1	1	3	4	5	4	1	2	3	4	2	5
6	3	3	4	3	-	5	4	3	3	1	4	2	3
7	3	2	1	2	2	3	3	3	2	1	5	2	3
8	-	1	3	3	4	5	5	3	3	4	5	2	4
9	4	4	3	5	5	3	3	2	3	2	3	2	3
10	4	2	3	3	4	5	2	4	4	4	4	2	4
11	5	3	3	4	5	5	1	1	1	4	5	2	4
12	4	3	2	3	3	4	2	2	4	4	5	2	3
13	4	3	2	4	4	5	5	3	4	3	5	2	4
14	4	5	-	3	4	5	4	3	4	5	2	2	5
15	4	4	4	5	4	5	4	4	4	4	3	2	4
16	-	4	3	5	5	5	5	5	5	5	5	2	3
17	5	3	3	5	5	5	3	3	3	3	5	2	2
18	3	3	3	3	3	5	2	5	5	1	4	2	5
19	5	-	-	5	5	3	5	5	5	5	2	2	5
20	-	-	-	4	4	5	4	4	4	-	5	2	4
21	4	3	1	4	4	5	4	3	4	2	2	2	1
22	4	3	3	3	3	3	4	4	3	3	3	2	2
23	-	-	-	-	-	5	5	5	5	5	5	2	5
24	4	2	1	4	4	2	5	3	2	3	3	2	2
25	-	2	1	3	3	5	3	3	3	4	3	2	3
26	4	2	1	4	4	2	5	3	2	3	3	2	1
27	3	4	4	3	3	3	3	2	4	5	5	1	3
28	1	2	1	2	2	4	3	2	3	1	4	2	3
29	2	1	2	2	2	4	2	2	3	4	5	2	4
30	3	4	3	2	1	5	5	3	2	1	4	2	4
31	3	3	4	3	-	4	3	4	2	-	-	2	5

Data Continued)

F Beneficiary	Q2402	Q2403	Q2404	Q2405	Q2406	Q2407	Q2408	Q2409	Q2410	Q25	Q26
1	4	4	4	4	4	4	4	4	5	-	1,4
2	3	5	4	3	4	4	3	4	4	-	2
3	4	5	5	3	5	2	2	1	5	4	5
4	4	4	4	2	4	4	4	3	5	1,2	
5	5	4	3	1	5	3	1	1	4	1,2,3	2,3
6	2	3	2	2	4	3	1	1	1	-	-
7	3	3	2	1	2	3	2	1	2	-	-
8	3	3	4	3	3	4	3	1	3	1,2	2
9	4	3	2	3	4	2	3	3	2	1,2	-
10	4	3	3	2	3	2	3	2	4	1,2	-
11	3	5	3	5	4	4	4	4	4	1,2	-
12	3	3	4	2	3	2	3	1	4	-	-
13	3	3	5	2	4	5	4	2	5	1,2,4	1,4,5
14	5	5	4	1	5	5	5	5	5	1,2	1,2,4
15	4	4	4	3	3	4	5	4	5	1,2	1,4,7
16	3	4	2	3	3	3	3	4	5	-	-
17	2	3	3	3	3	3	3	2	5	,4	5
18	5	5	3	4	4	2	2	1	5	1,2,5	1,4,6
19	5	5	5	5	5	5	5	5	5	-	-
20	1	4	4	2	4	4	3	3	4	1,2	-
21	1	1	3	4	1	3	3	1	4	-	-
22	2	2	2	3	3	3	3	3	4	1,2,4	1,4
23	1	3	3	4	2	1	2	2	4	1,2,4	1,2,4,5
24	2	1	4	3	1	1	1	1	3	1,2,4	1,2,4,7
25	4	3	4	2	4	3	1	1	3	-	1
26	2	1	4	3	1	1	1	1	3	1,2	1,2,4
27	2	4	2	3	3	2	2	3	3	1,2,4,5	1,2,4,5,6
28	2	1	2	1	2	3	2	2	2		--
29	4	4	3	3	4	4	3	1	5	1,2,4,5	1,4,5,6
30	5	5	4	3	3	4	1	3	3	1,2	1,4
31	3	2	3	2	4	3	3	1	1	-	-

Attachment 3 of Appendix II. Detailed Scores of Each Study Participant: The Program Partial Beneficiaries

P Beneficiary	Q1	Q2	Q3	Q4	Q5	Q6	Q7	Q8	Q9	Q10	Q11FT	Q11PT	Q11TS	Q12
1	1	2	1	2004	1	-	4	1	1	1	2	-	2	5
2	1	5	2	2004	1	-	14	1	1	1	4	2	6	5
3	2	2	2	1999	2	-	13	2	-	1	3	1	4	5
4	1	2	2	2003	2	-	17	1	1	1	1	1	2	5
5	1	3	2	2002	2	-	-	-	-	1	5	-	5	5
6	1	2	2	2004	5	2	-	-	-	-	-	-	-	-
7	2	2	1	2004	5	2	-	1	1	-	-	-	-	-
8	1	3	2	2004	5	2	-	-	-	-	-	-	-	-
9	1	3	2	2004	2	-	20	1	1	1	3	-	3	5
10	2	3	2	1998	5	2	-	-	-	-	-	-	-	-
11	1	3	2	1999	1	-	12	1	1	1	16	3	19	5
12	1	3	1	2004	5	2	-	1	1	-	-	-	-	-
13	2	3	2	2004	5	2	-	1	-	-	-	-	-	-
14	1	3	5	2001	1	-	18	1	1	1	2	2	4	5
15	1	4	1	2002	5	2	-	1	1	-	-	-	-	5
16	1	3	2	1994	5	2	-	2	-	-	-	-	-	-
17	1	2	5	2004	5	2	-	2	-	-	-	-	-	-
18	2	3	3	2000	2	-	-	1	1	1	2	3	5	5
19	1	3	1	2004	5	6	-	1	2	-	-	-	-	-
20	2	3	2	2004	1	-	14	1	1	1	10	-	10	5
21	2	2	1	2000	5	2	-	2	-	-	-	-	-	-
22	2	3	5	2004	5	2	-	-	-	-	-	-	-	-
23	2	2	1	2004	5	2	-	1	1	-	-	-	-	5
24	2	2	2	2002	5	2	-	-	-	-	-	-	-	-
25	1	6	4	2004	5	2	-	1	-	-	-	-	-	-
26	1	3	2	1996	1	-	14	2	-	1	3	-	3	5
27	1	4	3	1994	2	-	5	1	2	2	-	2	2	5
28	1	3	2	2004	5	2	-	2	-	-	-	-	-	-
29	1	2	2	2004	5	7	-	1	2	-	-	-	-	-

(Data Continued)

P Beneficiary	Q13	Q14	Q15	Q16	Q17	Q18	Q19	Q20	Q2101	Q2102	Q2103	Q2104	Q2105
1	-	-	-	-	2	2	-	1	5	5	5	5	5
2	-	-	-	-	1	2	-	1	4	4	4	3	2
3	-	-	-	-	2	2	-	1	4	4	3	3	1
4	-	2003	-	-	2	2	-	1	4	3	4	3	1
5	-	-	-	-	1	2	-	1	3	4	4	4	-
6	-	-	-	-	-	-	-	-	5	5	5	-	-
7	-	-	-	-	-	-	-	-	5	4	4	5	-
8	-	-	-	-	-	2	-	-	5	3	4	2	2
9	-	-	-	-	2	1	1	-	5	5	5	5	-
10	-	-	-	-		2	-	-	3	4	4	4	1
11	-	2000	12	1	1	2	-	1	1	4	3	2	5
12	-	-	-	-	-	-	-	-	4	4	3	4	-
13	-	-	-	-	-	2	-	-	4	5	5	4	-
14	-	-	-	-	1	1	1	-	2	3	5	5	-
15	-	2002	36	36	1	1	1	-	5	5	5	5	-
16	-	-	-	-	-	-	-	-	4	4	4	4	-
17	-	-	-	-	-	2	-	-	4	4	4	5	5
18	-	-	-	-	-	1	1	-	5	4	4	4	-
19	-	2005	-	-	1	2	-	1	4	4	5	3	-
20	-	-	-	-	1	-	2	1	5	5	5	5	-
21	-	-	-	-	-	2	-	-	5	4	5	4	5
22	-	-	-	-	-	-	-	-	5	5	5	5	-
23	-	-	-	-	2	2	-	1	5	5	5	5	5
24	-	-	-	-	-	-	-	-	3	3	3	3	1
25	-	-	-	-	-	-	-	-	4	4	4	3	2
26	-	-	-	-	3	1	1	-	3	2	3	4	-
27	-	-	-	-	3	1	1	-	4	4	4	4	1
28	-	-	-	-	-	2	-	-	4	4	5	3	-
29	-	-	-	-	-	2	-	-	4	4	3	-	-

(Data Continued)

P Beneficiary	Q2106	Q2107	Q2108	Q2109	Q2110	Q2201	Q2202	Q2203	Q2204	Q2205	Q2206	Q23	Q2401
1	5	5	5	5	5	4	2	2	3	4	5	2	4
2	2	1	-	-	-	4	2	2	3	4	5	2	1
3	1	-	-	-	3	5	5	3	3	4	5	2	3
4	1	-	-	-	3	5	5	2	3	3	4	2	4
5	1	1	-	2	3	5	5	4	5	4	5	2	4
6	-	-	-	-	-	5	5	5	3	4	2	1	5
7	-	-	-	1	2	5	5	5	4	5	4	1	5
8	2	-	-	2	3	5	4	5	5	5	5	2	2
9	5	-	5	5	5	5	5	5	5	5	5	2	5
10	1	1	1	1	1	5	4	4	1	2	5	2	5
11	1	1	1	3	2	5	3	2	4	1	5	2	5
12	2	3	1	4	4	3	2	2	4	3	5	-	3
13	-	-	-	-	-	5	5	5	5	4	5	2	5
14	-	2	1	5	4	2	4	1	4	4	-	2	4
15	-	3	-	3	1	5	5	5	5	4	5	-	3
16	-	-	3	3	3	4	4	1	3	2	5	2	4
17	5	2	1	5	3	5	5	5	5	5	5	2	5
18	-	-	-	4	4	5	5	5	4	3	5	1	3
19	-	2	-	5	5	5	5	5	5	3	5	1	4
20	-	3	3	5	5	5	5	3	3	4	-	-	4
21	4	5	5	4	4	5	2	3	2	3	2	-	5
22	4	4	-	-	-	5	3	3	4	4	5	-	5
23	4	3	2	5	4	4	4	4	3	4	4	1	-
24	1	-	-	-	-	5	5	3	-	-	3	2	5
25	2	1	2	2	2	4	2	2	3	4	5	2	4
26	-	-	-	2	3	4	5	-	3	3	-	2	-
27	1	1	1	3	3	3	2	3	3	4	5	2	3
28	3	2	3	4	4	3	4	4	4	5	5	2	4
29	1	1	1	1	-	5	3	4	4	4	5	2	3

(Data Continued)

P Beneficiary	Q2402	Q2403	Q2404	Q2405	Q2406	Q2407	Q2408	Q2409	Q2410	Q25	Q26
1	3	5	5	3	2	4	3	2	5	1,2	1,4
2	4	4	3	3	4	4	3	1	5	1,2	-
3	5	5	4	2	4	4	5	1	5	1,2,4,5	1,4,5,6
4	5	5	3	1	5	5	4	1	3	1,2,4,5	1,4,5,6
5	3	5	2	3	1	5	4	5	4	1,2,4	-
6	2	4	2	5	3	5	5	4	5	-	1,4
7	5	4	3	1	4	4	2	1	1	1,2	1,4
8	4	5	1	2	1	3	4	1	5	1,2	1,4
9	5	5	5	5	5	5	1	1	5	1,2,4	1,4,5
10	3	5	5	3	3	3	4	3	5	1,2	1,4
11	3	5	4	4	5	5	4	5	5	1,2	1,4
12	4	4	2	4	3	4	5	2	5	4,5	5,6
13	4	4	4	2	4	5	5	2	4	-	-
14	4	4	4	4	4	4	3	2	2	1,2	1,4
15	3	3	4	3	3	2	2	3	3	1,2	-
16	3	3	3	4	3	3	2	1	4	1,2	-
17	5	5	3	1	3	4	5	2	5	4	1,4
18	2	4	3	4	3	5	4	5	4	4	-
19	1	5	1	5	5	5	5	5	5	4,5	1,4,5
20	5	3	3	3	5	3	4	1	5	4	1,4,5,6
21	4	5	4	4	4	5	5	5	5	4	1,4,5
22	4	5	3	2	1	5	-	1	5	-	1,4
23	-	-	-	-	-	-	-	-	-	-	-
24	5	5	3	1	5	5	3	1	4	1,2,3	1,4
25	4	4	3	3	4	4	3	1	5	-	-
26	-	-	-	-	-	-	-	-	-	-	-
27	5	4	2	1	5	4	1	5	5	3	1,4
28	3	4	4	4	5	4	5	4	5	-	-
29	3	4	4	2	1	4	3	3	4	-	-

Attachment 4 of Appendix II: An Interview Guide for the Program's Finance Director

Four years data sought on your scheme please, thank you

Questions (please fill in the appropriate column to the right)	**Year 1998**	**Year 1992**	**Year 1997**	**Year 2002**
Number of loans awarded after the SSE program training?				
Number of loans in danger or lost after their due dates?				
Number of females enrolled on the SSE program?				
How many unemployed tertiary graduates were enrolled for the SSE program training?				
Of the unemployed tertiary graduates enrolled for the SSE, how many completed the program?				

Ogu Basil Nwosu (Research Scholar)