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URBAN INFORIVIAL SECTOR AND CREDIT ACCESSIBiLITY IN THE NIGERIAN ECONOMY: A CASE STUDY OF JOS METROPOLIS

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URBAN INFORMAL SECTOR AND CREDIT ACCESSIBILITY IN THE NIGERIAN ECONOMY: A CASE STUDY OF JOS METROPOLIS

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CERTIFICATION

This is to certify that this thesis has been examined and approved for the award of the degree of **DOCTOR OF PHILOSOPHY in ECONOMICS (MONEY AND FINANCE).**

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DECLARATION

I hereby declare that this work is the product of my own research efforts; undertaken under the supervision of Associate Professor Peter I. Ozo-Eson and has not been presented elsewhere for the award of a degree or certificate. All sources have been duly distinguished and appropriately acknowledged.

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DEDICATION

This thesis is dedicated to all men of principle that are actively involved in the struggle for the enthronement of equity and social justice and, are in the struggle for the defence of the oppressed people in Nigeria. *Aluta Continua*..................

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ABSTRACT

The objective of this study is to develop a framework that would facilitate adequate and sustainable delivery of credit to the urban informal sector operators. Inadequacy of savings and access to capital constitute a major obstacle to the activities of the self-employed of the urban informal sector in the Nigerian economy. Unfortunately, because of lack physical collateral, high transaction cost, among others, the operators of the informal sector have no access to institutional credit. Thus, informal lenders have become the basic source of credit. Consequently, the informal sector's productive base and contributions remain small, the production process is rudimentary and inefficient, growth is stifled and opportunities for links with the formal sector, particularly the forward linkages do not seem to exist. The study made use of primary data generated through the use of questionnaire. It established that the informal financial sources on which the urban informal sector operators rely for credit In order to facilitate access to credit by the urban informal sector operators, and hence promote their activities, the study recommends the following measures: formulation and implementation of microfinance policy, linking formal with informal financial institutions, adoption of flexible credit procurement procedures by the formal financial institutions, establishment of credit guarantee scheme by the Federal

government for informal sector operators, building the capacity of the informal sector operators and their confidence in the formal financial institutions.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Throughout history, cities have been serving a variety of functions; as forts, market places, and as centres of administration or industry. All cities have experienced periods of growth and decline and people tend to raise contradictory views concerning the nature and purpose of the city. Cities have been viewed variously as the centre of alienation, evil and immorality, and as the seat of intellect and the home for artistic and commercial innovations.

The varieties of forces shaping urbanization and the complex and contradictory views concerning patterns and process of urbanization have continued till today all over the world (both developed and developing worlds). The process of urban change in the developing world is due to migration and is consequent upon the search for employment and economic advancement, with the rural poor seeking better employment opportunities and better access to health and education than were available in the countryside, while others migrate to avoid dangers of civil wars or guerrilla activities by escaping to the safer anonymity of the city (Thomas, 1995).

The industrial activities located in these areas depended on this process of migration to raise output and generate wealth. Urbanization, industrialization, and modernization were processes which occurred simultaneously in the cities of Europe and were mutually reinforcing (Elliot, 1996). Currently in the developing economies, and particularly urban centres in Nigeria, urbanization is occurring independently of industrialization and modernization. Many urban centres have emerged as a result of the creation of more administrative units in the form of new states and local governments.

The oil boom of the 1970s brought with it fundamental changes in the Nigerian economy. One of the most noticeable changes is the increase in the number of states and local governments. However, by July 1986, the Nigerian economy began to witness traumatic economic crisis. Starting from mid-1981, the World oil market began to collapse due to oil glut and with it an economic crisis emerged in Nigeria. The national government therefore started the prioritisation of the projects which it would like to execute, considering its dwindling revenue. Also, as a response to this economic crisis, the Nigerian government changed from state-led to market-driven economy. Thus, government could no longer provide employment opportunities as it used to do during the oil boom.

This situation, coupled with the effects of some of its economic policies may have led to high unemployment in the economy.

In particular, government's economic policies such as the Structural Adjustment Programme, have stifled the performance of most sectors of the economy and so forced many sectors, like the industrial sector to downsize. In addition, the on-going privatization programme of the Federal Government has thrown many people out of jobs. Also, the rationalization of the workforce by various levels of Government in Nigeria has rendered many people jobless. Furthermore, the massive turn-out of graduates of tertiary institutions that usually reside in urban centres, waiting for job opportunities without corresponding job creation, has left many of them unemployed. In consequence, urban unemployment is very high.

Jos metropolis, one of the administrative centres since the creation of the twelve-state structure in Nigeria in 1967, experiences urbanization independently of industrialization and modernization. Thus, many residents of Jos metropolis are unable to find employment in the formal sector and are therefore forced to create their own employment.

Since the urban unemployed could not afford to be jobless in a country that does not provide social security payments or unemployment benefits, they survive by creating their own employment. Many urban residents in the Nigerian cities look to a wide variety of both legitimate and illegitimate income opportunities available within the informal economy. Such activities commonly are small-scale in operation, rely on indigenous resources and skills acquired outside the formal schooling system, are labour-intensive and operate in unregulated markets. The types of activities include retail distribution, small-scale businesses, transport, personal services (such as shoe-shining, mechanics, and tailoring, etc.), security services, prostitution, begging and crime. It must be noted here that of interest to this study are the legitimate activities. Thus, there exist dual economies in the urban centres of Nigeria.

A major focus of development theory has been on the dualistic nature of developing countries' national economies--the existence of a modern urban capitalist sector geared toward capital-intensive, large-scale production and a traditional rural subsistence sector geared toward labour-intensive, small-scale production (Todaro, 1997). In recent times, this dualistic analysis has also been applied specifically to the urban economy, which has been decomposed into a formal and an informal sector. The informal sector is unorganized, unregulated, and mostly legal but unregistered. As observed by Todaro (1997), the massive additions to the urban labour force by this sector do not show up in formal modern-sector unemployment statistics. The bulk of new entrants to the urban labour force create their own employment or work for small-scale family-owned enterprises. This calls for more attention to be paid to the role of the urban informal sector in serving as a panacea for the growing urban unemployment problem in Nigeria.

One major problem confronting the urban informal sector workers is lack of capital. As rightly noted by Bottomley (1971), if we are to identify a catalyst for a more productive combination of what is abundant supply of "under-utilised" land and labour, that catalyst would probably be cash. Also, Khander (1998) observed that lack of savings and capital make it difficult for many poor people to become self-employed and to undertake productive employment-generating activities. Consequently, the informal sector's productive base and contributions remain small, the production process is rudimentary and inefficient, growth is stifled and opportunities for links with the formal sector, particularly the forward linkages do not seem to exist.

In order to promote self-employment of the urban residents, there is need for access to credit since they can not save sufficiently to provide the needed capital. The main credit sources of the urban informal sector have been the informal financial institutions. Thus, the increasing number of informal financial institutions is a market response of the informal sector agents to their environment. The financial repression (resulting from rationed bank credit with fixed lending rates and the unresponsiveness to excess demand for credit, and the subjection of formal financial institutions to extremely high required reserves and liquidity ratios) and rigid credit procurement procedures in the formal sector have made accessibility to credit very difficult for the operators of the informal sector in the Nigerian economy. This is because the average urban informal sector borrower has no acceptable collaterals to offer, and the average depositor would like to be allowed to withdraw as much money as he wishes in any given time period without restrictions or having to wait for approval.

This pressure to fill the financial resource gap by households and individuals to enable them meet their consumption and investment needs has tended to invigorate the development of informal financial institutions and markets that have become an essential part of the financial intermediation process in the Nigerian economy. This supports the view of Levenson and Besley (1996) that this market is not necessarily an enclave for the disadvantaged, but rather a rational response to failings of the formal sector.

Moreover, although informal groups such as the rotating savings and credit associations (ROSCAs) like *Esusus* and other informal financial institutions exist to occasionally meet part of the financial needs of the poor, they are inadequate and not reliable sources of finance for income-generating activities.

What is required is a financial arrangement that takes cognizance of the peculiarities of the informal sector and at the same time is devoid of the unwieldy regulatory framework of the formal financial system. Thus, a micro-credit programme which is able to pool risk across informal activities in the informal sector of the economy can provide credit to the poor at on affordable cost and can help them to become productively self-employed.

Micro-lenders try to satisfy poor people's hunger for credit less brutally (The Economist, 2001). Micro-credit programmes extend small loans to poor people for self-employment projects that generate income, allowing them to care for themselves and their families (Odejide, 1997).

1.2 RATIONALE FOR THE STUDY

Government's inability to evenly develop the entire economy in terms of employment opportunities, infrastructural facilities, and social amenities has led to a situation in which the urban sector is more attractive than the rural sector. This is one major factor that has given rise to rural-urban drift in Nigeria. No sooner do urban immigrants arrive in towns and cities than they realise that they are faced with the challenges of survival, as they are unable to secure jobs in the formal sector. In response to this reality, they try to get themselves either as employees of private individuals or self-employed. A larger proportion of these immigrants is under-employed. This adds to the population of already unemployed that exists in the cities. This group is unable to attract credit from the formal financial institutions because it is seen to be unviable in terms of financial transactions. It therefore had to resort to the informal financial market to obtain credit.

Also, banks' cumbersome procedures have also led many members of the public, especially small savers, to refuse to place deposits with the banks but "bury" their money under their pillows and boxes where they can easily withdraw as and when they wish. A major reaction by the surplus economic units in the economy to the situation is the switch to an increased patronage in the informal financial sector. The informal financial sector is not regulated by the monetary authorities in Nigeria. Hence a monetary policy that could make institutional credit accessible to the informal sector does not have any significant effects on the activities of these informal financial institutions. In addition, institutional credit could not be reached by the informal sector operators through monetary policies in the formal financial market.

Government's reaction to this problem of inaccessibility to formal credit has been various poverty alleviation/eradication policies and programmes like sectoral allocations and prioritization, determination of credit rates ceilings, and establishment of semi-formal financial institutions such as the National Directorate of Employment. Unfortunately however, as rightly pointed out by Akanji (2001) and Aderibigbe (2001), the problem with most of government's micro-credit schemes is that they are in many instances incompatible with the existing traditional savings and loans operated by the local communities and are usually politicised. Thus, the objectives of micro-credit provided by government to the informal sector have not been significantly achieved.

This study is intended to promote the legitimate activities of the self-employed of the informal sector of urban Nigeria via a viable and sustainable credit supply, and to encourage self-employment through this process.

1.3 RESEARCH PROBLEM

Jos is one of the cosmopolitan cities in Nigeria. Like other cities in Nigeria, many people in Jos city are engaged in various kinds of economic activities to make a living. Some of these activities are found in the informal sector of this urban economy. One major problem confronting the operators of urban informal sector in Jos is inadequate capital. But because the operators of the sector are unable to meet the credit procurement requirements of the formal financial institutions, they do not have access to formal credit. Broadly, this study is intended to answer the question, how could credit be made accessible to these urban informal sector operators? Specifically, this study addresses the following questions.

(i) What are the sources of credit to the urban informal sector operators in Jos metropolis?

(ii) Are there differences in accessibility to credit sources among the urban informal sector operators?

(iii) What roles does credit play in the activities of the urban informal sector operators?

(iv) What constraints do they face in their savings and borrowing activities with the informal financial sources?

(v) Are the urban informal sector operators satisfied with the services provided by the informal financial sources?

(v) What measures could be adopted to facilitate adequate and sustainable credit delivery to the urban informal sector operators in Nigeria?

1. 4 OBJECTIVES OF THE STUDY

Broadly speaking, the objective of the study is to develop a framework that would facilitate sustainable and adequate credit delivery to urban informal sector operators in the Nigerian economy. Specifically, the study is aimed at achieving the following objectives.

(a) Evaluate the role of credit in the promotion of economic activities of the urban informal sector,

(b) Identify the various sources of credit available to the urban informal sector operators.

(c) Establish whether the operators of the urban informal sector do have different access to sources of credit.

(d) Ascertain whether the services provided by these informal financial sources adequately meet the savings and credit needs of the informal sector operators,

(e) Develop strategies that would facilitate adequate and sustainable delivery of credit to the urban informal sector in particular and the informal sector in general in Nigeria.

1. 5 SIGNIFICANCE OF THE STUDY

This study is expected to be of immense significance to the Nigerian economy in many respects, particularly in an era when governments are privatising some of the public enterprises, rationalising their workforce, and the competition for employment in government workplace is becoming stiffer and stiffer on a daily basis.

Specifically, this study is expected to be useful in the following ways. The study would provide the policy-makers with the necessary tools to deal with the problem of high unemployment in the urban areas in Nigeria as it would facilitate their efforts in providing finance for the unemployed to enable them attain self-employment; it would enhance their access to varied sources of credit from which they could choose to borrow to promote their economic activities in order to make a living. This is because they would be in a position to appreciate the various sources of credit available to them; it would help to provide an option that could address one of the macroeconomic problems of Nigeria, the problem of unemployment, thereby increasing resource employment particularly labour, and hence help to improve the living standard of the citizens: A significant step in academic progress and a basis for further research would have been established.

1. 6 ORGANIZATION OF THE STUDY

This research work is made up of six chapters .Chapter one will serve as the introduction. This is made up of Background to the study, Rationale for the study, Statement of the Problem, Objectives, Hypotheses, and Outline of the study. Chapter two will be concerned with the review of related literature on the urban informal sector. Specifically, it considers the concept of urban informal sector, the financial markets, discussed under the Formal and Informal Financial markets and financial intermediary in the financial sector, and credit provision for the informal sector of the Nigerian economy. Chapter three will deal with the methodology of study. Here, a detailed explanation of how the study is conducted will be presented. Chapter four will provide an overview of the Nigerian financial system. Chapter five undertakes the analysis of data, presents the research findings and discusses these findings. Chapter six recommends measures that will facilitate, on a sustainable basis the efficient delivery of credit to the urban informal sector so as to enhance its legitimate activities and the chapter also concludes the Thesis.

CHAPTER TWO

LITERATURE REVIEW

2.1THE CONCEPT OF INFORMAL SECTOR

In order to delineate the theoretical basis of the study, this section reviews some of the relevant literature on the informal sector, financial market and accessibility to credit by the urban informal sector as the theoretical basis of analysis of the study. Specifically, the section looks at the concepts of informal sector, urban informal sector, the financial markets, financial intermediaries in the financial markets, and credit provision for the informal sector of the Nigerian economy.

Since its "invention", in the early 1970s, the concept of "the urban informal sector" has attracted much interest, discussion and disagreement. Some have seen the urban informal sector as a negative feature of developing countries, the survival of traditional (primitive) activities and methods of production that would (and should) disappear in the process of increased industrialisation and modernisation. Others have seen the urban informal sector as containing a pool of potential entrepreneurial talents that should be encouraged to develop and become formalised. A third view is that the urban informal sector is part of the international post-colonial capitalist system that has been allowed to survive because it supplies cheap goods to the urban proletariat and thus helps to keep down the cost of labour to the capitalist system (Thomas, 1995). According to Aboagye and Gozo (1986), the informal sector is essentially made up of traditional activities. It is a consequence of the migration of skilled persons from the countryside to the urban areas.

The urbanization process resulted in a decrease in the demand for the products of the artisan, and this led to an almost complete collapse of rural artisan activities. Therefore, the producers of the various commodities were forced to move their production structures to the urban areas in order to take advantage of increased market generated by the urbanization process. However, the people who moved from the rural areas without any special skills either entered those urban activities which required few or no skills, such as are found in some services, or served as a pool of labour from which the new establishments tapped their labour requirement. On the other hand, the urban demand structure was such that the new migrants were forced to acquire certain skills which were necessary for the social structure in urban areas, and also for the new items and services.

It is hereby argued that there are certain activities in the urban informal sector in Nigeria that are not responses to their decreasing demand. The new migrants were not forced to acquire new skills in the urban centres either. If we think of housewives from the rural areas who move to urban centres after marriage, drop-outs of urban secondary schools, people who lose their jobs as a result of retrenchment, the massive turnout of graduates of tertiary institutions among other factors, we would appreciate the fact that the opinion of Aboagye and Gozo may not absolutely apply in the Nigerian urban economy. However, whichever way the urban informal sector is viewed, its existence remains real, at least in Nigerian cities in particular and in the third world cities in general.

Sethuraman (1981) defines the urban informal sector as consisting of small-scale units engaged in production and distribution of goods and services with the primary objective of generating employment and income for their participants, notwithstanding the constraints on capital, both physical and human, and know-how. Roberts (1990) broadly defines the informal sector as the means whereby city people make out in the absence of State provision of both basic welfare services and private mutual interest associations which defend their members and advance their interest. Implicit in these definitions is the fact that the urban informal sector plays the role of providing a means of survival in the cities for those who are unable to find employment in the urban formal sector. To Portes, Castells and Benton (1989), the informal economy is not an individual condition but a process of income-generation characterized by one central feature: *it is unregulated by the institutions of society, in a* *legal and social environment in which similar activities are regulated.* The informal economy is not a set of survival activities performed by destitute people on the margins of society. Portes, Castells and Benton argue that, while some activities in the informal sector may derive from the desperate need of a worker to obtain the means of subsistence for his family, a similar motivation could lead a worker to accept lower wages in the formal sector. The informal economy is not a euphemism for poverty. It is a specific form of relationships of production, while poverty is an attribute linked to the process of distribution.

While the second part of the definition proffered by Portes, Castells, and Benton, that is, that the central feature of the urban informal sector is that its activities are unregulated by the institutions of society in a legal and social environment in which similar activities are regulated, it should be stated that the activities of the informal sector are related to individual conditions. As for Arimah (2001), the informal sector does not appear to have a meaning independent of the formal sector, as it derives its meaning when contrasted with the formal sector. While this claim might be true, It is believed that there is a co-existence between these two sectors in urban centres of Nigeria.

An informal enterprise is one of those activities which are difficult to define but easy to recognize. The difficulty of providing an appropriate definition for the informal sector can be seen in the numerous concepts used to describe the sector in the literature and the multifarious definitions offered. The concepts include: invisible, irregular, extra-legal, illegal, backyard, underground, unorganized, black, subterranean, unreported, unrecorded, second, residual and parallel. Other concepts include real economy (McNeil, 1993), the economy of the poor (Hemmer *et al*, 1989), petty commodity production (Gerry, 1978; Moser, 1978), and indigenous entrepreneurship (McNeil, 1993, Tokman, 1989). From all of these, it could be inferred that one of the most striking features of the informal sector studies is the numerous ways in which the term is connoted.

As for definition, there are as many of this as there are researchers in the field. Portes *et al* (1986) define the informal sector as the sum total of income generating activities outside modern contractual relationships of production. According to De Soto (1989), individuals are not informal, their actions and activities are. Nor do those who operate informally comprise a precise or static sector of society, they live within a grey area which has a long frontier with the legal world and in which individuals take refuge when the cost of obeying the law outweighs the benefit. Abumere (1998) defines an informal enterprise as small, employing less than 10 persons and operating outside the long arm of government. This means that the government has no record of the enterprise and does not recognize the enterprise. Such an enterprise does not register with government or its agencies, does not pay tax or obey government regulations on wages, child labour, and work practices. The informal sector has also been defined in terms of legal status (De Soto, 1986), production technology (Carbonetto *et al*, 1986), non-normal profit rates (Gibson *et al*, 1994), organization and control of production (Kelly, 1994) or size of enterprise (Feige, 1990).

The definition which has garnered a lot of popularity in the literature is that offered by ILO (1972). This views the informal sector as being characterized by ease of entry, reliance on indigenous resources, family ownership of enterprise, small-scale of operation, labour-intensive and adapted technology, low receipts or income, skills acquired outside the formal school system or training programmes and unregulated and uncompetitive markets. In addition, informal activities are said to be beyond official recognition and records and without formal systems of control and remuneration. Since informal enterprises often operate outside the formal tax system, their profit/loss figures do not generally enter into official statistical records. Bromley (1978) reckons that the informal sector is largely ignored, rarely supported, often regulated and sometimes actively discouraged by government.

All of these definitions do not provide much comfort or guidance for any researcher in the field. For field operations, the definition has to be precise enough to provide guidance for measurement. This makes it necessary to have a working definition that offers the best prospect for recognizing an informal enterprise in the field.

In order to further clarify the concept of the informal sector as noted by Aboagye and Gozo (1986), we need to examine the objectives and the means of the entrepreneurs who operate there. Consequently, the participants are classified into three categories. These are:

1. the informal sector as a result of migration of artisans moving from rural areas;

2. the informal sector as a reaction to the failure of the modern sector to provide adequate employment and skills opportunities to unskilled migrants and to the existing urban labour force;

3. the informal sector as a consequence of the legitimate desire of persons with jobs in the modern sector to control and operate their own business and to take advantage of the inability of the urban economic infrastructure to provide certain goods and services on a competitive basis, i.e. in terms of prices and quality. The objectives and means are classified hereunder.

(a) The informal sector as a traditional activity resulting from the migration of rural artisans into town.

Objectives	Means
– Self-consumption	– traditional skills
– Subsistence	– family labour and capital
– Improvement in living standard if possible	– social organization

(b) The informal sector as a typical urban activity in reaction to the failure of the modern sector to provide employment and skills.

Objectives	Means
– Alternative to skill acquisition	– skills
– Subsistence or survival	– family labour and capital
– Profit and accumulation	– social organization
	– market information

(c) The informal sector as urban small-scale enterprises.

Objectives	Means
– manage own business	– skills from the formal sector
– accumulate capital and profit	– market opportunities
– avoid taxes, high charges and competition provide similar goods varying quality and services from the formal sector	– savings in banks and indirect assistance
	– family capital and labour.

According to this breakdown, the main reason for persons to enter the sector is to survive in the urban environment and, if possible, to improve their standard of living. Profit motives and capital accumulation have also become important objectives of the new entrants, especially already established skilled persons who move from the formal sector and who have a better knowledge of existing market opportunities. This categorization by Aboagye and Gozo largely applies to the urban informal sector in Nigeria.

Currently, there are two approaches to defining informal sector activity: the definitional and the behavioural (Farrel, Roman and Fleming, 2000). According to the former, the informal sector is economic activity unrecorded in the gross domestic product (GDP) and, or the national income accounts. The behavioural (sometimes referred to as the legalistic definition) is based on whether or not activity complies with the established judicial, regulatory, and institutional framework (Feige, 1990, Portes et al. 1989, Loayza, 1997, Saavedra and Chong, 1999). Thomas (1992) points out that these activities are referred to as the informal sector rather than informal economy because they are not included in the official national accounts. Informal activities are further specified by classifying them into four categories: the criminal, the irregular, household and informal sector. Criminal activities entail illegally produced goods and services such as narcotics. The irregular sector consists of legally produced goods and services that are not legally reported and thus escape taxation. Household production includes goods and services produced in the household sector. The informal sector encompasses activities that circumvent the costs of complying with laws and regulations and thus are excluded from the benefits that stem from conformance with laws and regulations. Activities in all four categories could fall under the definitional or behavioural approach. The definition which one uses is driven by the research question: the first definition is used to estimate the size and economic value of the informal activity, and the second definition is used to explain the causes of the informal sector.

For the purpose of this study, members of the urban informal sector are entrepreneurs who produce legitimate goods and services without proper permits or a legal status because they are not recognized and because they lack the resources and , or incentives to comply with burdensome and excessive rules and regulations necessary to become part of the formal economy. As a result, they operate outside of the formal economy. Informal sector activities are extra-legal in the regulatory, and not in the criminal sense.

From the foregoing, the urban informal sector could be defined as comprising those employment-generating activities of some urban residents. undertaken for survival in the absence of formal employment. These activities are characterized by lack of regulations by institutions of society in a social and legal environment in which similar activities are regulated.

2.2 THE URBAN INFORMAL SECTOR

The urban sector of the Nigerian economy is dualistic in nature that is composed of the formal and informal sectors. The informal sector is unorganized, unregulated, and mostly legal but unregistered and accommodates a larger proportion of the new entrants to the urban labour force. The operators in this sector are largely self-employed and are engaged in a wide range of activities like hawking, street-vending, drug-peddling, snake-charming, mechanics, carpentry, small craftsmanship, barbing, hair-dressing, domestic service, restaurant business. etc.

The common features of the operators in the informal sector are the following:

(1) Access to factors of production. labour and capital in the broad sense is obtained through the social organization of family and friends.

(2) Technology is determined more by the constraints of the social relations. The attributed labour intensity of the informal sector is more of a reflection of the abundant availability of family labour as against scarcity of capital. The productivity of labour is low but relative to the productivity of capital.

(3) The target group of production is mainly local, more often the poor, though some informal sector producers depend to a small degree on

middle-class consumers who are willing to move out of the modern market for services such as car repair and hairdressing.

(4) The entrepreneurs in virtually all branches of the economy, that is in productive activities, general services and in specialized services such as garage work, electronics, and watch repairs.

(5) Motivation for production by the operators in the informal sector is becoming more and more profit-oriented even though the subsistence objective is still predominant in the traditional and semi-traditional sectors. This is largely due to lack of capital and to mismanagement of enterprises which results from the inability to distinguish between the various aspects of capital, such as working capital, cash flow, profits and benefits.(Aboagye and Gozo, 1986) .

The informal sector is characterized by a large number of small-scale production and service activities that are individually or family owned and use a simple labour-intensive technology. The usually self-employed workers in this sector largely have little formal education, are generally unskilled and lack access to financial capital (Todaro, 1997, Drakakis- Smith, 1997). As a result, worker productivity and income tend to be lower in the informal sector than in the formal sector. Furthermore, workers in the informal sector do not enjoy the measure of protection afforded by the formal modern sector in terms of job security, decent working conditions, and other social welfare benefits like old-age pensions.

Most of the workers who enter this sector are those that have recently migrated from the rural areas and are unable to find employment in the formal sector, those that become unemployed due to government policy of rationalisation of the workforce, those that are out of jobs because of the downsizing policy of industries due to a hostile economic environment arising from government's poor economic policies, graduates of tertiary institutions, and those that drop out of the school system. They are usually motivated to obtain sufficient income for survival, relying on their own indigtenous resources to create jobs. As many members of the household as possible, are involved in income-generating activities, including women and children, and they often work for very long hours. Most of them live in shacks that they have built in slums and squatter settlements that generally have no public services like electricity, water, drainage, transportation, education and health facilities, while some are even less fortunate for they are homeless, living under bridges and the like. They find sporadic employment in the informal sector as day labourers and hawkers, but their incomes are so insufficient that they cannot afford the least accommodation.

Most writers have emphasized the self-contained nature of the informal sector, the way in which it uses small-scale, even recycled materials to produce, often illegally, small items that sell cheaply to the urban poor themselves. Not only did the informal sector encompass manufacturing but also all other aspects of life for the poor, including services such as preparing and selling cooked food, education, traditional health-care, and perhaps most obvious, the construction of squatter housing, all apparently meeting the needs of the low-income groups and operating outside the control of the authorities (Drakakis- Smith, 1997). Of interest is the apparent self-contained nature of the informal sector. Instead of the urban poor being a hindrance to urban economic expansion, it is seen to be very productive with the urban poor using considerable energies to meet their own needs, and even some of those of the non-poor, at little cost to the urban authorities. In short, the poor house, feed and clothe themselves with little government help, if any, and yet provide a ready, on-the-spot labour supply for expanding formal sector activities.

Despite their importance, the urban poor are still poor, many even destitute, and in the eyes of many rich ones, still pose a potential threat to the stability of continued growth and prosperity (Drakakis- Smith, 1997). Some observers view the informal sector as a valuable way of easing the immediate frustration of the poor by using the energies, together with small-scale assistance or training to try helping them improve their circumstance in some way. This assertion may not be applicable to a large number of the urban poor in Nigeria as they are well established in their activities, and have proved that the urban formal sector largely depends on them for the effective conduct of its own activities. Moreover, studies have shown that the informal sector could not be exclusively associated with poverty since many occupations provided incomes higher than those received in the lower-paid formal sector jobs, such as cleaners, night-watchmen and the like. The highest incomes are, however, more likely to be due to lengthy hours of work and accumulated experience rather than to education or status. These jobs, such as taxi-cab driving, are highly valued and protected through occupational associations that closely monitor and control entry and numbers.

In terms of its relationship with other sectors, as noted by Todaro (1997), the informal sector is linked with the rural sector in that it allows excess labour to escape from rural poverty and underemployment, although under living and working conditions and for incomes that are not much better. It is closely connected with the formal sector, which depends on it for cheap inputs and wages, goods for its workers, and the informal sector in turn depends on the growth of the formal sector for a good portion of its income and clientele. The informal sector also often subsidizes the formal sector by providing raw materials and basic commodities for its workers at artificially low prices maintained, through the formal sector's economic power and legitimacy, by the government.

Similarly, Drakakis- Smith (1997) identifies the following as the links between the informal sector and the rest of the urban economy, and also the rural economy.

1. Rural subsistence supplies some of the raw materials and much of the food consumed by those engaged in the informal sector activities. In return, a large proportion of accumulated saving is remitted to the rural areas where it is vital for preserving land holdings.

2. Urban subsistence activity also supplies raw materials and food to the rural sector.

3. Within the informal sector there is an exploitative relationship between the entrepreneurs of enterprise and their labour. Most entrepreneurs own the equipment or the capital necessary for the operation of a business. For example, they own taxi-cabs which they hire out daily or advance cash for itinerant food hawkers to make wholesale purchases in the market. Exploitation thus occurs within the operations of informal sector enterprises.

4. The urban capitalist sector extracts profits from the informal sector enterprises in several ways. In direct terms there is a transfer through the

person of the entrepreneur, who is frequently, but not always, someone with a paid job. Also, informal sector workers must make payments to the government or its officials in the form of taxes, license fees, fines (when prosecuted for illegal operation or bribes to officials not to prosecute illegal operations). Such payments can slice away a substantial proportion of the actual returns received by workers.

5. Finally, there are indirect transfers that benefit the urban capital sector. These arise because everyone in the city, rich or poor can purchase goods or services produced by the informal sector. Their activities thus keep down the cost of living for the already wealthy. At the same time the poor must purchase certain commodities produced by capital enterprises (domestic or foreign) such as kerosene, metal tools and machinery (for their small business); increasingly too, the poor buy imported or prepared food, cigarettes or alcohol with their small surplus income. All of these purchases mean a profit for the manufacturer and constitute an income transfer from poor to rich that far outweighs the smaller returns that flow in the other direction.

Linkages between sectors, particularly formal and informal sectors are very important. Linkages are important because they act as mechanisms for converting growth from the formal to the informal sector— and, quite likely vice versa. The formal sector may purchase components from the informal sector, thus transmitting the demand facing it into a derived demand for informal sector products. In the reverse direction the informal sector may purchase inputs from the formal sector, thus, in its turn transmitting growth to the formal sector. Linkages thus signify the progress of division of labour, with its attendant gains in efficiency.

Thomas (1995), examining potential linkages between the urban informal sector and urban formal sector, first distinguishes between socio-political links and economic linkages. Economic linkages involve direct transactions between owner-account workers or small enterprise in the private sector or those operating in the public sector. Socio-political linkages are more tenuous, indirect and may be institutional in nature, such as when vested interests in the urban formal sector are able to influence governmental action concerning the urban informal sector. For example, arguments of "unfair competition", "health hazards", and "congestion of public spaces" have been used by associations of urban formal sector shopkeepers and traders to persuade governments to take legal action against some groups working in the urban informal sector.

In considering economic (direct) links, Thomas (1995) distinguished between backward and forward linkages. Backward linkages are concerned with whether those working in the urban informal sector obtain raw materials or other supplies from the urban formal sector. That backward linkages exist is obvious from the casual observation of petty traders offering sweets, cigarettes and other branded products for sale. These items have been obtained from the urban formal sector, either from wholesalers or retailers, given the small-scale transactions of the urban formal sector vendors. Even where the vendors are selling goods that they or members of their families have produced; such as items of cooked food, some of the raw materials are purchased from the urban formal sector. Other activities in the urban informal sector, such as manufacturing or construction, are also likely to rely on the urban formal sector to supply raw materials and other inputs to the process. In fact, with the exception of pure service activities that require no other inputs, all other urban informal sector activities have backward linkages to the urban formal sector either directly or indirectly, as inputs are purchased within the urban informal sector from producers who obtain their raw materials from the urban formal sector. Forward linkages exist when the urban informal sector sells its output of goods and services to the urban formal sector. Output from the urban informal sector may take the form of intermediate goods, which are intended to be inputs in the productive process, or final goods and services that are ready to be sold to the consumers. Small enterprise or owner-account workers in the urban informal sector may specialise in activities linked with supplying mainly to the urban formal sector. An example could be an individual working at home with a knitting machine who produces school cardigan that are then labelled with a formal sector brand and sold in shops in the urban formal sector.

There is a third type of linkages identified by JASPA (1986) called Technological linkages. It is the transfer of technology and skills between the two sectors, which may take place independently as a result of the movement of goods and the movement of skilled workers. In this way workers from the sector who enter the informal sector, either by joining an existing firm or by establishing their own firm, pass on their acquired skills to other members of the sector. This process helps to bridge the technological gap between the two sectors. However, this can only happen through an apprenticeship system in Nigeria. Another form of technological transfer involves a formal sector employee setting up as an informal sector entrepreneur. It is not that such workers were "failures" of the formal sector, or unable to integrate themselves into the movement of modernization, but they are enterprising people who, having learnt new skills and market conditions and having acquired savings, branch out to capitalize on their practical experience. Such transfers are most common for trainees, but they also occur in the case of long-established workers.

The main motivations for this movement are the desire to own and operate one's own business, and to achieve some stability in one's employment status. These three linkages exist between the formal and informal sectors in urban Nigeria and operate in the same ways as observed by Thomas and JASPA.

Arguing in support of the urban informal sector, Todaro (1997) identifies the roles, which it plays in an economy. Thus, the urban informal sector continues to provide a solution to urban unemployment until other solutions to this problem are provided. Moreover, the informal sector generates not only employment but income for the urban labour force. The informal sector also generates surplus even under the current hostile policy environment, which denies it access to the advantages offered to the formal sector, such as the availability of credit, foreign exchange, and tax concessions. Thus, the informal sector's surplus could provide an impetus to growth in the urban economy. Secondly, as a result of its low capital intensity, only a fraction of the capital needed in the formal sector is required to employ a worker in the informal sector, offering considerable savings to the developing economies that are often plagued by capital shortages. Thirdly, by providing access to training and apprenticeships at substantially lower costs than that provided by formal institutions and the formal sector; the informal sector can play an important role in the formation of human capital. Fourthly, the informal sector generates demand for semi-skilled and unskilled labour whose supply is ever increasing. Fifth, the informal sector is more likely to adopt appropriate technologies and make use of local resources, allowing for more efficient allocation of resources. Sixth, the informal sector plays an important role in recycling waste materials, engaging in the collection of goods ranging from scrap metals to cigarette butts, many of which find their way to the industrial sector or provide basic commodities for the poor.

Generally speaking, the informal sector plays a significant economic role in the urban as well as rural areas of African countries and Nigeria in particular, by producing goods and services in conformity with the needs of the population. Though the informal sector is largely a "poor man's sector", some of its output meet the needs of the high-income group. The sector caters for the needs of the poor in terms of food, clothing and housing, but also provides certain services for the high-income group. In this dual role, the sector has some comparative advantages over the formal sector since its prices are lower and the quality of output is adapted to the needs of the people. The promotion of the informal sector would ensure an increased distribution of the benefits of development to the poor, many of whom are concentrated in the informal sector.

It is these wide-ranging benefits which urban capital derives from the informal sector activities of the poor that explain why the urban authorities do not use the legislation that already exists to remove such enterprises from the city. Instead, what occurs are periodic campaigns to control certain types of activity which may be getting out of hand and intruding on the modernization process.

The promotion of the informal sector is not, however, without its problems. As noted by Todaro (1997), one of the major disadvantages in promoting the informal sector lies in the strong relationship between rural-urban migration and labour absorption in the informal sector. Migrants from the rural sector have both a lower unemployment rate and a shorter waiting period before obtaining a job in the informal sector. Promoting income and employment opportunities in the informal sector could therefore aggravate the urban unemployment problem by attracting more labourers seeking and waiting to be absorbed by both the informal and formal sectors. In addition, there is the concern over the environmental consequences of a highly concentrated informal sector in the urban areas. Many informal sector activities cause pollution and congestion or inconvenience to pedestrians (e.g. hawkers and vendors).

Moreover, increased densities in slums and low-income neighbourhoods, coupled with poor urban services, could cause enormous problems for the urban centres. We however argue that these problems can be easily solved if governments and their agents take appropriate actions that would spread development equitably to the rural sector, guarantee market and adequate supply of raw materials that would enhance the production activities of the informal sector, and provide infrastructural facilities to support rural production. These actions would go along way in reducing rural-urban drift that cause congestion and environmental problems in the urban centres. Strategies exist to promote the informal sectors, given the important roles it plays as identified above. These may take the following forms as observed by Todaro (1997).

1. Because access to skills plays an important role in determining the structure of the informal sector, governments should facilitate training in the areas that are most beneficial to the urban economy. In this way, the government can play a role in shaping the informal sector so that it could contain production and service activities that provide the most value to society. Specifically, such measure might promote legal activities, and discourage illegal ones, by providing proper skills and other incentives.

2. Lack of capital is a major obstacle to activities in the informal sector. The provision of credit would therefore permit these enterprises to

expand, produce more profit, and hence generate more income and employment. Access to improved technology would have similar effects.

3. Pursuance of welfare policies that could improve the well being of the operators in the informal sector could be a viable effort. This could take the form of providing infrastructure and proffering suitable solutions to environmental problems caused by an expanded informal sector. Most importantly, better living conditions must be provided, if not directly, then by promoting the growth of the sector on the fringes of urban areas or in smaller towns where the population will settle close to its new area of work, away from the urban density. Promotion of the informal sector outside the urban areas may also help redirect the flow of rural- urban migration.

In the Nigerian economy, a number of these strategies have been adopted but are found to be inadequate. For instance, governments have implemented skill provision and improvement by training through the National Directorate of Employment (NDE) but this has not made any significant impact because of the problems of lack of commitment and implementation. Governments have also made efforts towards providing credit through targeting self-employed, small-scale businesses, etc but have been unable to sustain it. In addition, attempts have been made to relocate the workplace of workers in the informal sector but without regards to the distance to their residential areas, and infrastructural facilities that could support their activities in their workplace. These disadvantages have rendered the efforts ineffective.

2. 3 THE FINANCIAL MARKETS

Activity in financial markets involves the exchange of one financial asset for another. As noted by Henning, Piggot and Scott (1978) lenders exchange money for other financial assets that provide a future return in most exchanges. In effect, they buy claims against other people's money holdings at a future date. When individuals and organizations buy and sell outstanding claims we say they are engaging in portfolio adjustment .This takes place because holders of financial assets (a) expect the return on the newly acquired asset to be greater than that of the one they sold (b) they want to improve the overall marketability of the assets, or (c) they want to reduce the riskiness of their holdings, or for a combination of these reasons.

Besides exchanging financial assets to adjust a portfolio, wealth holders may wish to reduce the size of their portfolio of financial assets in order to acquire funds to purchase consumer goods or to purchase land or real capital equipment. Thus, financial markets exist to allow individuals to adjust their asset holdings to suit their preferences. This implies that financial market perform some functions, among which are, economic function. They facilitate the transfer of real economic resources from lender to borrower. Lenders have earned money incomes and wish to save part of their earnings for future use. They can earn interest on their savings by lending their purchasing power to someone who wishes to obtain command over real resources. Thus real resources flow to borrowers and away from lenders. By facilitating transfers of real resources, financial markets serve the nation's economy and the welfare of citizens.

Financial markets also perform a financial function. They provide borrowers with funds they want or need to have now to carry out their plans. Also, they provide lenders with earning assets so that a lender's wealth may be held in a production form without the necessity of direct ownership of real assets.

To analyse the numerous financial markets in an economy, it is useful to divide them into categories. It should be recognized that any attempt to classify markets is arbitrary as the lines drawn are not clear-cut in practice. Broadly speaking, there are two major categories of financial markets in the Nigerian economy---The Formal and Informal Financial markets.

2. 3.1 The Formal Financial Markets

These are markets with the conventional procedures of transactions in financial assets known all over the world and may be sub-classified as follows: First, there are markets for new issues of securities and markets for existing claims. The markets for new issues of securities are called primary markets. Here, borrowers (consumers, managers of business firms, and governments) issue new securities to raise funds to finance their expenditures. These securities may be purchased by financial institutions or other lenders who have funds to invest. Markets for existing claims are known as secondary markets. Since the original issuers are not obligated to redeem securities until maturity, these markets allow investors to exchange securities for money before they mature. Thus, active secondary markets enhance the value of financial assets. The ease and convenience with which such assets can be sold, prior to maturity without a significant loss are a measure of their liquidity.

A second way of classifying financial markets is to divide them into markets for loans and markets for securities. A loan is usually negotiated directly between the borrower and the lender; they deal face to face. Securities markets, on the other hand, are impersonal or open markets; buyers and sellers of securities are usually unknown to each other, and usually trade through brokers or dealers. Securities markets may be subdivided into other categories. For instance, there are markets for debt instruments, such as bonds, and there are markets for equities, such as common stock. The former represent obligations of companies or government units to creditors. Stocks, on the other hand, are evidence of ownership of firms by stockholders. Though bondholders and stockholders have different legal status, it is often convenient to regard both bonds and stocks as securities, since capital may be obtained by firms through the issue of either type of instrument.

The third major way of classifying financial markets is to divide them into money and capital markets. Money markets refer to markets in which short-term instruments are traded. Short-term instruments are defined as those that have one year or less maturity period. Capital market securities are those that mature in more than one year or those that have no maturity dates, as in the case of stocks. Money markets are important for two reasons:

(i) they provide a major means by which participants can adjust their liquidity positions; and (ii) the monetary authorities, which are responsible for controlling the money supply, conducts most of its operations in the money market. Through these operations, it seeks to achieve many of the nation's economic goals.

The primary purpose of the capital markets is to channel saving into investment. This process, by adding to the nation's stock of capital goods, increases output and ultimately raises the living standard. The capital markets facilitate this process in two ways. First, savers may buy newly issued long-term instruments that provide business firms with funds to finance capital expenditures. Second, financial institutions, such as savings and loan associations, commercial banks, and others, use the savings of individuals and business to acquire capital market securities, including mortgages. In both ways, savings are made available for investment purposes.

It should be noted that financial institutions borrow short-term funds when they accept savings because such funds may be withdrawn within a short time. However, when financial institutions invest these funds in the capital markets, the funds are usually provided for longer periods of time. Thus, the short-term and long-term markets are connected through the operations of the financial institutions.

The principal actors in the financial system include the ultimate savers and users of funds, including finance houses, enterprises, households, and government entities. Financial institutions can be classified into two broad categories: banking institutions and non-bank financial institutions. Banking institutions include the Central bank, Commercial, Merchant, Development and other deposit banks.

In a classification based primarily on the nature of their liabilities, as listed by Henning *et al* (1978), non-bank financial institutions may be classified into five groups: (a) deposit-type financial institutions which have liabilities similar to the deposits held by commercial banks - they are made up of savings banks, savings and loans associations, and credit unions; (b) contractual saving institutions, whose liabilities are defined by contracts for future payments under specified conditions - insurance companies and pension funds; (c) investment-type institutions, whose liabilities are shares or trust agreements evidencing ownership or beneficial interest in long-term securities (stocks and bonds) - mutual funds and common trust funds managed by commercial banks and trust companies; (d) finance companies, whose liabilities include commercial paper, bank borrowing, and debentures, backed by substantial equity capital; and (e) a miscellaneous group including (i) government and quasi - government lending agencies whose liabilities are termed "agency securities", (ii) investment and brokerage houses that serve a function of facilitating financial investment, and (iii) such minor institutions as pawnshops.

Financial markets may be centralized or decentralized. The markets for securities that typically trade in large units, tend to be centralized in a limited number of major cities called financial centres, while those for smaller trading units exist in almost every city throughout the country. There are a number of reasons why primary and secondary markets for large trading units are highly centralized. One reason is that securities traded have standardized contracts and need not be personally inspected by the trading partners. Another reason is that the value of the security is read from the financial statements of the ultimate deficit unit and does not require a personal investigation of the issuer. This permits the physical trading to be conducted at a distance from the location of the buyers and sellers. Although physically easy to transport, securities are costly to transport safely over long distances.

Moreover, the farther the distance, the longer the delivery and the slower the transfer of funds. Because of this, most securities are stored close to the location of the trading. Much security trading is undertaken on the basis of new or different interpreted information. Because the cost of collecting and transmitting information varies with the distance from the source of the information, participants in the financial markets prefer to locate close to one other. Many financial trades require immediate, very large, and highly specialized financing. This suggests a clustering of financial markets near financial institutions, particularly near large commercial banks (Kaufman, 1973).

Financial markets could be of organized and over - the - counter types. A financial market is said to be organized if a large volume of trading in many securities is conducted at a central location under a specific set of rules and regulations. An organized market is commonly referred to as an exchange. Buyers and sellers frequently trade through agents of the exchange. Organized exchanges are considerably more important in the trading of equity than debt securities. Over-the-counter markets exist wherever financial claims are sold under conditions different from those for an organized exchange. Every dealer and intermediary operates an over - the - counter market in his shop when he buys or sells claims for his own account. Buyers and sellers trade directly with each other. The rules and regulations vary from market to market. Prices and terms may also vary. The same security can be traded in a large number of different locations simultaneously.

2.3.2 The Informal Financial Markets

The terms "informal", "parallel", "black", "underground", " fragmented", "unorganised", " segmented", and "curb" markets have all been used interchangeably in the literature to describe various forms of economic activity lying outside the officially regulated or monitored realm (Montiel *et al*, 1993). In this manner, all activity that lies beyond the space of official regulation or control is considered to be informal in nature.

Informal activity is basically a market response of economic agents to their economic environment. As such, this activity is demand-driven, generated purely by the needs of the market place. Such markets have been known to exist alongside similar activities in the formal sector, or to develop very rapidly in areas where no formal markets exist or where formal markets are legally prevented from existing. Informal finance includes the transactions and other lawful (at least in accordance with the norms of the communities in which they are conducted) financial activities which may not be recorded but unregulated and are outside the control of the official institutions. In other words, it is the totality of legal financial activities and transactions which are not however recorded and regulated and which fall outside the sphere of activities of the official institutions (Chandarvakar, 1988).

The informal financial sector in Nigeria provides such financial services as savings, money-keeping, lending of money to households, individuals and small-scale businesses that have no access to formal financial institutions' facilities. Because the activities of the actors in this sector are not always recorded and are unregulated they usually do not go through the official supervision and screening of documents. Thus, the important role played by the actors in this sector cannot be appreciated because of lack of information about their activities. This situation might be a consequence of lack of knowledge and negative impressions about the activities in the sector.

As rightly observed by Thillairajah (1994), several features make it possible to characterizes the informal sectors; the predominance of cash transactions, the absence of record-keeping and regulation, the restricted sale of individual transactions, the ease of entry and exit, the convenient exchange of assets outside the legal framework, and the mode of operations which relies on personal relationship and, or interdependence within or between communities, of individuals and groups.

It is important to note here that a substantial proportion of the capital requirements of households and small-scale business in the informal sector is met by the informal financial markets since accessibility to credit in the formal financial sector is not feasible. Credits in the informal financial markets are relatively scarce, usually available in small amounts and for short durations. The costs of these credits vary from zero to a high amount, depending on the sources of credits. While credit could be interest-free when the transactions are among family members, neighbours and friends, interest could be very high when offered by professional money-lenders. At most, all the transactions are governed by custom, and are largely unrecorded but based on promise and faith. Thus, loan-taking and repayments are social obligations rather than provision of collateral securities.

Thilairajah (1994) asserted that the informal sector (households and enterprises) lean more on the informal system both as savers and as borrowers, for obvious reasons, such as:

1. The ease of obtaining loans, simplicity of procedure, convenience and personal attention, confidentiality, dependability and timelessness;
2. Low transaction costs in terms of time and money, and low interest (often no interest) on loans except from professional money lenders;
3. Facilities available closer to home, and flexible hours of accessibility;
4. Personal guarantee accepted as collateral, and flexibility of instrument and terms;
5. Ease of exit and entry.

The economic entities that make up the informal financial sector owe their existence and development to the same set of factors that account for their origin as observed by Chipeta and Mkandawire (1991). These factors may be classified into four groups; the functioning and organisation of the indigenous economy (autonomous factors); the characteristics of informal financial institutions; and macro economic conditions and policies. The informal financial markets are characterized by:

- The close association between the services that they offer and the promotion of ties of solidarity and friendship in groups;
- The fact that members are "forced" to save what they would not otherwise be able to put aside but would spend on consumption;
- The provision of credit services that suit the needs of borrowers, such as the procedure for obtaining credit, requiring personal guarantees which are consistent with the ability of borrowers; the absence of controls and restrictions on the use to which the loans can be put; the fact that the loan can be granted at any time, and is interest-free;
- Flexibility in terms of payment and repayment;
- The secrecy surrounding the financial dealings with clients since formal records are rarely kept (it is therefore difficult for relations to know where one saves and for taxes to be paid on interest income);
- The low or virtually nil cost of administration;
- The avoidance of costs of inflation because of the high nominal rates of return on deposits and loans that apply in some informal financial institutions.

According to Chipeta and Mkandawire (1991), the informal financial markets play a very important role in alleviating economic hardship among the low-income groups. This role is played by enabling them to obtain loans. This attests to the claim of Hyuha *et al* (1993) that these economic units (low-income groups) resort to informal financial markets to meet their ever-growing need for loans to finance consumption and investment requirements. Also, with respect to savings, all informal financial institutions play a significant role, especially employers, estate owners, businessmen, friends, relations, rotational savings, tied savings, etc. Moreover, all these informal financial institutions provide credit facilities. This explains why Montiel *et al* (1993) defined the informal credit market as consisting of a large number of diverse activities encompassing all forms of unregulated transactions. The market includes lending and borrowing transactions of very varied types of individuals and intermediaries. Their ability to mobilize savings and advance credit facilities implies that they play an intermediation role. Furthermore, the informal sector provides employment and hence income for many of the operators in the sector thus, enhancing their standard of living.

The major activities in the informal financial market are lending and savings mobilization. As earlier noted, the informal credit market has been defined as consisting of a large number of diverse activities encompassing all forms of unregulated transactions. The actors in this market include individuals and intermediaries, such as professional moneylenders and bankers, rotating savings and credit associations, pawnshops, traders, landlords, and households (Montiel *et al*, 1993). The activities in this market may be classified into four categories, which include:

1. **Occasional lending**: occasional lending, direct lending by individuals and institutions with surplus funds.

2. **Regular money lending**: lending by individuals or institutions specializing in lending using their own funds or intermediated funds.

3. **Tied credit**: lending by those whose main activity lies in markets other than the credit market but who tie credit to transactions in markets where their primary activities lie.

4. **Group finance**: various forms of cooperative efforts to generate loanable funds for individual credit needs.

Given the fungibility of capital as well as the lack of regulation of informal credit markets, the likelihood of individuals participating in many of these activities cannot be ruled out.

Lending activity as expressed by Hoff *et al* (1993) entails: (a) the exchange of consumption today for consumption in a later period,

(b) insurance against default risk, (c) information acquisition regarding the characteristics of loan applicant (i.e. screening problem), (d) measures to ensure that borrowers take actions that make repayment most likely (i.e. incentive problem), (e) enforcement actions to increase the likelihood of repayment by borrowers who are able to do so.

Hoff *et al.* (1993) identify two types of mechanisms for resolving the problems of screening, incentives, and enforcement: indirect and direct mechanisms. Indirect mechanisms rely on the design of contracts by lenders, such that when a borrower responds to these contracts in his own best interest, the lender obtains information about the riskiness of the borrower, and induces him to take actions to reduce the likelihood of default and to repay the loan whenever he has resources to do so. These mechanisms are, may be, in the credit market itself. (In loan terms, such may be the interest rate or loan size), or they may rely on contracts in related markets (rental agreements, for example), that will influence a borrower's behaviour in the dual function of a price and an indirect screening or incentive mechanism. This implies that the equilibrium interest rate need not clear the market (there may be credit rationing).

Direct mechanisms entail lenders' (a) expanding resources in activity, screening applicants and enforcing loans and (b) limiting the range of their lending activity to members of a particular kingship group, residents of a given region, or individuals with whom they trade. These direct mechanisms (through personal relationship, trade-credit linkages, usufruct loans, and other means) tend to lead to a monopolistically competitive structure with interest rate spreads between different segments of the informal credit markets.

Holf *et al.* (1993) argue that the entry of institutional credit into informal credit is unlikely to break the power of money-lenders unless the new institutions themselves find substitutes for the direct mechanisms used by money-lenders to overcome the problems of screening, incentives and enforcement. This position is further reinforced by the view of Hyuha *et al.* (1993) that the services from the informal finance sources are characterized by an absence of red tape, a relatively higher degree of access to the institutions by their users, little or no need for mortgageable collateral security, and the existence of the human factor in credit allocation. Moreover, in informal financial markets, the primary focus of the trust is on the person rather than on the system - the saver's personal knowledge of the safe-keeper or borrower acts as a substitute for the formal procedure of evaluation of that person's collateral value and capacity to pay debts.

Savings mobilization is critical not only for the long term financial viability of the institutions but as the source of their loanable funds.

Besides the obvious benefits to the depositors, it can strengthen the financial intermediaries and can induce financial institutions to be more responsive to the local market. Given the proper incentives, there is possibility of cost-effectively mobilizing voluntary savings from informal households. This could be in the form of high real rates of return provided to savers with strong incentives to save. These rates of return are not in any categorical way defined in the informal financial markets in Nigeria. They are rather implicit in the entire arrangement. The case of rotating savings is even more peculiar. This is because the operations of this institution require members to take turns. The real value of the loan taken at any point in time depends on the rate of inflation at that time, so that it is possible for the value of the loan taken to vary with the rate of inflation. Moreover, the cost of waiting for turns to take the loans by members is not compensated for. In this case, the first beneficiary is better off than the last beneficiary in terms of access to credit. However, the waiting time is a major instrument used to solve the problems of screening, incentives, and enforcement as undoubtful creditworthy members take their turns first though some take turns through the ballot system.

Financial markets are often characterized as intermediaries between savers and borrowers, banks, government credit institutions, and cooperative savings and loans operations. These organizations would not be able to provide their services, linking buyers and sellers of financial assets, unless there is a demand for intermediation from individuals, households and non-farm enterprises that make up the informal financial market. Intermediation occurs when financial claims provided from savings of individuals and other operators in the market are recycled by the third parties to others who seek command over resources by borrowing or by selling ownership claims. Intermediation permits the transfer of these claims through time and space, and intermediaries generally pool funds from savers and disaggregate them among borrowers.

An informal financial market ought to meet certain criteria to enable it perform its functions properly. As observed by Von Pischke *et al.* (1983), a well-functioning informal financial market should mobilize informal savings as well as disburse credit; it should grow to meet expanding opportunities without continually requiring subsidized inflows of outside funds; it should have an expanding array of vehicles for attracting savings and offer varied and flexible lending terms and conditions. Market performance of this type requires institutions that are healthy and expanding. There should be active competition among both formal and informal borrowers and lenders. The great majority of the economically active informal population should have expanding access to at least culturally appropriate portions of the market. At the same time, the informal financial market should build up the capability of its participants to take part in larger financial markets at the national level. More effective intermediation to deal with the range and variety of sources and uses of funds is required for integration on this scale.

It is hereby observed that a large number of criteria enumerated by Von Pischke *et al* above may not have been satisfied by the Nigerian informal financial market to enhance its satisfactory performance. For instance, there has been no noticeable competition between the formal and informal borrowers and lenders as informal financial institutions exist to serve informal borrowers and lenders mainly. Moreover, these highly localized markets have no capacity to build up their participants to enable them participate in the larger market at the national level.

Given the large informal sector of the Nigeria economy; there is the tendency to believe that the size of informal credit markets is significant. The participants in these markets, because of the need to maintain information advantage, prefer to remain anonymous and are reluctant to release information on their transaction to any outsider. Montiel *et al* (1993) argued that, since much of the activity in the informal sector results from regulation in formal markets, it is natural to expect that the informal sector would shrink with financial liberalization or deregulation.

We hereby argue that this situation has been prevailing since the introduction of the Structural Adjustment Programme (SAP) to date. Financial liberalization under this programme did not in any way remove the stringent conditions such as provision of collateral securities for obtaining credit from the formal financial institutions. Moreover, the massive bank failure resulting from the implementation of SAP, discouraged depositors of funds from depositing with the formal financial institutions. On the contrary, the situation may have invigorated the informal financial markets as surplus economic units may have increased patronage of the informal financial institutions that seem safer than the conventional banking institutions.

With the possibilities of borrowing from the formal sector where interest rates are low and lending in the higher interest rate of the informal sector cannot be ruled out, activity in the informal sector can be expected to be affected by the credit policy of government. Credit policy could also affect the informal sector via its general effect on the economy (Montiel *et al*, 1993). We may argue here that, while some of the informal financial institutions may charge interest rates which may be higher than those of the formal financial institutions, there are some informal financial institutions in the Nigerian economy that do not charge interest on loans, e.g. transactions among family members. Moreover, government credit policy has a unidirectional effect on the informal sector. For instance, a rise in the rate of interest can redirect people's borrowing intentions towards the informal sector. It could be agreed with the claim that a credit policy could affect the informal sector, just as it is affected by general events in the formal sector, but it could be observed that it may take a long chain of reactions for the events to have effects.

Informal financial markets seem to perform a useful function in the economy. They allow access to credit by the small borrower who is otherwise unable to borrow. They also mobilize savings by providing savings facilities and some even create incentives for the savers by paying interest on savings. At the macroeconomic level, as noted by Montiel *et al.* (1993), there is the concern for the efficacy of monetary and fiscal policies in the economy where such markets are large. On its own the sector does not create deposits and hence does not directly affect the money supply. However, transactions in informal markets tend to be based primarily on currency. The large currency holdings that are accumulated therefore have the potential of reducing the authorities' control of the money supply. For example, attempts at money creation may be frustrated by a flight of currency from the banking sector into the informal sector, hence limiting the banks' ability to create deposits.

On the fiscal side, the government finds that the informal market frustrates its efforts at revenue collection as the bulk of informal transactions are not officially recorded. Government revenue collection efforts must therefore be concentrated on the formal sector. However, attempts to increase revenues in that sector by means of increased taxation, say on the interest earnings of that sector, induce a switch to the patronage of the informal financial market and, therefore, the tax base of the government becomes smaller and more unstable as informal markets grow in size.

2.4 FINANCIAL INTERMEDIARIES IN THE URBAN SECTOR

Financial intermediaries occupy the gap between the surplus economic units and the deficit economic units. As noted by Kaufman (1973), they exist to facilitate the transfer of funds from the surplus economic units (ultimate lenders) to the deficit economic units (ultimate borrowers). In their absence, economic surplus units and deficit units may incur substantial outlays of time and money in locating each other. Not only do they need to locate each other, but they also need to locate members of the opposite type of economic units who have precisely the same preferences in maturity, risk, and marketability. This supports the view of Goodhart (1989) that intermediaries exist because of the problems of transaction costs, imperfect financial markets and information asymmetries. Upon locating each other, deficit economic units exchange their claims for money. Surplus economic units gain direct claims on the deficit economic units. Financial institutions facilitate the exchange of claims for money. These institutions may be classified into two groups: those that help deficit economic units and surplus economic units to locate each other to exchange claims and funds directly, and those that bring the two together indirectly by substituting their own claims.

Savers and lenders are brought together on the private capital market by brokers and dealers. While brokers provide a pure search service, they do not take legal possession of the claim traded. They locate the participants in a pending trade before the trade occurs and receive a commission from both parties for this service upon consummation of the trade. Dealers, on the other hand. take legal possession of the claims by buying the latter from the deficit economic units for their own inventory and subsequently selling the claims to the surplus economic units from this inventory. Their income is derived from the spread between the buying and selling price of the claim. The greater the spread, the greater the earning of the dealer. It is possible for the dealer not to sell a claim immediately after purchasing it; the claim then remains in his inventory for some time. The income of the dealer on a particular claim depends on the price changes of the claim. However, in all transactions conducted on the private- capital market, with or without the aid of a broker or dealer, the surplus economic units hold the primary claim issued by the deficit economic units.

Financial intermediaries provide an alternative channel to the private market for funds to be transferred from the surplus economic units to deficit economic units. An intermediary can issue and sell claims on itself. With the proceeds of the sale of these claims to surplus economic units, it purchases primary claims from deficit economic units. The claims intermediary issue are called secondary claims, which represent indirect ownership of the primary claims. Unlike the direct flow of funds and claims between surplus and deficit economic units on the private- capital market, flows on the intermediation market are indirect in two nearly simultaneous transactions. Funds flow from surplus economic units to the intermediaries and then to the deficit economic units. This process is called intermediation. In all the transactions conducted through the intermediation market, the surplus economic units hold secondary claims issued by the financial institution rather than the primary claim issued by ultimate deficit economic units. The channels through which funds are transferred from the surplus economic units to the deficit economic units, as diagrammatised by Kaufman (1973) are shown in figure 1.

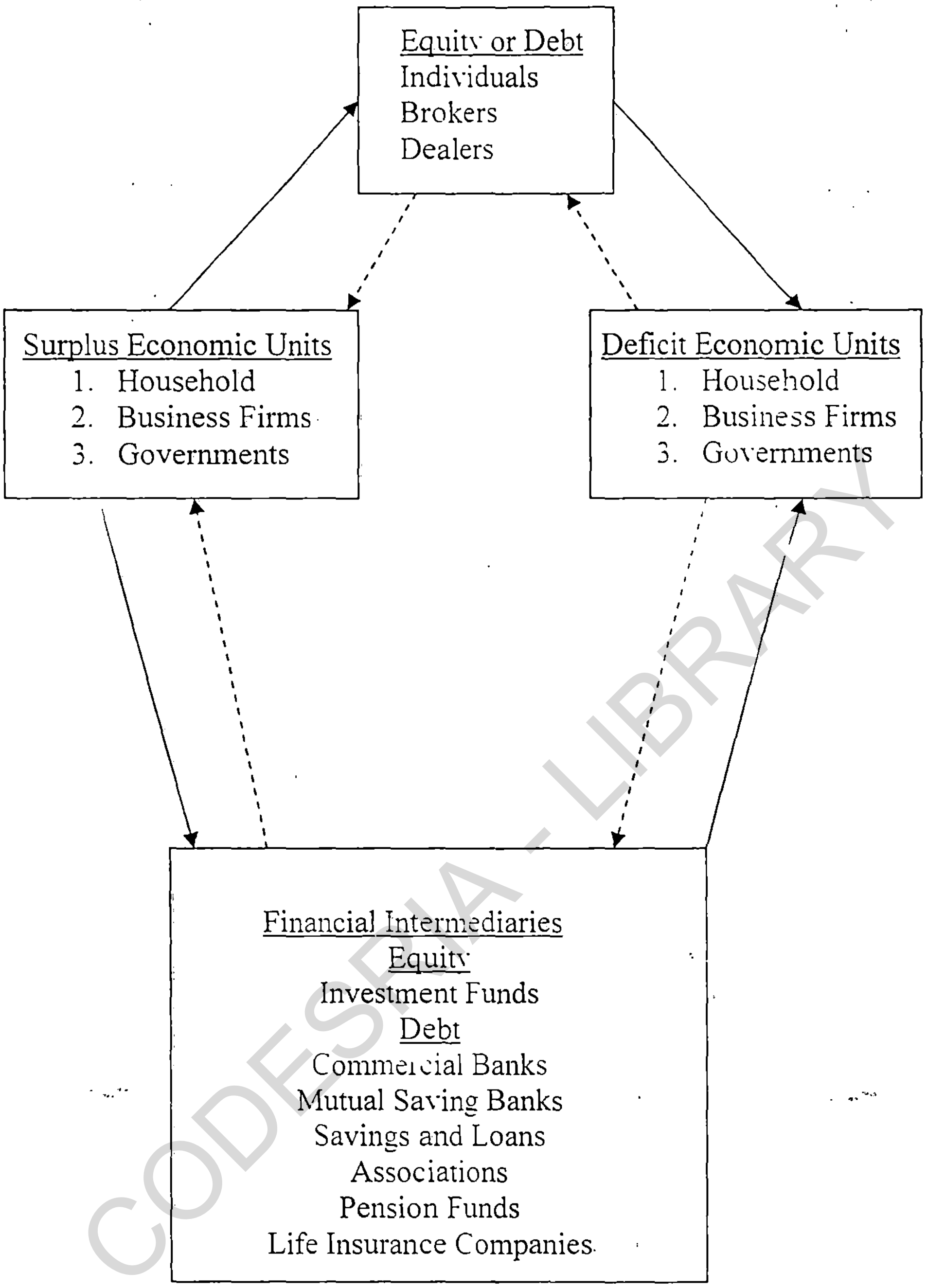

Fig 1: Channels for Transfer of Funds

In the informal sector of the Nigerian economy, financial intermediaries do not engage the services of brokers and dealers on claims as savers and lenders interact directly. The financial markets that exist are only near the private capital market described above and the actors are mainly individuals, households and informal financial institutions like, rotating savings, money-lenders, etc. Some of these individuals and organizations, however, receive commissions for their activities like holding for safe-keeping people's funds and transactions cost, and not for search and holding claims as obtain in the private capital market above.

Intermediaries perform several functions. As identified by Goodhart (1989), they alleviate market imperfections caused by economies of scale of transactions in financial markets and in information gathering and portfolio management; intermediaries provide insurance services; people dislike the prospect of accidents such as fire, injury, burglary, and are quite prepared to accept lower mean expected incomes (after payment of insurance premia) in order to insure against the risk of a severe reduction in living standards; intermediaries involve themselves in issuing liabilities of a kind preferred by lenders (at relatively low yields) and investing a proportion of the funds in higher yielding earning assets of a form which borrowers prefer to issue. The intermediary attracts funds from the public by offering varying combinations of redemption terms e.g. the date of its maturity, concomitant services and interest payments. If the intermediary offers very liquid liabilities, it will generally have to maintain a larger proportion of low-yielding reserves in its portfolio in order to honour its redemption obligations: so there will normally be an inverse relationship between the liquidity of the intermediary's liability and the rate of interest offered for it. These functions indicate that financial systems have come to be in their own right as providers of key services, including the mobilization of resources, allocation of credit, pooling, pricing and trading of risks and monitoring and supervising borrowers' behaviour.

Financial intermediaries in the informal economy of Nigeria do not differ in any significant way in performing these functions. What might differ is the method of performing the functions identified here.

2. 5 CREDIT PROVISION FOR THE INFORMAL SECTOR

To many observers, a major constraint on the urban informal sector is the inaccessibility people in the sector. For example, the working capital of self-employed workers of the urban informal sector is often very limited, with the result that they have to buy their basic materials frequently and in small quantities from retailers rather than in large quantities from wholesalers at lower prices. Similarly, micro-enterprise may be constrained to work with primitive technology as they do not have the funds required to buy better tools or machinery.

As noted by Liedholm (1992), the magnitude and composition of the micro-enterprise's demand for finance as well as its access to the sources of that finance typically vary significantly over its life cycle.

Consequently, one must take careful cognizance of these systematic variations when determining the appropriate volume and types of financial resources that might be provided to such enterprises. Although a variety of informal sources of finance are available to meet many of the evolving needs of micro-enterprises, there are several limitations with these informal financial arrangements. Firstly, these informal sources are independent and generally segregated from one another. Secondly, informal financial sources are not particularly well suited to meeting the evolving fixed capital needs of micro- firms. As firms grow and perhaps try to transform themselves into modern small-scale enterprises, informal lenders become less able or inclined to provide the larger sums for the longer time periods that are now required (World Bank, 1989b).

Several approaches have been proposed to facilitate the growth of micro-enterprises. One is to provide technical assistance to the firms themselves to teach them how to obtain loans from formal financial institutions (Meyer, 1988). A second approach is to provide technical assistance instead to the commercial banks and similar financial institutions on how they could lend more effectively to small and micro-enterprises. (Kilby *et al*, 1984). A third approach would be to graduate or convert an entire micro-enterprises lending programme or scheme into a financially self-sufficient institution, providing a complete array of financial services to a large and broader group of micro-as well as modern small-scale enterprises (Meyer. 1988).

In the Nigerian economy, none of these approaches has been adopted or even tried as an experiment. What operates is a mere policy statement on the priority sector and sectoral allocation of credit. As observed by Oyejide (1992), two broad views regarding access of small-scale and micro-enterprises to credit from the formal financial intermediaries can be identified in the literature. These are the "pro-state" and "pro-market". Both schools emphasize the importance and significance of the small-scale development countries, and Nigeria in particular. Both also agree that there is inadequate realization of the great potentials associated with the legitimate activities of the informal sector. They, however, differ with respect to both the alleged cause of this obstacle and the appropriate mechanisms for its elimination or amelioration.

The pro-state view focuses largely on inherent imperfections in the credit market and some institutional behaviour characteristics as the primary sources of the problem. The view therefore stresses the role of government intervention as an important and meritable mechanism for removing the obstacle. On the other hand, the pro-market view pays little or no attention to market imperfections; rather it sees government as the primary source of the problem. and not a part of its solution. Specifically, the pro-state school of thought emanates from a system in which banks are considered as legitimate instruments for achieving important developmental and social goals. When shortage of investment funds and working capital is diagnosed as holding back the development of the private sector, particularly Small-scale and Micro- enterprises (SMEWS) and other sector activities, in such a system, recourse to government intervention in the credit allocation decisions of banks appears normal.

The justification for this intervention can be based on market failure associated with the provision of formal financial support to the informal sector, which can be addressed only when government steps in to supplement, or enhance or even replace private efforts. It may also be based on the need to overcome the problems created by a combination of conservative bankers and high start-up cost of small-scale enterprises, which can inhibit the development of financial intermediation for small-scale enterprises. Finally, the need to provide for a more equitable sharing of the risks and administrative costs of small-scale enterprise credit between the private and public sectors may provide the justification for special financing schemes (Anderson and Khambata, 1985).

Whatever its justification, the result of government intervention in the credit market for small-scale enterprises is usually to induce formal financial institutions to supply, to such enterprises with more credit and, at lower interest rates, through subsidy, offer of guarantees or outright compulsion, than they would otherwise voluntarily provide. Alternatively, separate and special institutions are established and specifically funded to provide more and, or cheaper credit to the small-scale enterprises. This approach is the one that Governments in Nigeria have employed to deliver credit to the informal sector. However, because the intended beneficiaries of this effort are not consulted, do not participate in the planning process and implementation, and their various financial needs are not identified and reflected, the policies and programmes of governments aimed at credit delivery to the informal sector have not been particularly successful. In particular, the policies and programmes are always hijacked and diverted by the government agents who put in place the policies and programmes for their own benefits.

The pro-market school sees government intervention that imposes direct credit allocation to priority sectors of the economy, like the small-scale enterprises, as distortionary as it not only reduces the freedom of lending by banks, but also damages their profitability. Because such interventions often involve low loan rates ceilings and are associated with negative real deposit rates, it is argued that they reduce savings deposits by generating disincentives to financial savings and discourage banks from lending to small-scale enterprises which quickly become unattractive loan candidates. Given that they tend to be riskier borrowers, there are high costs of administering numerous small loans and generally low recovery rates traditionally associated with such loans. Furthermore, in a market which is financially repressed through negative real rates of interest and related credit regulations, the real offer of credit from the formal financial system tends to contract. This necessarily leads to greater self-financing by all private sector enterprises. In this rationed situation, not every enterprise has the same chance of access to credit: in fact, the larger enterprises are more likely to enjoy greater and disproportionate access to credit, thus benefiting more from the implicit cost of funds subsidy than the smaller enterprises. The latter are, as a consequence, crowded out of the formal credit system and are forced to rely to a greater extent. on self-financing and, or more expensive informal credit.

Hence, the pro-market view comes to the conclusion that it is precisely government interventions which discourage mobilization of financial savings and, as a consequence, restrict the access of private sector enterprises, particularly the small-scale enterprises. to formal credit. The policy implication emerging from this conclusion is that, to ensure improved access of small-scale to formal credit, the financial system should be allowed to move toward greater reliance on market forces for savings mobilization and credit allocation and guarantee the development of a competitive financial system.

The experience of the implementation of SAP in Nigeria since 1985 points to the contrary of the policy advocated by the pro-market view. The deregulation of the economy under SAP has intensified the pauperization of economic units in the economy to the extent that it was difficult to feed oneself, not to talk of saving because of dwindled incomes and the erosion of the real value of money. Also, many banks abandoned their intermediation role and took to "black market" transactions particularly in the foreign exchange market where they were buying at the official rate and going to the autonomous market to sell at the prevailing rate. Moreover, financial institutions that could make credit available did so at very exorbitant prices that made borrowing for investment irrational. Thus, the argument for market economy as an efficient system that could guarantee effective savings mobilisation and efficient allocation of credit seems untenable in Nigeria. As expressed by Steel *et al* (1997), liberalization of repressive financial policies had little effect in deepening formal financial markets at the expense of informal ones. Because of the reforms, banks have concentrated on restructuring (including closing rural branches) and improving portfolio performance with their core clientele.

They tended to close rural branches and restrict access to small clients, with negative overall consequences for lending to the private sector.

In contrast, informal financial agents have responded positively to demands from clients who continued to lack access to formal finance. As observed by Steel et al, expansion of demand and supply in informal markets appears related more to growth of real sector activities than to changes in financial policies. This is partially attributable to their serving different clienteles and to the persistent lack of linkages between informal and formal institutions.

Furthermore, in the prevailing situation of imperfect information, and uncertainty, informal financial agents demonstrate a comparative advantage in serving the large share of the population with little access to formal intermediaries. Informal financial institutions use a variety of specialised methodologies to mitigate the problems caused by information asymmetries and to contain risks and transaction costs. As reported by Steel *et al* (1997) on their study of four countries in Africa, contrary to the perception that costs and default rates are higher for small clients, the transaction costs and default rates of informal institutions were found to be lower than those of banks.

Moreover, in the medium term, they said, expanding the role of informal institutions appears to be an efficient way to reduce financial dualism and increase access of the broader population to financial services. This is because the expansion can reduce the effects of financial dualism while structural and institutional constraints are being addressed for formal institutions to deepen and widen their reach.

The major cause of inaccessibility to credit is the lack of contact, both physical and social, between those working in the urban informal sector and the commercial banking system. First, because of the small scale of business in the urban informal sector, where most transactions are carried out in cash and few of those in the sector have to use cheques or bank accounts. Secondly, given the suspicion of the middle class that many of those operating in the urban informal sector are involved in various criminal activities, commercial banks do not seek out business with the sector. Worse still, the banks do not have branch offices in the poor areas where those in the informal sector tend to live, and workers in the urban informal sector are not welcome in the bank's downtown branches.

To obtain credit, a borrower must (a) convince the bank of the economic soundness of the investment and (b) provide assurances as to his or her financial probity. The first requirement may involve the bank in an evaluation of the economic risk involved in carrying out the proposal. The second requirement, involving an evaluation of the customer's ability to repay the loan, may be satisfied through credit worthiness of the operators of the informal sector. In Nigeria these requirements have made it difficult for these operators to have access to formal institutional credit. Three major proposals exist to address the problem of credit accessibility by the informal sector of the Nigerian economy. These are: -

(a) Credit provision through establishing links between the formal and informal financial sectors;

(b) Credit provision through targeting the operators in the informal sector.

(c) Formulation and Implementation of Policies and Programmes

Each of these proposals is discussed below.

2.5.1Credit Provision Through Links Between Formal and Informal Financial Institutions

The argument for linking the informal financial sector with the informal financial sector is premised on the disadvantages of dual a financial system in an economy and benefits that would accrue from integrating these sectors. As observed by Germidis (1990), financial dualism undermines efforts by monetary authorities to design a consistent financial policy for an economy. Objectives may be difficult to define in the absence of reliable aggregate economic indicators since informal sector activities do not appear in the national accounts.

Moreover, regulation through credit volumes and interest rates is not effective when there is a considerable amount of liquidity outside the formal banking sector. Another consequence of financial dualism is that it may adversely affect development through its effect on capital accumulation and its distribution and, hence, the rate of growth. Financial dualism creates sectoral and regional disparities as regards the mobilization and allocation of funds. This leads to a differential in the growth rate between sectors and, to a large extent, between regions, as their development is dependent on their access to different sources of credit.

As noted by Johnston (1968), a reform of the whole financial system is required to reduce market dualism and achieve a uniform and integrated financial market. Such a unified financial market would be structurally efficient, implying that efficiency of both the payments system and credit allocation would be achieved. This reaffirms the need to properly establish strong and effective links between the informal and formal financial sectors. As stated by Chipeta and Mkandawire (1992), informal financial markets must be developed and integrated with the formal financial markets so that (i) savings in the other sectors can be lent to the more needier sectors,

(ii) the informal financial markets can share in the available amount of safe deficit financing through the development, by the central bank, of appropriate commercial and financial instruments, (iii) there can be a better allocation of financial resources among the sectors, and (iv) lenders in informal financial markets can begin to adopt some of the practices of formal financial markets, such as accepting deposits and raising additional capital outside the family enterprise.

Moreover, despite the pervasive nature of the informal financial sector in the Nigerian economy, it is highly localized, offering a small range of financial services, lending on short term basis and unable to meet the excess demand for loans by the informal sector population. This limitation of the informal financial sector leaves a gap for policy intervention in the informal financial system. Thus, to make this work may require making the financial agents in the sector viable by providing them with sufficient funds and saving facilities to enable them perform their financial intermediation role efficiently.

It is worthy of note that both the formal and informal financial sectors serve different sets of customers with different interests and have survived on the basis of these relationships- the formal financial sector caters mainly for urban formal sector customers and other large scale clients while the informal financial sectors caters mainly for both the urban and rural informal sectors. In any case, Liedholm (1993) argues that it is only when the informal and formal financial markets become better integrated and more unfettered that the evolving financial requirements of small enterprises will be more completely met. Hence, policies to enhance the role of informal markets as suggested by Steel *et al.* (1997) include incentives for closer linkages between formal and informal institutions and a supportive legal and regulatory framework.

Better linkages would enable banks to benefit from outreach and local knowledge of informal agents, expanding financial savings mobilization and credit delivery and improving the overall efficiency of the financial system. Banks could make it easier for savings collectors to make deposits and complete the linkage by granting them overdraft facilities, enabling them to respond further to prevailing excess demand by creditworthy clients. Partial guarantees might encourage banks to make lines of credit readily available to savings collectors engaged in microfinance.

To support an increasing variety of innovative institutions serving different market segments, a flexible, differentiated legal and regulatory structure is needed that accommodates less formal institution, permits experimentation, and enables successful ones to move to higher levels. Regulations should apply gradually, increasing stringency as institutions rise in size and formality. Full registration and prudential regulations become important when non-bank financial institutions are large and sufficiently connected to the formal system that their failure could affect it.

Measures to improve information flows, contract enforcement, and supervisory systems are important for long-run deepening and reduction of fragmentation in Nigerian financial markets. In the meantime, financial development strategies should explicitly recognize the important role of informal and semi-formal financial institutions in reaching undeserved market segments through specialized methodologies and instruments.

Various views have been expressed as to how to link the formal financial sector with the informal financial one. For instance, Thillairajah (1994) suggests that the formal sector should provide inducements to the informal financial sector constituents to deposit their surplus funds, offering to meet their requirement of extra resources when needed. The formal financial institutions could begin to adopt some of the techniques successfully employed by the informal sector parties, and also explore the possibility of using informal financial intermediaries as their agents. We, however, hereby argue that a large part of the transactions in the financial sector of the informal sector of the Nigerian economy is not profit-motivated. This explains why professional money-lenders' activities are on a very small scale in Nigeria. For instance, money keepers in Nigeria render free services by saving facilities for individuals and groups who feel comfortable in entrusting some of their cash for safe-keeping. Therefore, adopting this suggestion by the formal financial institutions negates the profit-motive, which is the basis for their establishment.

Another suggestion is that the link between formal and informal financial institutions could be established through the money keepers. Money keepers are persons generally acknowledged to be trustworthy in a locality, with whom individuals and groups feel comfortable in entrusting their spare cash for safe-keeping. Moneykeepers cater for a large variety of informal households and are known to fulfil a strong demand for safe-keeping and depository services. Moneykeepers are also recognized as lenders, able to make short-term loans, undertaking some term-transactions at their own risk, but sharing the interest earned with the depositors. In Nigeria. the secrecy with which this responsibility is discharged makes it so localized to the extent that formal financial institutions may not have adequate information about the operators. Moreover, the respect that is accorded the moneykeeper for his trust and honesty places him in high esteem in terms of societal norms, and this remains his major reward as he does not charge fees on deposits. Again transactions between the money keepers and the banks would depend on the bank's assessment of them and on the motive for transactions. If the motive is profit- making, it might not be realized because the money keepers in informal Nigeria do not necessarily transact commercial business with the money saved with them.

Also identified as a potential link between the formal and informal financial sectors are cooperative and mutualist groups. Group arrangements beyond family and friends have been said to prove to be an effective instrument in providing savings and credit facilities because the mutuality provides a framework for confidence as well as mobilization of savings. In situations, where these institutions are registered with formal financial institutions, they could act as links. However, where these groups are not registered, the potential links do not seem to exist. In Nigeria. relationships do not exist between the informal financial institutions and the formal ones and therefore no links could be said to exist.

Ijioma (1998) opines that the informal financial market could be integrated with the formal one through (i) the establishment of fund policy office whose main function will be to study, analyse and evaluate informal financial markets and identify market failures. It will be responsible for regulatory policy formulation as it affects informal financial institutions. (ii) A statistical and evaluation office will be a service outfit for the policy office, providing statistical data for use in studies and general information (iii) An inspectoral office which will use the present branch network of the bank to inspect community banks, people's banks and other informal financial institutions, and guide and monitor their operations. The extent to which this arrangement is feasible and can succeed in Nigeria is still, however, a subject of investigation.

Bouman (1983) holds the view that the formal and informal financial institutions could be linked through the institutional organization of informal financial institutions. For instance, the institutional organization of Rotating Savings and credit Associations (ROSCAs) has advantages for both the institutions and banks. For a bank, a ROSCA could mobilize savings and attract a new type of clientele, normally too shy to cross its threshold. Commissions and fees from running a chitty can be quite handsome. For participants, affiliation with a bank would bring the benefits of organizational expertise, efficiency, and financial reserves. For this suggestion to work out effectively, Furness (1983) observes that the Central bank has the potential role in (i) encouraging the growth and spread of financial institutions, (ii) popularizing the banking habit, (iii) stimulating thrift, and (iv) helping to channel savings into essential investment.

Ojo (1995) identifies three main approaches to linking the formal and informal sectors, i.e., the Outreach; Mutual Accounts; and Affiliation. The main elements of the Outreach approach include employing the informal sector marketing drive so that the mobile branches of the formal sector make regular visits to collect savings in the rural areas or areas traditionally considered to be the domain of the informal sector. Under the mutual accounts, the formal financial institution offers mutual accounts to an organized group like a self-help grouping in the rural or urban informal sector. On the other hand, the affiliation approach entails a more structured relationship between informal sector financial organizations like the ROSCAs and the formal sector financial institutions. Essentially, the *esusu* groups or their equivalent would become affiliates of the formal finance institutions, in a manner similar to the relationship that exits between correspondent banks. Given the nature of the informal economy, where transaction activities are not fully monetized. the combination of the three approaches with a simultaneous implementation may provide the necessary link between the formal and the informal financial sectors.

Informal finance is an important and integral part of any economy. Ignoring this sector is tantamount to ignoring what happens to about 70% of the population of a country financially. An efficient and viable informal financial market guarantees the participation of a high percentage of a country's population in formal financial intermediation through the banking system and thus the desirable monetization of the economy. It is therefore important that the central bank of any country particularly in developing countries, creates innovative outfits in its structures, which will guide, develop and provide regulation, inspect and monitor the operations of informal financial institutions.

2.5.2 Credit Provision Through Targeting

Targeting has been used as an instrument or a strategy for delivering credit to the operators in both the formal and informal sectors in many developing economies. Targeting is effected by using an exogenous eligibility criterion to screen out the non- poor groups. (Sinha and Matin, 1998). In Nigeria, governments from time to time initiate policies and programmes that can make credit accessible to the informal sector in order to promote their legitimate activities. These efforts are in the following directions.

(i) Establishment of semi-formal financial institutions. These institutions are made up of small holder credit programmes for supporting informal activities. They include: (a) The national directorate of employment (NDE) established in 1986 to provide financial and entrepreneurial support to small -scale activity, self- employed people both in the urban and rural areas;

(b) The People's Bank of Nigeria established in 1989 to provide credit for small- scale informal sector activities;

(c) The operation of Community Banks, which commenced in 1991 and was meant to provide banking services to the rural communities.

(ii) Provision of financing facilities. These facilities were put in place to provide financial services in the informal sector. They are:

(a) The small and Medium-scale Enterprises scheme meant to provide credit designed to support small and medium scale enterprises

(b) The National Economic Reconstruction Fund (NERFUND), a credit fund established in 1989 to provide financial capital on medium and long-term basis. through the participating banks, to Nigerian- owned small and medium scale enterprises.

2.5.3 Formulation and Implementation of Policies and Programmes

In their attempts to provide sources of credit to the informal sector, governments have. from time to time, prescribed sectoral allocation, determined interest rate ceilings. and prioritised sectors in favour of activities of the informal sector operators, particularly in agricultural and small-scale industries. Also, of late the Family Support Programme (FSP) and later Family Economic Advancement Programme (FEAP. 1997) were established with one of the major objectives of providing loans directly to people with capital needed to set up and run cottage enterprises. In 2000, Government merged NACB with the PBN and FEAP to form the Nigerian Agricultural Cooperative and Rural Development Bank Ltd (NACRDB) to enhance the provision of finance to the agricultural sector. It also created the National Poverty Eradication Programme (NAPEP) with the mandate of providing finances to alleviate poverty.

A critical assessment of these efforts points to the fact that availability of credit via these strategies to the informal sector has remained illusive as governments' good intentions and efforts have been frustrated by non-compliance with policy-directives, abuse in the use of these financing facilities, and fraudulent implementation of policies and programmes in addition to the unsustainable nature of the programmes (CBN, 2005). Also, as rightly pointed out by Akanji (2001) and Aderibigbe (2001), the problem with most of the government's micro-credit schemes is that they were in many instances incompatible with the existing traditional savings and loans schemes operated by the local communities and are usually politicized. In addition, as noted by Thomas (1995), providing credit to micro-enterprise has tended to be more difficult and has faced more risk, with higher default rates. While such loans may have encouraged some increases in paid employment, there is little evidence that there has been significant growth in the size of micro-enterprise as a result of the programmes.

While credit programmes are generally regarded positively as "doing good for the poor", they are mostly unable to reach the poorest of the poor because of the need for financial viability. As noted by Marquez (1994), in his study of informal sector in Latin America, most informal sector programmes do not deliver credit and support to the less poor among the informal sector workers. This, he said, is not the result of social callousness among these organisations, but the implicit outcome of pressures for sustainability. Credit must be repaid. By focussing assistance on more viable activities, lenders increase their chances of becoming financially self-sustaining and miss-targeting the poorest in the informal sector. The situation in Nigeria with respect to the credit programmes for the informal sector may be worse than this. This is because, not only do the poorest of the poor do not benefit from the credit programmes but the entire targeted group is affected, as those in the formal sector in charge of implementing the programmes, circumvent and divert the credits to themselves. Thus, the informal financial market has remained a veritable and viable alternative to governments' efforts in providing credit to the informal sector. Therefore, the need for an efficient financial market in the informal sector is paramount and a study that could facilitate the proper functioning of that market remains viable.

In conclusion, as observed by Marquez (1994), the picture of the informal sector that emerges from the survey of the literature of the urban informal sector is that of a pyramid. At the top of the pyramid are economically successful informal sector enterprise that employ wage labour and tend to be relatively stable sources of income and employment. At the base are a large number of economic units, many subsistence operations that could not, under any conceivable economic conditions, become stable sources of income and employment. At the mid-section, fluidity is the dominant trait. There are economic units going up from the base pushed by favourable conditions in their particular niche of the market and others coming down from the top, crumpled by unfavourable demand and competition.

This is more a picture of survival than a sector full of entrepreneurial talent to be celebrated for its potential to create an economic miracle. Though the dynamics of the urban informal sector might change over time, it will continue to be a major component of the urban labour market and the proportion of those working in the urban informal sector who cannot find employment in the urban formal sector, will continue to be important. In other words, "bottom-up" informality and survival in the city represent crucial characteristics of the urban informal sector and its role in urban development.

It is hereby acknowledged that some work has been done in the areas of urban informal sector and informal finance in many developing countries, including Nigeria, but not much work has been done on how credit could be made accessibility to the urban informal sector in particular, and informal sector in general in the Nigerian economy. It is this gap that this study is intended to fill.

CHAPTER THREE

METHODOLOGY

3. 1 INTRODUCTION

This chapter presents the methodology of the study and spells out in details such issues as methods of data collection, study population, sampling procedure, validity and reliability of the measuring instrument and methods of data analysis and study area.

3.2 METHODS OF DATA COLLECTION

This study made use of primary data generated by survey through the use of a questionnaire. The questionnaire was structured and made up of four sections. Section A contained personal details; section B was made up of questions on savings behaviour of the respondents; section C was concerned with savings and credit associations, and section D dealt with credit accessibility and savings habit. Five strata, made up of mechanics, commercial-motorcycle operators, shoe-repairers, petty traders, barbers and hairdressing salon operators, constituted the sample of this study. Ten research assistants assisted in the administration of the questionnaire in order to collect the needed data and two research assistants helped collect data on each stratum. Before they went to the field, they were instructed on the number of questionnaire per stratum. This was to ensure that the required strata are properly covered. These research assistants were trained for three days on how to administer the questionnaire, conduct interview, and hold discussions with the respondents to enable them obtain appropriate and necessary information for the study. The research assistants were, however, supervised while on the field.

The study area for this research work was Jos Metropolis. The choice of this area was informed by the relatively scanty presence of industries that usually offer job opportunities and other urban associated employment opportunities unlike many other urban centres in Nigeria, and the conspicuous presence of the operators of the informal sector in Jos town, the state capital. The city experiences the influx of rural-urban migration, which is characteristic of urban centres in Nigeria.

3.3 STUDY POPULATION

The population of the research work comprises operators in the informal sector in Jos Metropolis. Therefore, mechanics, commercial motor-cycle operators, shoe-repairers, petty traders, barbers and salon operators were used for the study. The respondents from these five categories were those whose were engaged in these activities for survival in Jos metropolis at the time of study. Thus, mechanics were engaged in this activity to earn a living, commercial motor-cycle operators were undertaking this to earn a living, shoe-repairers were doing this to earn a living, petty traders, barbers and salon operators were in these activities to earn a living also.

3. 4 SAMPLING PROCEDURE

This research work employed the quota sampling technique to obtain the sample needed for the study. Quota sampling was primarily used to ensure that different groups of the population were adequately represented in the sample Secondly, the difficulty of obtaining a frame listing the elements of the population called for the use of the quota sampling technique. Thirdly, as noted by Kalton (1983), the benefits of stratification derive from the fact that the sample sizes in the strata are controlled by the sampler, rather than being randomly determined by the sampling process. This research work benefited from the fourth reason for the use of stratified random sampling for this study.

In this study, the sub-samples are identified by occupation in relation to credit accessibility for each sub sample. The five sub-samples for this study included mechanics, commercial motor-cycle operators, petty traders, barbers and salon operators, and shoe-repairers. The choice of these was informed by the fact that a very significant number of workers in the urban informal sector are engaged in these activities as indicated by their presence in Jos Metropolis. Thus, five sub-samples were selected on the basis of occupation from the list of urban informal sector agents enumerated under the population of study. Each of the sub-samples consisted of two hundred respondents. This means that a total of one thousand (1000) respondents were used for the study.

Sampling from different strata can either be proportional or non-proportional. In this study, we used uniform sample sizes, not necessarily proportionally related to the population size, since the sampling frame is not available, but in order to give each selected sub-sample equal representation in the study. Thus, a total of 200 respondents each were used for this study.

3.5 MEASUREMENT

In any study, variables must be measured in order for the analyses to be conducted and conclusions drawn. Measurement is simply the process of assigning numbers to variables that represent attributes or properties of subjects or treatments (Spector, 1982). The numbers derived through the measurement process represent convenient labels. We use scales to gather quantitative data from qualitative information. Scale is defined as aprocedure for the assignment of numbers (or symbols) to a property of objects in order to impart some of the characteristics of numbers to the properties in question. The assignment of numbers depends on the individual's or object's possession of what the scale is expected to measure (Asika, 2001).

Table 1: Quota sampling design for urban informal sector operators in Jos Metropolis

Informal sector category	Sample size
Mechanics	200
Commercial motor-cycle operators	200
Petty traders	200
Barbers and Salon operators	200
Shoe-repairers	200
Total	1000

The technique of scale construction for this study is the value scale. Value scales were used in measuring expressions of preferences for value concepts. Thus, value scales were given in a continua form (i.e. ranking scales). Respondents were thus ranked according to their positions along the continua. The rank order scale used for this study, was a comparative scaling approach that required the respondents to order their choices from the options provided in the questionnaire according to their perception of items' importance. The respondent ranks the items according to the order of his/her preference. The problem with rank order scaling is that there is a limit to the number of items a respondent conveniently rank. The rule of thumb is that a respondent should not be given more than five items to rank. Beyond five items, the respondent may have to exert extra effort which may put him off from completing the response. However, this may not constitute a serious problem to us as there may be few issues that could go beyond five items in the questionnaire. Moreover, the interest of the respondent could be aroused and sustained by a little sense of humour on the part of the person administering the questionnaire to make him/her rank beyond five items where necessary since such items would be so few and therefore should not bore them.

The relevant variables of this study were the "Urban Informal Sector" and "Credit Accessibility". In particular, the information of interest relate to the personal details, savings behaviour, savings and credit associations, credit accessibility and savings habit of the informal sector operators. Urban Informal Sector and Credit Accessibility are mutually related. Urban Informal Sector activities depend on Credit Accessibility. The five sub-samples having equal intervals defined by occupation.

3.6 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT

There are three common ways of estimating reliability: - the test-retest method, the parallel-forms method and the split-half method.

The parallel-form method requires developing two parallel versions of a measuring instrument and then the researcher administers both forms to the same group of persons. He correlates the two sets of scores to obtain an estimate of reliability. The method has the problems of determining whether or not the two forms of instruments are in fact parallel; and that of researchers using their value judgment when evaluating the results. Researchers using their value judgement do not constitute a standard rule of arriving at results.

The split-half method estimates reliability by treating each of the two or more parts of a measuring instrument as a separate scale. Using the questionnaire as the measuring instrument, it has to be separated into two sets, using odd - numbered questions for one set and even-numbered questions for the other. Each of the two sets of questions is treated separately and scored accordingly. To adjust the correlation coefficient obtained between the two halves, the spearman - Brown prophecy formula is used.

This is given by

$$r_{xx} = \frac{2r_{oe}}{1+r_{oe}}$$

Where r_{xx} = the reliability of the original test

r_{oe} = the reliability coefficient obtained by correlating the scores of the odd statements with the scores of the even statements.

This correction assumes that an instrument that is **2n** questions long will be more reliable than an instrument that is **n** questions long. Because the length of the instruments has been halved by dividing it into odds and evens, each part has been scored separately; the complete instrument will have a higher reliability than either half had it been applied alone. The two sets are then correlated, and this is taken as an estimate of reliability.

The problems with this method are that the basis for the assumption of the correlation coefficient is unknown. Secondly, merely dividing the instrument into two parts before administering the questionnaire does not provide any strong reasons that could account for higher reliability of the instruments.

The test-retest method derives directly from the conceptual definition of reliability. The researcher administers the measuring instrument to the same group of persons at two different periods and computes the correlation between the two sets of observations (scores). The coefficient that the researcher obtains is the reliability estimate. With this method, error is defined as anything that leads a person to get a different score on one measurement from the score that a person obtained on another measurement.

The test-retest method has two main limitations. First, measurement on one occasion may influence measurements on subsequent occasions and therefore lead to the problem of internal validity. Second, since many phenomena constantly change, it is possible that change may have occurred in the measured variable during the period between the two tests (the measurement interval), thus lowering the obtained estimate of reliability. The test -retest method, then, may either over-estimate or under-estimate the true reliability of the instrument, and in many cases it is difficult to determine which has occurred.

This study however, used the test - retest method to evaluate the reliability of our instrument. This is because the limitations of the method can be controlled. For instance, in the event that a problem of internal validity results from the repeated use of a variable, such a problem can be resolved by replacing the variable in question. Also, an interval of two weeks between periods of administering the measuring instruments was appropriate for guiding against the first limitation.

Five respondents each from five categories of the population of study making a total of twenty respondents were administered the questionnaire. Two weeks after that, the same set of respondents were administered the same questionnaire and questions that did not have responses were eliminated. Then, the scores obtained during the two periods were correlated to obtain the reliability estimate. This enabled us to determine the reliability of the instruments that was used. The reliability coefficient obtained from this exercise was 0.97, indicating that the instrument is very reliable.

3.7 METHODS OF DATA ANALYSIS

This study employs the use of four statistical tools, viz; percentages, charts, One-Way Analysis of variance (ANOVA), and logistic regression. Percentages were used to show the proportion of respondents' reactions to various issues raised in the questionnaire. The use of percentages was chosen because they are easily comprehended by readers that may not be very versed in statistical methods. Charts were used to provide the readers with some basic information at a glance without their necessarily having to read the entire section before obtaining the needed information.

Analysis of variance (ANOVA) is one of the advanced statistical methods used for this study. It is one of the techniques included within the rubric of the general linear model. But rather than attempting to measure the "fit" between variables, it seeks to determine the probability that a predictor variable could yield results different from a simple random selection.

As noted by Howell (1995), the popularity and usefulness of this technique can be attributed to two facts. First of all, analysis of variance deals with differences between sample means and has no restriction on the number of means. Thus, we can ask whether two, three, four, or *K* means differ. Second, the analysis of variance allows us to deal with two or more independent variables simultaneously, asking not only about individual effects of each variable separately but also about the interacting effects of two or more variables. These facts apply significantly to our present analysis. The analysis of variance is a technique for using differences between sample-means to draw inferences about the presence or absence of differences between population means. On the basis of a significant value of F (F-test is a statistical test used for hypothesis testing in

ANOVA), we reject or accept the null hypothesis using the decision rule. The decision rule states that if the computed value of F is less than or equal to the critical value, then accept Ho, otherwise, reject Ho.

ANOVA starts with a variable to be predicted measured on interval or ratio scale and one or more predictor variables grouped according to some attributes (Iversen and Norpoth, 1976). ANOVA uses the same logic as the t-test which if used when a t-test could have been used, will generate the same probability value as the t-test. When testing bivariate relationships, the only difference between it and the t-test is that the latter can be applied only when the nominal independent variable is dichotomous. ANOVA, on the other hand can be used when the independent variable has more than two categories (Rubin and Babbie, 1993). This amenability of ANOVA to more than two categories accounted for its use for this study.

Of the two different sampling situations to which the analysis of variance applies, the random-effect model was used This is designed especially for experiment in which inferences are to be drawn about the entire set of distinct treatment of factor levels including some not actually observed (Hays, 1988). In other words, the inferences to be drawn would be about the entire population and not the sample used for the analysis. The One-Way Analysis of variance being used for the analysis of data in this study is sufficient for obtaining adequate information about differences between and within groups that could enable us make valid statements about the population of interest to this study.

Logistic regression is used when the data is qualitative in nature and it is employed in this study because the data being analysed is qualitative. It describes the relationship between a dichotomous response variable and a set of explanatory variables. The explanatory variables may be continuous or (with dummy variable) discrete. In other words, it is a form of regression which is used when the dependent is a dichotomy and the independents are of any type. It can be used to predict a dependent variable on the basis of independents and determine the percent of variance in the dependent explained by the independent variables.

Just like linear regression, logistic regression gives each regressor a coefficient which measures the regressor's independent contribution to the variations in the dependent variable. What we want to predict from the knowledge of the relevant independent variable is not a precise numerical value of a dependent variable, but rather the probability that it is 1 rather than 0.

Although logistic regression finds a "best fitting" equation just as linear regression does, the principles on which it does so are rather different. Logistic regression applies maximum likelihood estimation after transforming the dependent into a logit variable (the natural log of the odds of the dependent occurring or not). In this way, logistic regression estimates the probability of a certain event occurring. (Note that logistic regression calculates changes in the log odds of the dependent, not the dependent itself as OLS regression does). The use of logistic regression in this work is due to the fact that it is amenable to the analysis of qualitative data.

The logistic regression involves fitting to the data an equation of the form:

Logit (P) = $a + b_1X_1 + b_2X_2 + b_3X_3 + \ldots$

A logistic transformation of P is also known as taking the logit of P. Logit P is the log (to base e) of the odds or the likelihood ratio that the dependent variable is 1.

Symbolically, it is defined as:

$$\text{Logit}(P) = \log(P/(1-P))$$

P can only range from 0 to 1, whereas logit (P) can range from negative infinity to positive infinity.

In this study, we used the following logistic regression models to obtain the estimates, and the associated null hypotheses to conduct tests of significance.

$Y = B_0 + B_1X_1 + B_2X_2 + u$ .... (1)

Where Y = saving for the future

X_1 = average daily earnings

X_2 = savings medium

u = error term

Ho: $B_0 = B_1 = B_2 = 0$

$Z = B_0 + B_1S_1 + B_2S_2 + B_3S_3 + B_4S_4 + B_5S_5 + u$ .... (2)

Where Z= Disssatisfaction with saving facility granted by SCAs

S_1 = inadequate funds

S_2 = long waiting time

S_3 = lack of secrecy

S_4 = long dist ınce from source

S_5 = irregular availability of funds

u = error term

Ho: $B_0 = B_1 = B_2 = B_3 = B_4 = B_5 = 0$

$M = B_0 + B_1K_1 + B_2K_2 + B_3K_3 + B_4K_4 + B_5K_5 + B_6K_6 + u$ ...... (3)

Where M= satisfaction with the borrowing facility granted by SCAs

K_1 = availability of funds

K_2 = easy accessibility

K_3 = secrecy

K_4 = low interest charges

K_5 = convenience

K_6 = easy procedure

u= error term

Ho: $B_0 = B_1 = B_2 = B_3 = B_4 = B_5 = B_6 = 0$

The data collected in respect of this study were fed into the computer and an SPSS Program was used to run the statistic. A print-out was obtained and analysed.

3.8 THE STUDY AREA - JOS METROPOLIS

The city of Jos is situated at the northern edge of a pear-shaped upland known as the Jos plateau. This upland stretches for approximately104km. from north to south, and 80km from east to west covering an area of about 8,600km2 or 860,000 hectares. Jos was established by the British in 1915 at the site of the pre-existing village of Guash. The city of Jos is the largest settlement in Plateau State.

It owes its origin to tin mining on the Jos Plateau and the railway lines linking it with Port Harcourt and Lagos, and many roads thus linking it with the world economy. In 1967, Jos became the capital of the defunct Benue-Plateau State and was transformed into the capital city of Plateau State in 1975, thus becoming an important administrative and commercial centre. Jos also grew as a resort town, attracting tourists to its cool climate.

The city has attracted many migrants from Nigeria's many different ethnic groups therefore, people of different backgrounds are living together. It a population of about 1,000,000, Jos remains one of the most cosmopolitan cities in Nigeria. Unlike many of the capital cities in

Nigeria, Jos is a civil service city with few industries located therein. The economy of Jos is dualistic in nature. Thus, there are formal and informal activities undertaken the inhabitants of the city.

CHAPTER FOUR

THE NIGERIAN FINANCIAL SYSTEM: AN OVERVIEW

4.1 INTRODUCTION

Every economy has a financial sector. This sector is a system which consists of a network of financial links between economic units; a web of debts and shares; and a superstructure erected on the basis of the real wealth of the community (Revell, 1972). Thus, the financial system within an economy may be viewed as a superstructure consisting of financial institutions, financial markets, with particular reference to their debt instruments, the framework of laws and regulations, domestic practices and work ethics which control the flow of financial resources within the country (Agene, 1991). Another definition is that a financial system is a conglomerate of various markets, instruments, operators, and institutions that interact within an economy to provide financial services such as resource mobilisation and allocation, financial intermediation and facilitation of foreign exchange transactions (Anyanwu *et al.*, 1997).

From the foregoing, we may therefore define the financial system as comprising of financial markets and institutions (both regulated and unregulated) that operate to ensure the flow of financial resources among economic units in an economy. This chapter is in two parts; the first part deals with financial institutions, while the second part deals with financial markets.

4.2 FINANCIAL INSTITUTIONS

A financial institution can be defined as any institution that transacts business using money (Agene, 1991). It may specialize in the creation, keeping and protecting, transfer, borrowing and lending. In general, the major functions of the financial institutions are to issue financial instruments of their own which enable them to acquire funds from savers and allocate the accumulated funds to the users in the form and amounts that are suitable for their financial needs. They also provide payment mechanisms of various forms ranging from bills of exchange to a cheque system.

Financial institutions in the Nigerian economy can be mainly classified into two broad categories. These are the Formal and Informal financial institutions. Formal financial institutions are recognized, registered and regulated but informal financial institutions are not. The various financial institutions in the Nigerian financial system are discussed in detail below.

4.2.1 Formal Financial Institutions

These can be classified into banking and non-banking financial institutions. The banking institutions constitute a system. As defined by Agene (1991), the banking system of a country is usually construed as a structure consisting of a network of financial institutions, a web of debt instruments and a framework of laws and regulations including work ethics which control the cost and direction of credit and finance within the country.

Banks as financial institutions perform intermediation roles generally through the mobilisation of idle resources and the channelling of such resources to productive activities within the economy. In the process, resources are channelled from the surplus sectors of the economy to the deficit sectors, thereby ensuring a more efficient resource allocation and utilisation (CBN, 2000). The banking business includes (i) accepting deposits through the maintenance of various types of accounts like Savings, Current, and Time deposits. (ii) making the use of cheque and bills of exchange possible. (iii) providing currency transfer mechanisms (iv) lending of money (v) safekeeping of valuables, among others.

The Nigerian banking system consists of the following types of banks: the Central Bank of Nigeria, Commercial Banks, Merchant Banks, and Development Banks. Each of these banks is discussed below.

(a) The Central Bank of Nigeria.

The Central bank of Nigeria was established by the Central Bank Act of 1958. The Act conferred on the Bank a number of functions and powers to control the operations of banks. Since the inception of the Central bank, it has been engaged in fostering the development of a modern financial structure. Under the emerging financial structure, the Central Bank is vested with the primary responsibility for the overall control and regulation of the banking system. It came to replace the West African Currency Board (WACB) of the

British colonial government as part of the preparation for independent Nigeria. It performs the following functions.

Service Functions: The Central bank by law is saddled exclusively with the responsibility of issuing legal tender currency (notes and coins) throughout the country. To perform this function, it arranges for the printing of currency notes and the minting of coins, distributes them, and replaces the old and mutilated currency. The Central Bank operates branches (Currency Centres) in most of the States of the Federation.

The Central Bank is a banker and financial adviser to the government. It has the responsibility for financial transactions and provision of banking services for the governments (Federal and State). It makes payments on behalf of the government, and also participates actively in contracting external loans for the country.

The Central Bank is a banker to the Commercial banks. It keeps the accounts of the Commercial banks just like they keep those of individuals and organizations. Moreover, it is a lender of last resort to the Commercial banks. When Commercial banks are in dire need of cash, their last hope is the Central bank.

The Central bank is also responsible for the establishment of the clearing house facilities used in the settlement of indebtedness among banks in the country.

Monetary Policy Functions: The Central Bank has the primary responsibility for the formulation and execution of monetary policies in consultation with the Federal Ministry of Finance. The objectives of monetary policies over the last decade include relative price stability, a desirable rate of economic growth, and low level of unemployment of resources. In Nigeria, the monetary policy instruments in use are open market operations, selective credit control, moral suasion, and reserve and liquidity requirements.

Developmental Functions: The Central Bank undertakes some developmental functions. These include the establishment of a money market, the development of the Nigerian capital market, the promotion of a rural banking scheme for the purpose of extending banking services to the rural areas of the economy, and the development of the financial system through banking supervision that involves scrutiny and review of prudential bank returns, the analysis of bank performance reports, field examination and special investigations by bank examiners.

(b) Commercial Banks

These are privately owned financial institutions established to transact business with money in order to earn profit for their shareholders. Commercial banks are at the retail end of the market where small to medium savings are mobilised and disbursed in the form of loans and advances through branch networks. However, with the introduction of universal banking in Nigeria, commercial banks now engage in other areas of business where large amount of funds are involved, especially in loan syndication and other activities like leasing that are traditionally part of the activities of the investment banking and corporate finance. In order to meet the aspirations of their owners, they undertake the following activities:

Banking Services: Commercial banks operate three types of accounts ----- Savings, Current and Time deposit accounts, for their customers. These accounts give rise to a variety of banking relationships which include lending, payment and transfer of money, among others. Banks lend money in the form of loans and advances, overdraft and other forms of credit to meet the production and consumption needs of their customers. They provide a system to effect settlement of their customers' financial transactions with third parties. The banker's clearing system provides an efficient avenue for clearing customers' debt obligations with third parties without resorting to movement of cash.

Economic Functions: Commercial banks assist the economy to achieve national economic objectives by financing economic programmes and activities of the nation. Thus, they provide credit to sectors that are considered as priority sectors of the economy. In addition, commercial banks are expected to actively facilitate the transformation of the rural environment by promoting the rapid expansion of banking facilities and services in rural communities, thereby encouraging banking habits among rural dwellers. Unfortunately, this goal has not been achieved because they are unable to provide the kind of services required by the rural inhabitants. Commercial banks also assist in the formulation of monetary policies and serve as channels through which those practices are implemented.

Other Services: Other services of the commercial banks include Business advisory, Insurance services, Foreign exchange transactions, Agency duties, Stock broking, and Leasing activities.

(c) Merchant Banks

These are banks licensed to undertake wholesale banking and they usually operate from one or a few branches in the major commercial centres of the country (Agene, 1991). A Merchant bank may be described as a wholesale trader who takes on deposit, other people's money and who depends on his/her reputation and trustworthiness for fair dealings to exploit the money in making his/her living (Ogundipe,1979). Merchant banking is trade-oriented, a fact which explains their location in major commercial centres of Nigeria. The functions of Merchant banks include:

Loan Syndication: Merchant banks arrange syndicated loan facilities for their big clients by pooling a consortium of banks where a customer's borrowing requirements exceed the capacity of one bank. This is always the case with large industrial, transportation, and agricultural project loans.

Equipment Leasing: Leasing involves the purchase of equipment by a bank for a client who is unable to pay for the cost of the equipment at a time, but takes possession of the equipment and pays instalments over a period of time. The equipment becomes that of the client on the completion of the payment for its cost. In this way, Merchant banks help to promote the activities of their clients.

Banking Services: Here, the target is the corporate client. They provide funds for various financial services and products. They participate actively in the development of the money market for certificates of deposits and banker's acceptances and manage short-term funds on behalf of institutional and private investors. They also engage in international transactions through a worldwide network of correspondent banks and representative offices. For instance, Merchant banks assist customers in the handling of documentary and clean bills for collection.

Equity and Debt Issue: Merchant banks provide a full range of issuing house services, including the introduction of clients to the Nigerian Stock Exchange, advice to client-investors on government policy and regulations, pricing and terms of an issue, market conditions, drafting of various documents and finally marketing of the issues. Some of the Merchant banks provide an underwriting service to enhance the success of some issues.

It should be noted however that, with the introduction of universal banking in Nigeria, legislative changes have de-emphasized the role of wholesale banking for merchant banks. They now therefore render various services including those of the commercial banks and those that they were originally licensed to render.

(d) Development Banks

The main objective of Development banks is the promotion of economic development in the economy. As noted by Agene (1991), they owe their existence to such factors as low income, low savings, and inadequate investment. They were also to serve as conduits through which the World Bank extends lines of credit to national development projects with government guarantees. Development banks include:

The Nigerian Industrial Development Bank (NIDB), which was established to provide medium and long-term finance to limited liability companies registered in Nigeria with a strong bias for companies that are wholly owned by Nigerians or with substantial equity investment by Nigerians. The scope of the bank's investment outlet is currently limited to manufacturing, non-petroleum mining and tourism which involve hotels of international standard.

The Federal Mortgage Bank of Nigeria (FMBN), which was established by the government to take over the assets and liabilities of the Nigerian Building

Societies. Decree 7 of 1977 establishing the bank, spelt out the functions to include:

(i) the provision of long-term credit facilities to mortgage institutions in the country at such rates and upon such terms as may be determined by the Board in accordance with the policy directed by the Federal Executive Council,

(ii) the encouragement and promotion of the development of mortgage institutions at State and National levels,

(iii) the supervision and control of the activities of mortgage institutions in Nigeria in accordance with such directives as may be given in that behalf by the Federal Executive Council,

(iv) the provision of long-term credit facilities directly to Nigerian individuals at such terms as may be determined by the Board in accordance with the policy as directed by the Federal Executive Council,

(v) the provision, with the approval of the Minister, at competitive commercial rates of interest, of credit facilities to commercial property developers, estate developers and developers of offices and other specialized types of buildings.

The Nigerian Agricultural and Co-operative Bank (NACB), established with the objectives of promoting agricultural production and rural development, and the improvement of the income and the quality of life of the country's rural population. The main focus of the bank is on horticulture, poultry farming, piggery, fisheries, forestry and timber production, animal husbandry and any other type of farming as well as the storage, distribution and marketing of the products of these farming activities.

The Nigerian Bank for Commerce and Industry (NBCI) was established by Decree in 1977. It was set up to provide equity and loan funds for indigenous persons, institutions and organizations for medium and long-term investment in industry and commerce. It was also to undertake all aspects of the commercial and merchant banking business. As a rule, the bank does not support projects of less than N20, 000- in the case of new clients. It also cannot finance any single company in excess of 10% of the Bank's paid-up capital and reserves. It's investment in the shares of any company, other than companies promoted by the bank, does not exceed 40% of that company's paid-up capital.

It should be noted however that, though the Federal Ministry of Finance and the Central Bank of Nigeria are the primary monetary authorities in Nigeria, Development banks have their own regulatory authorities. The Ministry of Industry controls the Nigerian Industrial Development Bank (NIDB) and the Nigerian Bank for Commerce and Industry (NBCI), while the Federal Ministries of Agriculture and Works and Housing supervise the Nigerian Agricultural and Co-operative Bank (NACB) and the Federal Mortgage Bank of Nigeria (FMBN), respectively. These regulatory authorities derive their powers from the enabling Acts of these specialized institutions.

4.2.2 Non-bank Financial Institutions

These are institutions that act as intermediaries between the ultimate lenders and borrowers of funds. They are non-deposit taking institutions. They include such institutions as Insurance companies, Stock-broking firms, Issuing Houses, Building societies, Venture capital companies, and specialised finance institutions, like the Securities and Exchange Commission, the Nigeria Stock Exchange, and the Nigeria Deposit Insurance Co-operation.

The activities of these institutions are governed by various legal enactments. A large number of these institutions, particularly the privately owned investment and finance companies, are engaged in such services as project finance, management consultancy, feasibility studies, issuing houses, leasing, investment advice, etc. Non-bank financial institutions rely on the banking system, individual deposits and insurance companies as their sources of funds.

These financial institutions play important role in credit delivery to the urban informal sector as financial services to the economy are delivered through them either through direct measures like credit ceiling or indirect measures like monetary policy.

4.3 FINANCIAL MARKETS

Activity in financial markets involves the exchange of one financial asset for another. As noted by Henning, Piggot and Scott (1978), lenders exchange money for other financial assets that provide a future return in most exchanges. In effect, they buy claims against other people's money holdings at a future date. When individuals and organizations buy and sell outstanding claims, we say they are engaging in portfolio adjustment which takes place because holders of financial assets, (a) expect the return on the newly acquired asset to be greater than that of the one they sold, (b) they want to improve the overall marketability of the assets, or (c) they want to reduce the riskiness of their holdings, or for a combination of these reasons.

Besides exchanging financial assets to adjust a portfolio, wealth holders may wish to reduce the size of their portfolio of financial assets in order to acquire funds to purchase consumer goods or to purchase land or real capital equipment. Thus, financial markets exist to allow individuals to adjust their holdings of assets to suit their preferences. This implies that financial markets perform some functions, among which are:-

(i) Financial markets perform an economic function. They facilitate the transfer of real economic resources from lender to borrower. Lenders have earned money incomes and wish to save part of their earnings for future use. They can earn interest on their savings by lending their purchasing power to someone who wishes to obtain command over real resources. Thus, real resources flow to borrowers and away from lenders. By facilitating transfers, of real resources, financial markets serve the nations' economy and the welfare of citizens.

(ii) Financial markets also perform a financial function. They provide borrowers with funds they want or need to have now to carry out their plans. Also, they provide lenders with earnings assets so that a lender's wealth may be held in a production form with the aim of direct ownership of real assets.

To analyse the numerous financial markets in an economy, it is useful to divide them into categories. We hereby recognize that any attempt to classify markets is arbitrary, as the lines drawn are not clear-cut in practice. Such classifications are the following.

First, there are markets for new issues of securities and markets for existing claims. The markets for new issues of securities are called primary markets. Here, borrowers (consumers, managers of business firms, and governments) issue new securities to raise funds to finance their expenditures. These securities may be purchased by financial institutions or other lenders who have funds to invest.

Markets for existing claims are known as secondary markets. Since the original issuers are not obligated to redeem securities until maturity, these markets allow investors to exchange securities for money before they mature. Thus, active secondary markets enhance the value of financial assets. The ease and convenience with which such assets can be sold prior to maturity, without a significant loss, are a measure of their liquidity.

A second way of classifying financial markets is to divide them into markets for loans and markets for securities. A loan is usually negotiated directly between the borrower and the lender; they deal face to face. Securities markets, on the other hand, are impersonal or open markets; buyers and sellers of securities are usually unknown to each other, and usually trade through brokers or dealers. Securities markets may be subdivided into other categories. For instance, there are markets for debt instruments, such as bonds, and there are markets for equities, such as common stock. The former represents obligations of companies or government units to creditors. Stocks, on the other hand, are evidence of ownership of firms by stockholders. Though bondholders and stockholders have different legal status, it is often convenient to regard both bonds and stocks as securities, since capital may be obtained by firms through the issue of either type of instrument.

The third major way of classifying financial markets is to divide them into money and capital markets. Money markets refer to markets in which short-term instruments are traded. Short-term instruments are defined as those that have one year or less maturity period. Capital market securities are those that mature in more than one year or have no maturity dates, as in the case of stocks.

Money markets are important for two reasons: (i) they provide a major means by which participants can adjust their liquidity positions; and (ii) the monetary authority, which is responsible for controlling the money supply, conducts most of its operations in the money market. Through these operations it seeks to achieve many of the nation's economic goals.

The primary purpose of the capital markets is to channel saving into investment. This process, by adding to the nation's stock of capital goods, increases output and ultimately raises the living standard. The capital markets facilitate this process in two ways. First, savers may buy newly-issued long-term instruments that provide business firms with funds to finance capital expenditures. Second, financial institutions, such as savings and loan associations, and commercial banks, use the savings of individuals and business to acquire capital market securities, including mortgages. In both ways, savings are made available for investment purposes.

It should be noted that financial institutions borrow short-term funds when they accept savings because such funds may be withdrawn within a short time. However, when financial institutions invest these funds in the capital markets, the funds are usually provided for longer periods of time. Thus, the short-term and long-term markets are connected through the operations of the financial institutions.

The principal actors in the financial system include the ultimate savers and users of funds, including finance houses, enterprises, households, and government entities. Financial institutions can be classified into two broad categories – Banking institutions and non-bank financial institutions. Banking institutions include the Central bank, Commercial, Merchant, Development and other deposit banks.

In a classification based primarily on the nature of their liabilities as listed by Henning *et al.* (1978), non-bank financial institutions may be classified into five groups: (a) deposit–type financial institutions, which have liabilities similar to the deposits held by commercial banks: they are made up of savings banks, savings and loans associations, and credit unions; (b) contractual saving institutions, whose liabilities are defined by contracts for future payments under specified conditions – insurance companies and pension funds; (c) investment–type institutions, whose liabilities are shares or trust agreements evidencing ownership or beneficial interest in long-term securities (stocks and bonds), mutual funds and common trust funds managed by commercial banks and trust companies; (d) finance companies, whose liabilities iclude commercial paper, bank borrowing, and debentures, backed by substantial equity capital: and (e) a miscellaneous group including (i) government and quasi–government lending agencies, whose liabilities are termed "agency securities", (ii) investment and brokerage houses that serve the function of facilitating financial investment, and (iii) such minor institutions as pawnshops.

Financial markets may be centralized or decentralized. The markets for securities, that typically trade in large units, tend to be centralized in a limited number of major cities called financial centres, while those for smaller trading units exist in almost every city throughout the country. There are a number of reasons why primary and secondary markets for large trading units are highly centralized. These include:-

(i) The securities traded have standardized contracts and need not be personally inspected by the trading partners. The value of the security is read from the financial statements of the ultimate deficit unit and does not require a personal investigation of the issuer. This permits the physical trading to be conducted at a distance from the location of the buyers and sellers.

(ii) Although physically easy to transport, securities are costly to transport safely, the farther the distance. Moreover, the farther the distance, the longer the delivery and the slower the transfer of funds. Because of this, most securities are stored close to the location of the trading.

(iii) Much security trading is undertaken on the basis of new or differently interpreted information. Because the cost of collecting and transmitting information varies with the distance from the source of the information, participants in the financial markets prefer to locate close to one another.

(iv) Many financial trades require immediate, very large, and highly specialized financing. This suggests a clustering of financial markets near financial institutions, particularly near large commercial banks (Kaufman, 1973).

Financial markets could be of organized and over–the–counter types. A financial market is said to be organized if a large volume of trading in many securities is conducted at a central location under a specific set of rules and regulations. An organized market is commonly referred to as an exchange. Buyers and sellers frequently trade through agents of the exchange. Organized exchanges are considerably more important in the trading of equity than debt securities.

Over–the-counter markets exist wherever financial claims are sold under conditions different from those for an organized exchange. Every dealer or intermediary operates an over – the – counter market in his shop when he buys or sells claims for his own account. Buyers and sellers trade directly with each other. The rules and regulations vary from market to market and prices and terms may also vary. The same security can be traded in a large number of different locations simultaneously.

This segment of the financial sector in Nigeria does directly benefit the urban informal sector operators because the operators do not have the capacity to participate in the financial markets. In addition, there are implementation problems.

4.4 INFORMAL FINANCIAL MARKETS

Informal finance implies the existence of informal financial markets with which the agents are familiar and in which they participate. This involve allocation of credit and mobilization of savings (Ijeoma, 1998). The informal financial market consists of a large number of diverse activities encompassing all forms of unregulated transactions. It includes the lending and borrowing transactions of very varied individuals and intermediaries, such as professional and non-professional money lenders, private finance firms, indigenous bankers, rotating savings and credit associations, pawnshops, traders, landlords, and households. Attempts to classify transactions in the informal financial markets into subgroups are very difficult because of the diversity of activities in the sector. Moreover, the largely unrecorded transactions that take place in this sector make it impossible to achieve any meaningful classification. However, the classification of activities in the informal financial market into four categories by Montiel *et al.* (1993) remains useful to this analysis. The four categories are:

(i) Occasional lending: Occasional, direct lending by individuals and institutions with surplus funds.

(ii) Regular Money lending: Lending by individuals or institutions specializing in lending, using their own funds or intermediate funds.

(iii) Tied credit: Lending by those whose main activity is in markets other than the credit market.

(iv) Group Finance: Various forms of cooperative efforts to generate loanable funds for individual credit needs.

This classification is by no means exhaustive. In fact, there is the possibility of individuals participating in more than one of these markets at different times or simultaneously.

(v) Occasional Lending: In the informal economy environment where consumer credit and small business loans are hardly available, friends, relatives and those who might have one form of relationship or another with the borrower, are important sources of credit. Such loans are granted at various terms including no interest and without collateral. Most of the time, the terms depend on the nature of the relationship between the borrower and lender. The repayment terms are also in line with the terms of the loans and may depend on the nature of the relationship. Most times, repayment terms tend to be open – ended.

Also, in the informal economy, where institutional monitoring and enforcement mechanisms are weak and institutional credit for individual needs is virtually unobtainable, friends, relatives and acquaintances turn out to be important sources of funds. The relationship between the borrower and the lender minimizes the moral hazard that might be associated with credit and, therefore, implies lower monitoring costs. Furthermore, reciprocity is frequently observed in these relationships, allowing individuals to help each other over difficult times or meet certain important needs by extending such loans to each other. These continuing social and economic ties that have developed over the years, act as a means of enforcing the terms of the loan, or changing them in some mutually agreeable fashion. Such loans have always been used to meet individual small business and consumption needs.

Regular money lending specialists or moneylenders usually conduct regular money lending activities in formal markets, using their own borrowed or group funds. These individuals or institutions operate regularly as a pure money lending business without tying their money lending transactions to transactions in other markets. The business of these regular moneylenders is often based on the moneylenders' intimate knowledge of his clientele, which has relatively few links with other financiers, whether formal or informal.

Credit from this source is usually expensive and, therefore, often a last resort. As a result, such credit is normally held for a short duration. The cost of this form of credit is consequent upon the information-access advantage about the borrower by the moneylender, and limited alternatives available to the borrower.

While some lenders in this category are pure moneylenders, others combine pawn broking with money lending activities. Pawnbrokers will lend against household valuables or assets, which are provided by borrowers as collateral. The loan that is provided in return is serviced by the borrower for a predetermined duration after which either the principal is repaid and the collateral recovered or the latter is forfeited. The pawnbroker therefore provides a valuable service to his clientele by providing liquidity, when needed, to assets that are otherwise illiquid.

Tied Credit: This is an important form of credit that is extended between individuals or institutions that have a continuing involvement in some other market. Examples include extension of credit by landlords to tenants, a supplier to a purchaser, or an employer to an employee. In such cases, the continuing business relationship acts as collateral. A continued good reputation, which includes the timely servicing, as well as return, of debt, is needed for the business relationship to last long. Because of this, the need for other more formal collateral is reduced, as are the transaction costs, as well as the risk associated with lending. Such loans are also used as a means of ensuring continuing supply or demand, as the case may be. They also enable the small businessman, whose access to formal credit markets is limited, to meet his working capital needs.

Group Finance: This is a traditional form of finance that has been in use. Individuals group themselves together voluntarily to pool their savings on a regular basis to generate loanable funds for the membership. In this way, individuals, who might be credit-constrained because of the difficulty of access to official credit are able to solve this problem. Rotating savings and credit associations (ROSCAs), as these are known, are very common in the developing world.

The distinguishing characteristic of ROSCAs is the periodic pooling of deposits by its membership and the making of the pooled resources available primarily or exclusively to the membership. Members commit themselves to making a fixed deposit at regular intervals for as many periods as there are members. At each pooling of deposits the pooled resources are lent out to a member or some members. How these pooled resources are distributed is determined by the membership. The most common approach is to make the pool available to each member in turn the rotation of access to the pool of deposits is determined in different ways, the most common being ballot, lotteries and bidding. The early recipients of the pool become net borrowers, while the later recipients become net lenders.

ROSCAs are a flexible saving and loan cooperative effort that has been in practice for long now in many developing countries. They are simple to operate, requiring no major organizational or monitoring costs. Individuals can group themselves together and determine the credit allocation mechanism that most suits their own needs. They range from small associations of friends and relatives to large organizations. Because the basis of most ROSCAs is the grouping together of individuals of similar background or those who have some form of common relationship, transaction costs and risks are minimized.

4.5 INFORMAL FINANCIAL INSTITUTIONS

Various forms of informal financial institutions exist and operate in the informal economy of Nigeria. These include moneylenders, Esusu, Cooperative and Thrift societies, Mutual-Aid programme, and Productive Lending programmes. Each of these is hereunder described.

Moneylenders

These are individuals who possess surplus funds or who have access to the same, and lend them to needy persons at a fee. Such funds may be their personal funds or funds mobilized from other sources. Their loan is characterized by timeliness, regularity and ease of delivery in the place and desired amount. Collateral securities accepted for such loans include tree-crops, farmland, buildings, and other household assets.

The moneylenders' operations are largely confined to well known localities and persons. They therefore do not normally extend to very wide geographic areas. They provide credit to meet the need for farm and home financing, and displaying expeditious enforcement of loans terms to ensure quick repayments. In the event of default, moneylenders rarely take possession of the collateral securities for the loans advanced. The fees charged are generally high depending on the size of the loans, the duration, the demand for loanable funds at the material time, and as argued by Bottomley (1971), lender's pure rate of interest, plus premia for administration and unwillingness to pay.

As noted by Von Pischke *et al.* (1983), moneylenders have a number of favourable features. Moneylenders supply services desired by their clients without the costly apparatus of building, papers, and staff, and they do this at low cost to borrowers because of proximity, their quick response to request, and the flexibility they permit in repayment. Moneylenders are often better judges of credit worthiness among their neighbours and better at collecting debts from them than institutional lenders. This might be due to access to information about the client and absence of a cultural gap that could separate lenders from borrowers.

The *Esusu*

This is a rotating savings and credit association mostly popular in the rural sector of the Nigerian economy. There are two types of *Esusu* in practice in Nigeria. These are the single *Esusu* and Group *Esusu.* In the single *Esusu*, the coordinator goes from one point to another collecting a specified sum from his clients on specific days, usually on market days. Each of his clients is in possession of a card bearing the name of the organization of the co-ordinator. On this card, spaces are provided for the co-ordinator to enter the amount he has collected from the client and the date with his signature. The collection is in most cases, done on market days and lasts for one year. At the end of year, the amount contributed by the client is paid back to him but short of a small a mount deducted as charge for safekeeping.

In Group Esusu, the association intermediates in the most basic way. As rightly observed by Bouman (1977), its procedures, simple, flexible, and rather informal, contain effective mechanisms, which regulate membership eligibility, credit ratings, and repayment. The smallness of the group ensures members' knowledge of one another's characters. Coupled with the social control, it is an important method of preventing fraud and default. An initiator (who must be honest and trustworthy within the locality) who serves as a leader, with the co-operation and assistance of the members of the group, periodically collects a given amount from each member of the group at their meetings. The money collected at each meeting is then advanced in rotation to members. The turn in which beneficiaries benefit from the contribution is decided either by casting lots, by the leader considering the ability of the individual to continue to pay after benefiting, consensus, seniority, auction, and negotiation or, by bribing some members or the number of shares held by an individual. On each day of collection, payments are entered in the record book against the name of each contributor and the amount paid is indicated. The beneficiary is usually requested to produce a guarantor, who should be acceptable to the group and who must be held in the event of default or any contingency.

The modalities of operation vary from locality to locality. Most groups collect contributions in public at meetings of the full membership; failure to contribute is immediately noticed and met with expression of collective disapproval. In some places, the leader may receive no special consideration at all or may be given the consideration and other beneficiaries then take their turns. Thus, as members take their turns to benefit from the contribution, they receive an interest – free loan from all other contributors. The last in line is "saving" money as he extends credit to his fellow members. Other leaders take only commission which may have been decided from the very start of the contribution.

Cooperative and Thrift Societies

A co-operative is a voluntary, democratically controlled association of people with the purpose of conducting some kind of business. The cooperative is owned by its members who are either its customers, its suppliers, or in the case of production co-operatives, its employees. A cooperative is a business, and the test of success in business is profitability. Profit or surplus in cooperative is ploughed back as reserves, paid out as a limited flat rate dividend on share capital, or distributed proportionally to members as a patronage bonus. If operated properly, this system has great economic potential. As pointed out by Young Johns (1980), it pays interest on capital sufficient to attract investment shares, it builds up reserves and, through the patronage bonus, it attracts customers. If members are encouraged to leave some of the patronage bonus on deposit, this can lead to building up of capital.

Of interest to us, among co-operatives, are the savings and credit co-operatives (credit unions). They are firmly based on regular savings contributions by the members. The collectively owned savings then constitute the fund from which the members can borrow. The security for loans is the savings of the borrower himself plus those of two other members whom he can persuade to act as guarantors. Under this system, the credit union is fully covered. Credit Unions also use more conventional forms of security, including collateral. Interest is paid on the loan per time period. When profit is made, it is handled in accordance with cooperative principles.

The Co-operative Thrift society is also a rotating programme where only savings are mobilised and no credit is extended to members. The operators are cooperative members who appoint a Secretary to serve as leader and collector. The Secretary is however paid. He mobilises savings which he gives to the owners as if he were lending them to the owner and this done at a discount. This discount generates additional income to the cooperative. This has proved useful to small farmers and traders and has helped to inculcate in them savings habits as they are forced to save even under trying situations.

Co-operatives have the potentials for reducing lender and borrower costs of transactions by serving as intermediaries for individuals, and for reducing defaults through joint responsibility for repayment and peer pressure against delinquents. Cooperatives operators can also serve as middlemen in cultural mediation (explaining bankers to the rural dwellers, and vice versa), improve debt collection when this is tied to co-operative marketing, often saving facilities for members, and serve as a conduit for technical advice, input suppliers, and product marketing.

The Mutual-Aid Programme

Members of this programme usually assist one another on their farms both in cash and kind. For cash and, or kind assistance, a mutual-aid group determines the extent of financial aid, managerial requirements of the benefiting member, and requires each member to contribute both labour and other resources for accomplishing the task. For successful operation, there is usually a close relationship between mutual aid, the project itself, and members' consumption aspirations, savings patterns and own cash resources. The benefiting member must also display the willingness to reciprocate to other members the equivalent amount of cash and services when it is his turn to do so. This programme has the potential for guaranteeing credit availability for its members. Moreover, it has the tendency of enhancing the productivity of the members' activities thereby improving the living standards of members.

Productive Lending Programmes

This is a credit facility provided by traders mainly to the farmers in rural areas. Usually, the trader, in support of farmer beneficiaries, advances money or input and even finances the farmer's consumption needs. Such credit repayments are expected to be realised from the purchase of the farm output by the financing trader, at an agreed price. The trader's decision to provide finance to beneficiaries is often guided by his personal knowledge of the clients, their sources of income, their commitments and their respective abilities in farming and in any other significant income earning activities. The need to guide against the loss of his funds highly motivates him to consider very carefully the ability of the borrowing client to service the debt.

This programme provides a ready market for the farmer's products as well as source of credit, but the farmer may suffer a high level of exploitation as the financier largely dictates the acceptable conditions for financing.

4.6 EVALUATION OF INFORMAL FINANCIAL MARKETS IN NIGERIA

The informal financial market promotes voluntary savings.mobilization in the informal economy. This has the benefit of serving more people by mobilizing deposits than dispensing cheap credit; and strengthening formal financial intermediaries and reduces their dependence on governments and other financial institutions for loanable funds. A critical look at the structure and operations of the informal financial institutions in Nigeria leads to the following observations.

(i) A large number of small size informal financial institutions exist in the informal economy of Nigeria, as there are many communities. However, their activities are localized, because of the information asymmetry problems between the lenders and the borrowers. Thus, each institution exists to meet the needs of its immediate environment. In addition, the savings and credit needs of the informal economy people are usually very small, and so the existence of many of these small size financial institutions is to meet these needs and solve the problem of accessibility and flexibility in their mode of operation.

(ii) Credits advanced by informal financial institutions are granted, regardless of purpose, timely and on a flexible basis (no beauracracy of documentation) and payable in cash or kind. Also, there is no restriction on the time of request (i.e. the creditor attends to the borrower's requests at anytime of the day). This gives confidence to the borrowers.

(iii) The demand for the informal financial market's services in the informal economy of Nigeria is very high, because of easy access of a very large informal sector population to credit, and operational procedures which are compatible with informal behaviours.

(iv) Most of the informal financial institutions in Nigeria, unlike the formal ones, are not profit-oriented, that is these institutions do not exist purposely to earn profits for their owners. There are no commercial instruments that could be marketed in the informal financial market. This has inhibited the pervasiveness of the activities of the informal financial institutions in Nigeria's informal economy.

(v) There are no organizational units of the monetary authorities that could monitor and guide the operations of the informal financial institutions, provide statistical data on the informal financial institutions, as well as general information.

(vi) Based on the operations of the informal financial institutions in Nigeria, two broad categories exist. There are those that are involved in intermediation processes i.e. they are involved in mobilising funds from the surplus economic units and transferring them to the deficit units. These include the Moneylenders, Co-operatives, and *Esusus*. There are also those involved in mobilizing savings but do not transfer them in the form of loans. Rather, they are used to promote and encourage the activities of members. The informal financial institutions include cooperative – Thrift Society, Mutual – Aid programme, and productive Lending programme.

(v) The activities of the informal financial market are of short – term nature and bear resemblance to the formal money market, a veritable channel for the proper functioning of monetary policies.

4.7 CONSTRAINTS OF INFORMAL FINANCIAL MARKETS IN NIGERIA

The informal financial market would have been adequate in meeting the needs of the informal economy in particular and that of the macro economy in general except for its constraints. Among these are:

(a) Lack of appreciation of the relevance of the informal financial market

Monetary authorities and their agents have not, in anyway, appreciated the relevance of the informal financial market to the economy of Nigeria, from the point of view of either policy or the implications of its existence. Thus, the enabling environment for their survival and improvement in the services, which they provide, was not created through the enactment of appropriate laws and policy pursuit. They are therefore left unregulated and uncatered for. This has resulted in lack of organized activities in the market.

(b) Absence of a link between the formal and Informal financial institutions

There is no link between the formal financial institutions and the informal financial markets. All the financial institutions in the informal economy are largely independent of one another and of the formal financial institutions; neither does any form of transactions take place between them. This current trend is a complete departure from the practices of the seventies, when some of these institutions were tied to cooperative banks. As a result of this situation, the formal and rural financial institutions could not relate to one another. This renders the informal financial market unviable and therefore incapable of supporting the formal financial institutions to enable them play their roles effectively.

(c) Inadequate information and poor infrastructure

As observed by Akanji (1994), little information is available on the operations of the informal financial market, owing largely to its neglect. Moreover, little is known about the financial standing and integrity of the intermediaries, borrowers and savers. Even among the participants in this market, there is the problem of information asymmetry.

Related to this problem is that of poor infrastructure in the form of poor roads, and absence of communication facilities that could facilitate the transfer of information among the participants in the informal financial markets and between the markets and formal institutions.

(d) High cost of loanable funds of some of the financial institutions

The informal financial market in Nigeria is characterized by high cost of loanable funds. This is due, as argued by Bottomley (1971), to a combination of the informal lender's pure rate of interest, plus premia for administration, and unwillingness to repay. The high cost of loanable funds has a potential for creating inability to service the loans and impacting negatively on the living standards of the beneficiaries. The high cost can also strangulate the activities of the beneficiaries, if the output of the funds does not sufficiently offset the cost of the loans. All these negative implications arise because of the non-availability of alternative sources of loanable funds, which are suitable to the needs of the informal sector agents.

(e) Sustainability problem

The informal financial market is constrained by the problem of sustainability, as they have weak capital base and their transactions are close-ended. Some of the institutions that mobilize savings in the informal economy do so and deliver credit to the beneficiaries, who never transfer them to other users who may be in need of credit. Moreover, the flow of funds is very limited. This is because funds could only be mobilized from and utilised among, the members, since these financial institutions do not transact business or interact with the "outsiders"

(f) Unsuitability of the services of formal financial institutions

The services of formal financial institutions, particularly commercial banks do not suit the credit and savings needs of informal sector agents. The procedures, conditions and disbursement of loans by the formal financial institutions are not in term with the interests of informal agents. This category of persons would prefer loans that are accessible anytime, which do not require the kind of collateral securities demanded by the formal institutions, and which do not set stringent conditions to be met. Thus, the current practices of formal financial institutions are not compatible with the practices of the informal financial institutions that accept verbal promises as collateral securities, have flexibility in time and volume of loans to meet the needs of the beneficiaries, which are not profit-oriented, and take into consideration the societal norms as an important security for loans repayments. These practices created a clear dividing line between formal and informal financial institutions.

(g) Absence of a formal legal framework

The absence of a formal legal framework that could be used to enforce payment of loans is a constraint to the effective performance of the Informal Financial market. This is responsible for the small geographical coverage of each financial institution operating in the market, and may have been responsible for a large number of these institutions that conduct their activities on the basis of immediate local environment and clientele. This is because, when any loan is granted to a customer or saving deposited by a customer with the financial institution outside the immediate environment, the informal instruments of enforcement for payments may not have any effect on him/her in the event of default. In the absence of a formal legal framework, such loans would not be repaid. Thus, the activities of informal financial institutions in a particular environment are limited to that local environment and the informal instruments of enforcement could be effective on only that set of clientele.

4.8 GOVERNMENT EFFORTS TOWARDS INFORMAL FINANCE IN NIGERIA

Owing to the critical role finance is believed to play in the informal economy of Nigeria, and the dearth of credit to finance the activities of informal sector activities, governments, from time to time, initiate policies that can make credit accessible to the informal sector in order to promote their economic activities. The efforts made were in the following directions.

(i) Establishment of semi-formal financial institutions

These institutions are made up of smallholder credit programmes for supporting informal sector activities. They include (1) The National Directorate of Employment (NDE) established in 1986 to provide financial and entrepreneurial support to the small-scale activities of self-employed people both in urban and rural areas. It operates a credit programme for agriculture and small- and medium scale and cottage industries. (2) The People's Bank of Nigeria established in 1989 to provide credit for small-scale informal sector activities. (3) The operation of the Community Bank from 1991. which is a unit bank solely owned and collectively controlled by individual shareholders within the community. (4) Formation of the Nigerian Agricultural Cooperative and Rural Development Bank Ltd (NACRDB) in 2000 to enhance the provision of finance to the agricultural sector, and the creation of the National Poverty Eradication Programme (NAPEP) in the same year with the mandate of providing financial services to alleviate poverty.

(ii) Provision of financing facilities

These facilities were put in place to provide financial services in the rural area in addition to those of the informal financial market. These include (1) Rural Banking Scheme of 1977, during which the Central Bank of Nigeria compelled the commercial banks to open branches in the rural areas. This was meant to inculcate banking habits in rural people and also to provide accessibility to credit for the targeted audience (Informal sector agents). The objectives were, however, never achieved. This is because, for one thing, the targeted number of branches could not be opened and even some of the branches that were opened have since folded up for reasons of non-viability, and the advent of massive distress in the banking sector.

Secondly, the urban behaviour of the banks is never suitable for the informal sector operators as the cumbersome procedures for loans application and approval inconvenience them. (2) Agricultural Credit Guarantee Scheme introduced in 1978, designed to induce the banks to lend to agricultural enterprises without insistence on the provision of tangible security by farmers as a precondition for accessing formal credit. (3) The Export Credit and Refinancing Scheme introduced in 1987 to improve the provision of export credit by commercial and merchant banks. (4) The Nigerian Agricultural Insurance Scheme established in 1988 to provide formal insurance cover for the financial risks associated with farming enterprises. (5) The small – and medium – scale Enterprises Scheme (World Bank – assisted Scheme) meant to on-lend credit designed to support small and medium scale enterprises. (6) The National Economic Reconstruction Fund (NERFUND): a credit fund established in 1989 to provide financial capital on medium and long-term basis through the participating banks to Nigerian-owned small- and medium scale enterprises.

(iii) Formulation and implementation of policies and programmes

In their attempts to provide sources of credit to the informal populace, governments have, from time to time, prescribed sectoral allocations, determined interest rate ceilings, and prioritised sectors in favour of activities of the informal sector, particularly agriculture and small scale industries. Also of late, the Family Support Programme (FSP) and later Family Economic Advancement Programme (FEAP) in 1997 were established with one of the major objectives of providing loans directly to people at ward level with capital needed to set up and run cottage enterprises.

This overview of the Nigerian economy describes the financial system in which the urban informal sector operates.

An assessment of governments efforts towards providing the informal sector agents with access to credit, shows that availability of credit via these strategies has remained illusive as governments' efforts have been frustrated by non-compliance with directives and, or abuse in the use of the facilities, fraudulent implementation of policies and programmes, and lack of capacity of the operators of the urban informal sector to access the credit funds provided for them. Thus, the informal financial market and its institutions have continued to flourish in rendering financial services to the informal economy despite governments' intervention by providing alternative sources of credit.

CHAPTER FIVE

DATA ANALYSIS

5.1 INTRODUCTION

In this chapter, both descriptive and inferential statistics were used for the analysis of data. Descriptive statistics is concerned with the organization and presentation of data in a convenient, usable, and communicable form. It deals with presenting data in a graph or frequency distribution and applying various averages and measures of dispersion. The data generated through the administration of the questionnaires were organized, summarized and analysed. Summary instruments of percentages and charts were employed to present the generated data. Inferential statistics is concerned with the problem of making broader generalizations or inferences from the sample data in relation to population. It involves taking a sample from a population and making estimates about the characteristic of that population based on the sample results. Inferential techniques of analysis of variance and logistic regression were employed to analyse the data.

5.2 STATISTICAL ANALYSIS OF DATA

In this section, four statistical tools, namely, percentages, bar charts, Analysis of variance, and logistic regression, were used to analyse the data.

Percentages were used to show the category of respondents, age structure, and saving institutions and level of patronage by the respondents (the study sample), while bar charts were used to show knowledge of saving medium, determinants of choice of savings medium, non-financial savings, and characteristics of Savings and Credit Associations (SCAs).

In order to establish whether there are differences in accessibility to credit among the urban informal sector operators (mechanics, commercial motorcycle operators, shoe-repairers, petty traders, barbers and hairdressing salon operators) selected for this study, we employed the One-way Analysis of Variance (ANOVA) as the statistical tool of analysis. In addition, we used logistic regression to examine the savings behaviour, satisfaction with the existing savings facilities to which the informal sector operators have access, and the constraints with they are confronted in their attempt to utilize credit from the informal sources. The analyses of data commenced with percentages and charts.

We have used percentages to present the categories of respondents that make up the study sample, their age structure, and the saving institutions which operators of the urban informal sector patronize and the level of patronage.

Table 2 shows the category of respondents and the proportions of each category used for the study. The aim of this table is to present an overview of the sample used for this study Furthermore, this table provides an insight into the structure of occupations in the urban informal sector of the Nigerian economy. It could be observed however that the proportions of the sample are not equal. The shortfalls are due to invalid responses. As can be seen from Table 1, 195 accounting for 20.1% of the respondents are Mechanics, 200 representing 20.6% are Commercial Motorcycle operators, 198 amounting to 20.4% are Petty Traders, 181 accounting for 18.6% are Barbers and Hairdressing salon operators, while 197 representing 20.3% are Shoe-repairers.

Table 2 Urban informal sector categories used for the study

Urban Informal Sector Category	No. of Respondents	Percent
Mechanics	195	20.1
Commercial Motorcycle Operators	200	20.6
Petty Traders	198	20.4
Barbers and hairdressing Salon Operators	181	18.6
Shoe-repairers	197	20.3
Total	971	100

Table 3 presents the age structure of the respondents. As it is observable, the bulk of the respondents fall within the active workforce that could be motivated to make significant contribution to the economy. This implies that motivating this sector of the workforce by making credit accessible to it, a significant part of the problems facing the urban informal sector would be addressed. Of the 957 respondents to whom the questionnaire administered, only 5 representing 0.5% are out of the working age permitted by Nigerian work laws.

Table 4 shows the structure of saving institutions operating in the urban informal sector. It also depicts the proportion of the urban informal sector operators sampled that patronize and the extent of patronage of these savings institutions. As can be observed from the table, 384 of the respondents, representing 48.2%, keep their savings at home: 195 respondents, accounting for 24.5%, use the bank more as saving facility; 116 of the respondents, making 14.6%, make use of credit unions as saving medium; 59 of them, representing 7.4%, patronize esusu clubs, while 43 of the respondents, accounting for 5.4%, prefer saving with a friend, or with an enlightened member of the family.

Table 3: Age structure of the respondents (study sample)

Age	No. of Respondents	Percent
18 – 29	532	55.8
30 – 39	337	35.2
40 – 49	68	7.0
50 – 59	15	1.5
60 and above	5	0.5
Total	957	100

Table 5 shows the structure of the educational qualifications of the operators of the urban informal sector used for this study. As it can be observed, 23.5% had First school leaving Certificate while 51.2% were Secondary school leavers. 17.7% had higher school Certificate and 7.6% had other forms of educational qualifications.

In the following section, we have used bar charts to show knowledge of saving medium, determinants of choice of savings medium, non-financial savings, and characteristics of Savings and Credit Associations (SCAs). These are presented in figures 2 to 5.

Figure 2 presents the picture of the knowledge of the savings medium by the operators of the urban informal sector. The heights of the bars indicate the level of knowledge of these savings medium. It can be seen that they have more knowledge of the bank as a savings medium than others.

Urban informal sector operators consider a number of factors in their choice of saving medium. These include security, easy access to savings, absence of formalities, easy access to credit, attractive interest rate, and easy membership enrolment. Observing figure 3, the determinants of the choice of savings medium are in the order of easy membership enrolment, easy access to credit, attractiveness of interest

Table 4 : Saving institutions and their urban informal sector clients

Saving Institutions	No. of Clients	Percent
Home	384	48.2
Bank	195	24.5
Credit Union	116	14.6
Esusu Club	59	7.4
Others	43	5.4
Total	797	100

Table 5: Urban informal sector by educational qualification

Qualification	No. of Respondents	Percent
First School leaving Certificate	204	23.5
Secondary school Certificate	444	51.2
Higher school Certificate	154	17.7
Others	66	7.6
Total	868	100

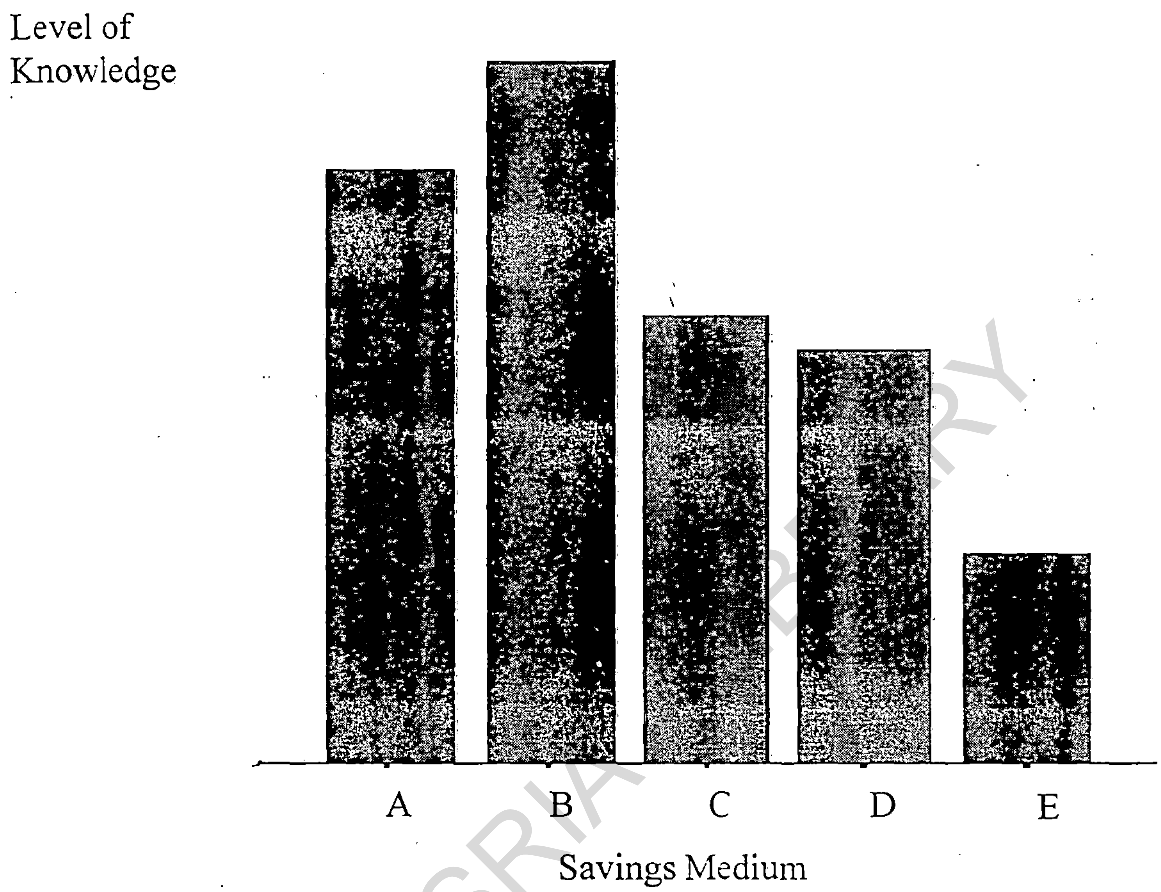

Figure 2: Knowledge of Savings Medium among Respondents

Key:

A = At home

B = Bank

C = Credit Union

D = Esusu

E = Others

rate, security, easy access to saving, and absence of formalities as indicated by the height of the bars. This then means that financial intermediaries seeking to mobilize deposits from the informal sector must give due consideration to these factors.

Because the urban informal operators have no access to formal financial institutions, they patronize informal financial institutions. However, in their savings behaviour, they have a portfolio of assets in the form of financial and non-financial savings. Figure 4 presents the various forms of non-financial savings and the levels at which assets are held. As could be observed from the graph, jewelleries ranked the highest, then followed by landed properties, then livestock and lastly, other durable goods. This means that monetary policies directed at mobilizing savings from the urban sector as a basis for credit access may not be very effective as savings are also in non-financial forms.

Of all the informal financial institutions discussed in literature, Savings and Credit Associations (SCAs) are the most patronized. The reason is that they possess characteristics that are more suitable for their informal sector clients than other informal financial institutions. These characteristics include availability of funds, easy accessibility, secrecy, low interest charges, convenience, and easy procedure.

Figure 3: Determinants of choice of savings institutions

Key:

A = Money is most secured

B = Easier Access to Savings

C = No Formalities Involved

D = Easier Access to Credit

E = Interest Rate Attractiveness

F = Easy Membership Enrolment

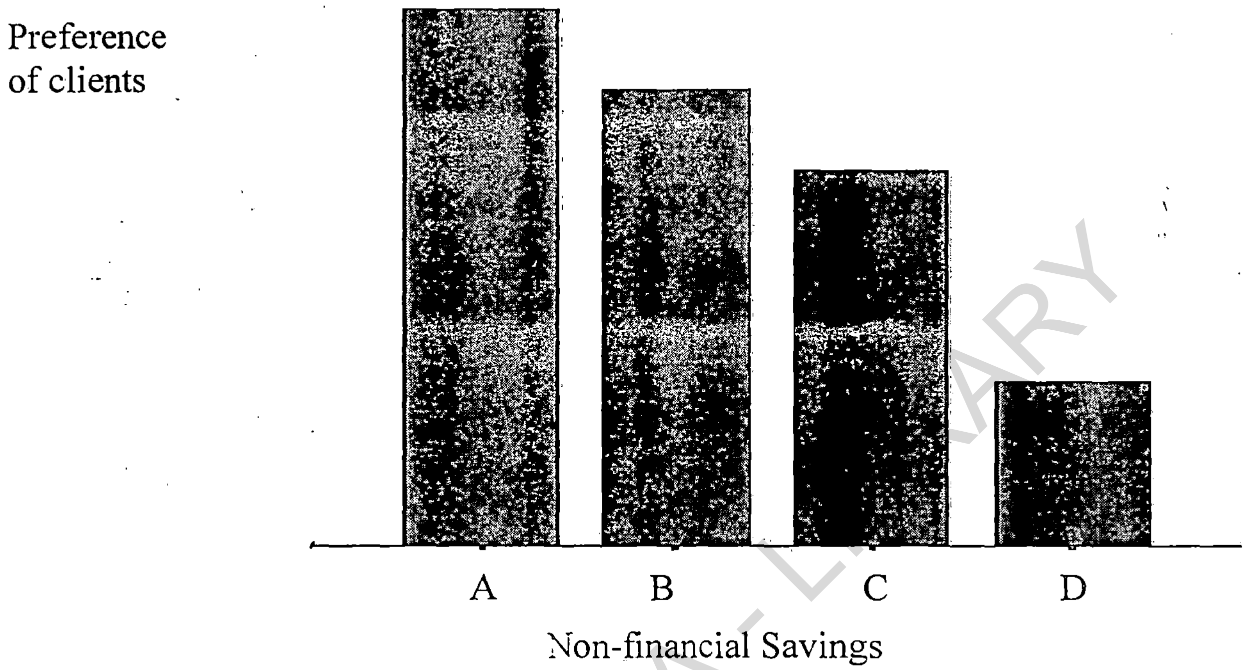

Figure 4: Forms of Non-Financial Savings

Key:

A = Jewelries

B = Landed Properties

C = Live Stock

D = Other Durable Goods

In figure 5, the preference of the urban informal sector clients for this financial institution in respect of these characteristics were shown.

As it could be observed, easy procedure, availability of funds, and low interest charges are more critical in that order. This is followed by easy accessibility, then other characteristics. This partly explains the preference for informal financial institutions by the informal sector operators, even though they are aware that the Bank is the best saving medium. It then means that banks may have to pay attention to these characteristics in designing services targeted at informal sector operators.

In this section we analyse the data using ANOVA. The purpose of ANOVA is to test differences in means (for groups or variables) for statistical significance. This is accomplished by analyzing the variance, that is, by portioning the total variance into components that are due to random error (i.e. within-group SS) and the components that are due to differences between means. These latter variance components are then tested for statistical significance.

In this analysis, we establish whether there is a significant difference in accessibility to credit among the groups sampled for this study. Table 5 presents ANOVA results.

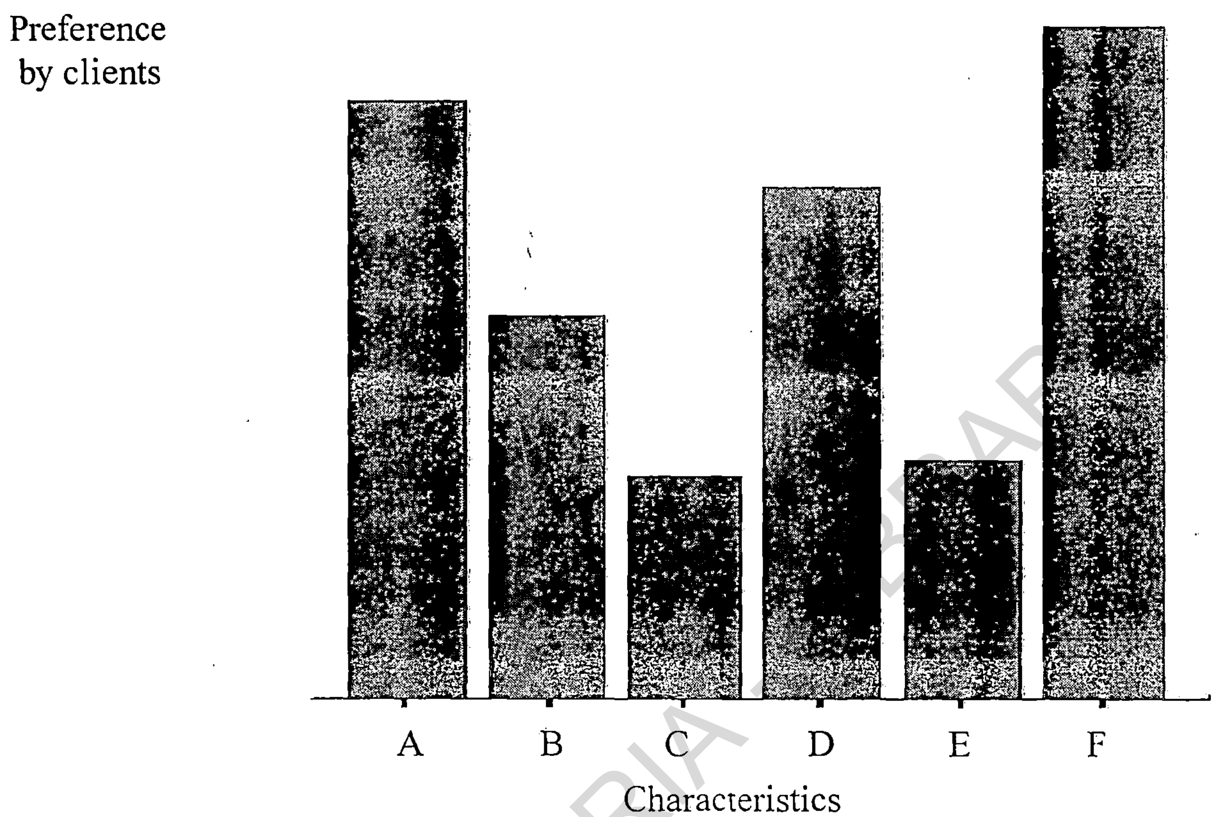

Figure 5: Characteristics of Savings and Credit Associations

Key:

A = Availability of Funds

B = Easy Accessibility

C = Secrecy

D = Low Interest Charges

E = Convenience

F = Easy Procedure

Interpretation of ANOVA results

Here, a test of significance for three null hypotheses (Ho) derived from the first three research questions stated in chapter one is conducted using ANOVA results. The null hypotheses are:

1. H_O: There are no differences in the sources of credit available to the urban informal sector operators in Jos Metropolis.
2. H_O: There are no differences in accessibility to credit by the urban informal sector operators.
3. Ho: Credit plays no roles in the activities of the urban informal sector operators.

Table 6: ANOVA results of credit accessibility among the urban informal sector operators

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	823.963	4	205.991	1.512	0.196
Within Groups	130506.35	958	136.228		
Total	131330.314	962			

In their testable form, they are stated as:

Ho: $\mu_1=\mu_2=\mu_3=o$

$\alpha = 0.05$

The results in table 5 show that 0.196 is greater than 0.05 (5 percent level). This implies that we are rejecting the earlier null hypotheses (Ho) that there are no differences between the groups. In other words, with respect to accessibility to credit, the various groups that constitute the sample of the study are different from one another. This is confirmed by the information provided in Table 4. The varied financial institutions that are available to provide for the financial needs of the urban informal sector have differing characteristics in their conditions for transactions and access. This implies that any strategy for credit delivery to the urban informal sector must consider these differing characteristics and needs.

In this section, we present estimates of the three logistic regression models indicated in chapter three in the order of Savings for the future (Y), Dissatisfaction with saving facility provided by SCAs (Z), and Satisfaction with the borrowing facility granted by SCAs (M).

Model 1: $Y = B_0 + B_1X_1 - B_2X_2 + u$

Where Y = saving for the future

X_1 = average daily earnings

X_2 = savings medium

u = error term

Model 1 states that Savings for the future (Y), is a linear function of Average daily earning (X_1) and Savings medium (X_2) and the error term (u). Saving for the future is expected to be directly related to both variables, i.e. X_1 and X_2. In this specification, we are interested in the probability of the occurrence of savings for the future, p(Y=1), expressed as depending on the average daily savings (X_1) and savings medium (X_2). If this probability is p, then the probability that future saving does not depend on the average daily savings (X_1) and savings medium (X_2) which is p(Y=0), is p-1. Consistent with the application of this statistical tool, Future savings (Y) is measured as discrete, assuming either 1 or 0 value. SPSS was used to run the regression on the primary data generated that yielded the following output:

$Y = -\ 2.6451 - 1.0286x_1 + 0.9013x_2$

S.E. (0.4908) (0.2096) (0.1019)

Wald (29.0395) (24.0835) (78.2132)

Sig. (0.0000) (0.0000) (0.0000)

Exp (B) - (0.3575) (2.4627)

Block Chi-Square = 139.945 df = 2 Sig = 0.0000

Cox and Snell - $R^2 = 0.168$

Nagelkerke - $R^2 = 0.350$

$\alpha = 0.05$

Percent Correction Prediction (PCP): 93.29

PCP Matrix

	Predicted		% Correct
	Yes (1)	No (0)	
Observed			
Yes (1)	683	00	100%
No (0)	51	26	33.77%
	Overall		**93.29%**

The null hypothesis for this regression is:

H_O: Future savings do not depend on average daily earning and saving medium.

The hypothesis is restated as: $Ho: B_0 = B_1 = B_2 = 0$

Statistical evaluation and interpretation of results of Model 1

The Wald statistic and the significance values reported above both indicate that all the parameter estimates are statistically significant at 5% level.The significance estimates for the intercept and the two predictor variables, daily savings (X_1) and Savings medium (X_2) are all zeros. Compared with the Chi-Square table value of 6.635, the Wald statistic on the three parameters, 29, 78, and 24 are all significant. The overall model is significant at 5% when we compare the Block Chi-Square of 139.945 with the critical value of 5.99. The model predicts 93.2% of the responses correctly. This means that we reject the hypothesis that parameter B_is are equal to zero. In effect, the predictor variables are not inconsequential. The coefficient of X_1 is -1.0286 while that of X_2 is 0.9013.

In general, each of these coefficients is the rate of change in the log odds as the variable (X_i) changes. It should be noted that the log odd is the natural log (ln) of the odds ratio, which in our case is the ratio of the probability that future saving does occur. The odds ratio for each of the two variables has been reported as part of the regression results above (i.e.ExpB). For example, the odds ratio corresponding to Savings medium (X_2) is 2.4627. This number means that a one unit change in X_2 would raise the likelihood of occurrence of future savings among the urban informal sector operators by 2.4627 (in ratio terms, it is 2.4627:1). On the other hand, because the coefficient of daily savings is negative, i.e. -1.0286, the odds ratio on the variable is less than one. 0.3575. This means that a one-unit change in X_1 reduces the likelihood of future savings among the urban informal sector operators by 0.3575 (in ratio terms, it is 0.3575:1)

Cox and Snell R^2 is a pseudo R^2 just as Nagelkerke. Both of these are used to compare alternative specifications of the same model. They do not and are not intended to serve the purpose of evaluating the overall model fit as it is the case with the classical regression model. Since our aim is not that of model comparison, this then may not be of concern to us for now just like the subsequent models.

The negative sign of the intercept conforms to economic theory. It implies dis-saving when income is zero. That is, consumption takes place whether income is generated or not. Such expenditure could be made from borrowing or previous savings. The negative sign of the slope parameter of variable X_1 does not agree with the *apriori* expectation that saving (Y) should be positively related to average daily earning (X_1). The size of the value of -1.0286 shows the amount of dis-saving that takes place in spite of the respondents' income from their daily activities. A possible explanation for this is that the low income accruing from the activities of the operators of the urban informal sector may not be sufficient for their sustenance, let alone for saving. Rather, they have to supplement their income through borrowing. The positive slope of variable X_2 is in conformity with theory. Saving for the future is positively related to saving facility as indicated by the sign and magnitude of the slope of X_2 (i.e. 0.9013). Such a relationship could be due to the possession of the characteristics that are attractive to the operators of the urban informal sector by the savings medium. However, in the absence of savings, savings medium may not be an important consideration to urban informal sector operators.

In this section, we present the estimates of the regression of Dissatisfaction with Saving facility granted by SCAs (Z) on the major problems always encountered in using informal financial sources captured by inadequate funds (S_1), long waiting time (S_2), lack of secrecy (S_3), long distance from source (S_4), irregular availability of funds (S_5).

Model II: $Z = B_0 + B_1S_1 + B_2S_2 + B_3S_3 + B_4S_4 + B_5S_5 + u$ …. (2)

Where Z= Dissatisfaction with saving facility granted by SCAs

S_1 = inadequate funds

S_2 = long waiting time

S_3 = lack of secrecy

S_4 = long distance from source

S_5 = irregular funds

u = error term

Model II states that dissatisfaction with the Saving facility granted by SCAs (Z) depends on the problems always encountered in using informal financial sources captured by inadequate funds (S_1), long waiting time (S_2), lack of secrecy (S_3), long distance from source (S_4), irregular availability of funds (S_5).

In this specification, we are interested in the probability of the occurrence of dissatisfaction with Saving facility granted by SCAs, $p(Z=1)$, expressed as depending on the problems of inadequate funds (S_1), long waiting time (S_2), lack of secrecy (S_3), long distance from source (S_4), irregular funds (S_5). If this probability is p, then the probability that dissatisfaction does not occur, that is p (Z=0). is p-1. In line with the application of this statistical tool, dissatisfaction with saving facility granted by SCAs (Z) is measured as discrete, assuming either 1 or 0 value. SPSS was used to run the regression on the primary data generated that yielded the following output:

$Z =$	-4.781	$-\ 1.3969S_1$	$+\ 0.8524S_2$	$+\ 1.7444S_3$	$+\ 0.6979S_4$	$+\ 0.4908S_5$
S.E.	(0.5514)	(0.2897)	(0.2328)	(0.2436)	(0.2485)	(0.2834)
Wald	(75.2009)	(23.2511)	(13.4654)	(51.2757)	(7.8866)	(2.9994)
Exp(B)	-	(0.2474)	(2.3494)	(5.7222)	(2.0096)	(1.6337)
Sig.	(.0000)	(.0000)	(.0002)	(.0000)	(.0050)	(.0833)

Cox and Snell - $R^2 = 0.214$

Nagelkerke - $R^2 = 0.290$

Block Chi-Square = 161.050 df = 5 Sig= 0.0000

$\alpha = 0.05$

Percent Correct Prediction (PCP) = 74.55%

PCP Matrix

	Predicted		%Correct
	Yes (1)	No (0)	
Observed			
Yes (1)	327	74	85.55%
No (0)	96	171	64.04%
		Overall	**74.55%**

Statistical evaluation and interpretation of results of model II

The Wald statistic and the significance values reported above both indicate that all the parameter estimates except for that of variable S_5, are statistically significant at 5% level. The significance estimates for the intercept and five predictor variables, inadequate funds (S_1), long waiting time (S_2), lack of secrecy (S_3), long distance from source (S_4) are all zeros except for (S_5), irregular funds. Compared with the Chi-Square table value of 6.635, the Wald statistic on five parameters, 75.2009, 7.8866, 51.2757, 13.4654, and 23.2511 are all significant except for that of variable S_5 which is 2.9994. The overall performance of the model is significant at 5% when the Block Chi-Square value of 161.050 is compared with the critical value of 5.99. The model predicts 74.55% of the responses correctly.

This means that we reject the hypothesis that the parameters, B_is are equal to zero except for S_5.

In general, each of these coefficients is the rate of change in the log odds as the variable (X_i) changes. It should be noted that the log odds is the natural log (ln) of the odds ratio, which in our case is the ratio of the probability that future savings does occur to the probability that it doesn't. The odds ratio for each of the five variables has been reported as part of the regression results above (i.e.ExpB).

The null hypothesis for this regression is:

H_O: Informal sector operators are not satisfied with the saving facility granted by SCAs because of the problems of inadequate funds, long waiting time, lack of secrecy, long distance from source, and irregular availability of funds.

In its testable form, the hypothesis is stated as:

$Ho: B_0 = B_1 = B_2 = B_3 = B_4 = B_5 = 0$

An evaluation of the parameter estimates of the regression shows that all the estimates are significant at 5 percent level except (S_5). This implies that the null hypothesis is accepted for parameter estimates of the intercept and variables S_1 to S_4 while it is rejected for S_5. The negative sign of the intercept conforms to economic theory as each or combinations of these variables impede satisfaction with the saving facility granted by SCAs. Also, the sign of the slope of variable S_1 (i.e. -1.3969) conforms with economic reasoning because there can be no satisfaction for the fund owner whose saving institution does not have adequate funds. Variables S_2, S_3 and S_4 are positively related to Z, because they represent some of the characteristics that encourage saving in the informal sector. Variable S_5 estimate is only significant at 10% level.

Model III: $M=B_0+B_1K_1+B_2K_2+B_3K_3+B_4K_4+B_5K_5+B_6K_6+u$ ...... (3)

Where M= satisfaction with the borrowing facility granted by SCAs

K_1 = availability of funds

K_2 = easy accessibility

K_3 = secrecy

K_4 = low interest charges

K_5 = convenience

K_6 = easy procedure

u= error term

Model III states that satisfaction with the borrowing facility granted by SCAs (M) depends on the factors that influence the choice of the financial sources which include: availability of funds (K_1), easy accessibility (K_2), secrecy (K_3), low interest charges (K_4), convenience (K_5), and easy procedure (K_6).

In this model, we are interested in the probability of the occurrence of dissatisfaction with the Saving facility granted by SCAs, p(M=1), expressed as depending on availability of funds (K_1), easy accessibility (K_2), secrecy (K_3), low interest charges (K_4), convenience (K_5), and easy procedure (K_6). If this probability is p, then the probability that dissatisfaction does not occur, that is p (M=0), is p-1. In line with the application of this statistical tool, dissatisfaction with the saving facility granted by SCAs (Z) is measured as discrete, assuming either 1 or 0 value.

We hereby present the estimates of the regression of satisfaction with the borrowing facility granted by SCAs (M) on the factors that influence the choice of the financial sources which include: availability of funds (K_1), easy accessibility (K_2), secrecy (K_3), low interest charges (K_4), convenience (K_5), and easy procedure (K_6) as computed using SPSS. The regression on the primary data generated then yielded the following output:

$M = 2.2207 - 1.1615K_1 - 2.3982K_2 + .09355K_3 + 1.1998K_4 - 0.0579K_5 - 0.7236K_6$

S.E. (0.8891) (0.2849) (1.0794) (0.2978) (0.3197) (1.0766) (0.2127)

Wald (6.2382) (16.6210) (4.9362) (9.8703)(14.0839) (0.0029) (11.5773)

Sig. (.0125) (.0000) (.0263) (.0017) (.0002) (.9571) (.0007)

Exp(B) - (0.3130) (0.0909) (2.5486) (3.3195) (0.9438) (0.4850)

Cox and Snell - $R^2 = 0.112$

Nagelkerke - $R^2 = 0.150$

Block Chi-Square = 81.320 df = 6 Sig = 0000

$\alpha = 0.05$

Percent correct prediction (PCP) = 60.61%

PCP Matrix

	Predicted		%Correct
	Yes (1)	No (0)	
Observed			
Yes (1)	178	199	47.21%
No (0)	70	236	77. 12%
		Overall	**60.61%**

Statistical evaluation and interpretation of results of model III

The Wald statistic and the significance values reported above both indicate that all the parameter estimates, except that of variables K_2 and K_5, are statistically significant at 5% level. The significance estimates for K_1, K_3, K_4 and K_6 are zeros, except for K_2 and K_5. Compared with the Chi-Square table value of 6.635, the Wald statistic on four of the seven parameters, 16.6210, 9.8703, 14.0839, 11.5773, are all significant except for those of the constant and variables K_2 and K_5, which are 6.2382, 4.9362, and 0.0029 respectively. The overall performance of the model is significant at 5% when the Block Chi-Square value of 81.320 is compared with the critical value of 5.99. The model predicts 60.61% of the responses correctly. This means that we reject the hypothesis that the parameters, B_is are equal to zero except for K_2 and K_5.

In general, each of these coefficients is the rate of change in the log odds as the variable (X_i) changes. It should be noted that the log odds is the natural log (ln) of the odds ratio, which in our case is the ratio of the probability that future savings does occur to the probability than it doesn't. The odds ratio for each of the six variables has been reported as part of the regression results above (i.e. ExpB).

The null hypothesis of the regression is:

H_O: Urban informal sector operators are not satisfied with the borrowing facility granted by SCAs because of inadequacy of funds, easy accessibility, secrecy, low interest charges, convenience, and easy procedure.

In its testable form, this hypothesis is restated as:

$Ho: B_0 = B_1 = B_2 = B_3 = B_4 = B_5 = B_6 = 0$

An evaluation of the estimates of variables K_1, K_3, K_4 and K_6 indicates that they are significant at 5 percent level. We therefore accept the null hypothesis that they are significantly different from zero. Theoretically, borrowers in the informal sector ought to be comfortable with the operational characteristics of SCAs. This is because they possess those characteristics that are attractive to operators of urban informal sector, and are their traditional sources of credit. However, the negative signs of variables K_1, K_2, K_5, and K_6 do not conform to the theory. These negative signs imply that borrowers are not satisfied with the availability of funds, accessibility, convenience and procedure of the informal financial institutions. Estimates of the intercept, variables K_2 and K_5, are not significant at 5% level. This may mean that these two variables are not so important variables among the factors for satisfaction with the borrowing facilities granted by SCAs.

5.3 DISCUSSION OF FINDINGS

In this section we present the discussion of findings derived from the analyses of data. It was found from this study that both males and females are involved in the informal economic activities in Jos metropolis. Of the sample used for the study, 82.5% wee males while 17.5% were females. Also, it was discovered that a large of Christians and Moslems were involved in the informal sector activities in Jos. While 45.9% were Christians, 53.9% were Moslems and 0.2% were Traditional worshipers. It was established from the study that the operators of the urban informal sector in Jos are of various ethnic groups and of many different state origins. 45.3% of the urban informal sector in Jos are single while 53.1% are married people. Also, 81.9% of the informal sector workers in Jos metropolis can read while 81.1% can write.

The age structure of the respondents indicates that operators in the urban informal sector are made up largely of the active workforce that can make significant contribution to the Nigerian economy. In an era when the policy of government places great emphasis on self-employment, if individuals are able to create their own employment, they should be encouraged by providing them with supporting facilities to make their activities prosperous. Thus, given the urbanization rate in Nigeria and the employment generation capacity of this sector, the activities of this workforce should be enhanced. This would not only enable the economy maximize the output of this active workforce in the urban informal sector, but also serve as a viable strategy for poverty alleviation in the Nigerian economy.

Various forms of financial institutions operate in the urban informal sector and the operators in this sector are aware of this. However, the saving institutions which they deal with are those that have such characteristics as easy membership enrolment, easier access to credit, returns on deposits, security of their money, easy access to saving, and absence of formalities.

Operators of the urban informal sector indicated, through the questionnaire that they have knowledge of banks as the best savings medium as indicated in Figure 1. Despite this knowledge, they still do not patronize the banking institutions. This implies that the banks may not possess the characteristics that enable urban informal sector operators to patronize them, nor could these operators meet the formal financial institutions' credit procurement. Thus, formal financial institutions operating in the urban areas in Nigeria do not possess these characteristics that are attractive to the informal sector operators, who, thus, remain inaccessible to the formal financial institutions. This poses a challenge for financial sector reforms. There may be need for specific financial institutions to be created and targeted at informal sector finance.

The operators of the urban informal sector have a mixed portfolio of assets. This is made up of financial and non-financial savings. Their financial saving activities are largely with informal financial institutions and their non-financial savings are in the form of jewelleries, landed properties, livestock, and other durable goods. The implication of this is that credit policies that are formulated through the monetary policies and implemented through the formal institutions are unlikely to affect the urban informal sector operators. Given the rather large size of the informal sector today in Nigeria, this also has implications for the degree of effectiveness of monetary policies.

Of the varied financial institutions that operate in the informal sector, Savings and Credit Associations (SCAs) are the most patronized. This is because they possess more of flexible characteristics as availability of funds, easy accessibility, secrecy, low interest charges, convenience and easy procedure than others. This finding implies that formal institutions that seek to mobilize funds from the urban informal sector must build into their operations these characteristics that attract the operators in the sector. Where this is not feasible, there may be need for the creation of specialized formal financial institutions to cater for the needs of the informal sector.

The operators in the informal sector cannot embark on long-term savings because of the low income that accrues from their daily activities. This means that they would prefer to save with institutions that would allow them withdraw their funds when they want to. The problem of low returns from their activities was due to constraints such as lack of access to credit, infrastructural problems, skills problem and absence of enabling laws. Addressing these issues could go a long to improve their productivity and enable them have what could be saved on a long-term basis.

It was deduced from the respondents that financial institutions servicing the urban informal sector operators are inadequate in the provision of financial services (saving and lending) to the operators. Their reasons are that these financial institutions have one or a combination of the problems of inadequate funds, irregularity of funds, long waiting period, long distance from source, and lack of secrecy. This is confirmed by the results of the regression analysis. The government's effort, through the National Directorate of Employment (NDE) does not benefit the sample of this study as the effort is largely targeted at graduates of schools.

Most of the lending institutions in the urban informal sector do not adequately meet the borrowing needs of the operators in that sector. The lending institutions have the problems of insufficient funds, accessibility, convenience and procedure. Even with the credit facilities provided by the informal financial institutions operating in the urban informal sector, the clients in the sector are not satisfied. This means that the informal sector financial institutions do not have the capacity to meet the credit needs of the operators of the urban informal sector although their activities are pervasive within the sector.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

In this chapter, we present the summary of the findings, conclusions derived from the previous chapters of this research work, and policy recommendations that could be implemented to address the problems of accessibility to adequate and sustainable credit by the urban informal sector operators.

6.1 SUMMARY OF FINDINGS

The broad objective of this study, as stated in chapter one, is to develop a framework that would facilitate sustainable and adequate credit delivery to urban informal sector operators in the Nigerian economy. This study empirically investigated accessibility to credit by the urban informal sector operators. The major findings of the study are:

1. The age structure of the respondents indicates that operators in the urban informal sector are largely made up of the active workforce that can make significant contribution to the Nigerian economy. It is important to stress here that this segment of the workforce (the workers in the urban informal sector) ought to be given the necessary support to enable them make their contribution to the national economy.

2. That operators of the urban informal sector are in dire need of capital to finance their activities.

3. That activities of the urban informal sector operators can be enhanced and their productivity improved upon through access to credit.

4. That Urban informal sector operators mainly depend on the informal financial sources because they do not have access to credit facilities of the formal financial institutions. This is because they are unable to meet the credit procurement requirements of the formal financial institutions.

5. Tertiary institutions' graduates are also involved in urban informal sector activities. As indicated in Table 5, 17.7 percent of the samples used for the study were graduates of post-secondary institutions.

6. Formal financial institutions do not possess the characteristics that are attractive to informal sector operators. These characteristics include availability of funds, easy accessibility, secrecy, low interest charges, convenience, and easy procedure. Therefore, even if they have the knowledge of these institutions, they find it very difficult to patronize them.

7. The informal financial sources being patronized by the urban informal sector operators are faced with the problems of inadequate funds and sustainability, and therefore do not have the capacity to adequately cater for the credit needs of the operators of the urban informal sector.

8. Credit could be made accessible to the operators of the urban informal sector on an adequate and sustainable basis by linking the informal financial institutions to the formal ones and ensuring that these formal financial institutions adopt some of the characteristics that are attractive to the urban informal sector operators.

6.2 CONCLUSION

(i) One major gap identified in literature which this study has attempted to fill is inaccessibility to credit of the formal financial institutions by the operators of the urban informal sector. This study noted that not only are the informal sector operators not able to meet the credit procurement requirements of the formal financial institutions, but also that the formal financial institutions do not possess the characteristics that entice the urban informal sector operators to transact business with them.

(ii) The reliance on informal financial sources by the urban informal sector operators is borne out of lack of access to formal credit sources. As observed from the study, the services of the informal financial sources are not only inadequate but also unsustainable.

(iii) State intervention through financial sector reforms to bridge that gap between the formal and informal financial sectors would go a long way to provide access to adequate credit for the urban informal sector on a sustainable basis.

6.3 RECOMMENDATIONS

Although informal financial institutions enjoy obvious advantages over banks and other formal financial institutions when it comes to servicing informal sector operators and low-income households, informal financial institutions face their own limitations as to the depth and quality of services they can provide. As an example, informal financial institutions often fail to effectively intermediate between borrowers and savers. They also fail to adequately meet the credit and savings needs of the informal sector. Another concern is that the informal finance sector is subject to change over time, and indications are that the social conditions that make informal finance possible and efficient over time may change and may make them largely insignificant in service delivery.

One of the most significant interventions to assist informal operators is improvement of access to formal sector financial services. Broadening access to formal sector financial services can be achieved both through the intervention in the ever-growing number of micro-finance institutions, but it can also involve reforms of the banking practices to make banks more accessible to low-income households and informal sector operators. In both cases, the most important strategies to increase outreach of the two financial sectors towards each other revolve around informal finance.

Firstly, formal financial institutions should adopt more flexible procedures in their transactions, thereby solving problems that informal financial institutions seem to cope with, but which traditionally have stymied formal financial institutions. Secondly, formal financial institutions can reach low-income households and informal sector operators through the mediation of informal financial institutions. Thirdly, government should positively intervene in the two sectors to remove the gap between them through policies and direct intervention. Efforts that could lead to improvement in access to credit by the urban informal sector are discussed in detail below.

6.3.1 Formulation and Implementation of Microfinance Policy.

There is the need to urgently formulate and commence implementation of microfinance policy in order to facilitate effective coordination and control the expanding microfinance institutions. This is supported by Anyanwu (2004) when he observed that although the availability of microfinance and the establishment of microfinance institutions are expanding in Nigeria, there are yet no established Government policies and mechanisms for regulating and supervising activities in the sector.

As rightly noted by Central bank of Nigeria (2005), a microfinance policy which recognizes the existing informal financial institutions and brings them within the supervisory purview of the CBN would not only enhance monetary stability, but also expand the financial infrastructure of the country to meet the financial requirements of the Micro, Small and Medium Enterprises (MSMEs). Such a policy would create a vibrant microfinance sub-sector that would be adequately integrated into the mainstream of the national financial system and provide the stimulus for growth and development. It would also harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions, promote appropriate regulation, supervision and adoption of best practices.

6.3.2 Linking Formal to Informal Financial Institutions

There have been many calls for formal financial institutions to forge strategic links with informal financial institutions (e.g. Johnston, 1968: Germidis, 1990; Chipeta and Mkandawire, 1992; Liedholm, 1993; and Aryeetey, 1998). The call for linking the two sectors is motivated by the hope that it can go some way to correct the fragmentation in financial markets, which leads to allocative inefficiencies (Aryeetey *et al*, 1997). Also, the link will enable formal financial institutions to reduce transaction costs and partially address information asymmetries that otherwise frustrate their efforts to engage with the poor.

The strategies that have been identified in the literature for forging links between formal sector and informal sector financial institutions and which are useful to this study are summarized below.

Operation of savings accounts for savings associations—Many banks have introduced savings products specially designed to accommodate indigenous savings associations. E.g. South African banks in the 1980s (Aliber, 2002). The rationale for this is clear: insofar as large amounts of money are mediated through savings associations, in principle, these associations represent a huge opportunity for banks to take in additional deposits, without incurring the same transaction costs as would apply to individuals. The major feature of this scheme is that it is designed to permit group members to borrow against the collateral of the group's savings.

Adapting ROSCAs to be mutual guarantee associations—This approach involves linking of ROSCAs to a bank as mutual guarantee associations, such that the bank will consider members credit-worthy by virtue of their membership of the ROSCA group. This solves the problem of providing collateral security before access to credit is allowed.

Operation of Bank accounts for money collectors—The phenomenon of professional money collectors, of which the best known are the *esusu* collectors of West Africa, vividly reveals the cost imposed by market fragmentation (Soedjede, 1995). A typical situation is one where a client makes daily contributions of a fixed amount to the collector over the course of a month, at the conclusion of which the collector returns the client's accumulated savings less one day's contribution. This amount withheld is the collector's payment for the service provided. That clients exist at all is a testimony to the value some people place on being able to have their money collected and guarded (from themselves as well as from others); that they do not earn a positive return on their savings suggests that their collectors are either not intermediating that money as lenders, or that there is insufficient competition among collectors to warrant returns to depositors. It therefore appears that banks are not doing enough to take advantage of this opportunity to mobilise funds existing in the informal financial sector.

Establishment of fund policy office--As opined by Ijioma (1998), the informal financial market could be integrated with the formal one through (i) the establishment of a fund policy office whose main function will be that of study, analysis and evaluation of the informal financial market, and identify market failures. It will be responsible for regulatory policy formulation as it affects informal financial institutions. (ii) A statistical and evaluation office will be a service outfit for the policy office, providing statistical data for use in studies and general information

(iii) An inspectoral office which will use the present branch network of the bank to inspect community banks, rural bank branches and other informal financial institutions, guide and monitor their operations. This effort will help not only to improve the viability of informal financial institutions but also put them on the path of a formalisation process.

Outreach; mutual accounts; and affiliation approach--Ojo (1995) identifies three main approaches to linking the formal and informal sectors, i.e., the Outreach; Mutual Accounts; and Affiliation. The main elements of the Outreach approach include employing the informal sector marketing drive so that the mobile branches of the formal sector make regular visits to collect savings at the rural areas or areas traditionally considered to be the domain of the informal sector. Under the mutual accounts, the formal financial institution offers mutual accounts to an organized group like self-help grouping in the rural or urban informal sector. On the other hand, the affiliation approach entails a more structured relationship between informal sector financial organizations like the ROSCAs and the formal sector financial institutions. Essentially, the *esusu* groups or their equivalent would become affiliates of the formal finance institutions. in a manner similar to the relationship that exits between correspondent banks. Given the nature of the informal economy, where transaction activities are not fully monetized, the combination of the three approaches with a simultaneous implementation may provide the necessary link between the formal and the informal financial sectors.

6.3. 3 Adoption of more flexible credit procurement procedures by the Formal Financial Institutions.

In order to effectively deliver credit to the urban informal sector, formal financial institutions should build into their operations the following principles identified by Akanji (2001) and build them into the credit delivery system. They are:

Simplify services: make credit delivery customer-friendly. Use a simple application process appropriate to the level of literacy and numeracy of the beneficiaries and streamline operations to minimize loans processing cost (e.g. one-page application form).

Offer small initial loans: start with very small loans appropriate for meeting day to day financial requirement of micro-enterprises and motivate repayment by offering larger loans as incentives to customers.

Offer short term loans: offer initial loans of between three and six months with frequent repayment periods, say, weekly or fortnightly.

Localize services: Locate close to entrepreneurs such as small scale industrial estates and city peripherals so as to reduce transaction costs. Select staff from local communities, including people with low level of education and income rather than formal bank staff. Such people must be respected for honesty within their communities.

Shorten turn around time: limit the time between loan application and disbursement. Since the majority of micro-credit is for working capital, speed of processing is ideal for borrowers and reduces administrative cost of lending for financial institutions involved. Turn around time can be minimized by relying on solidarity groups to screen clients and also by decentralizing loans approval.

Motivate repayment: motivate repayment through group solidarity and joint liability. Group lending is more efficient because it externalizes costs and spreads the burden to a number of people, though character-based lending to individuals can be effective where social structure is cohesive and there is little potential for political abuse.

Recognize that the poor do save: credit programme are more sustainable when they are financed with personal savings. Savings are often a very significant part of informal finance. Although accepting deposits from many small savers of the kind of the informal sector is manually demanding, not mounting finance for the poor can rob them of their savings activities. Great care and determination must be demonstrated when an institution accepts fiduciary responsibilities from these kinds of clients.

6. 3. 4 Establishment of Credit Guarantee Scheme by the Federal Government for Informal Sector Operators

The fact that formal financial institutions make use of depositors' money for business and have a duty to make positive returns to their shareholders puts on them the responsibility to make proper use of the money entrusted to them. And because providing credit for the informal sector operators is believed to be associated with high risk, they do not provide credit to the urban informal sector operators. One way to encourage formal financial institutions to allow access to credit by the informal sector workers is by establishing a credit guarantee scheme to serve as the security needed by the formal financial institutions. Such a scheme should go beyond mere policies and be backed up by financial deposits by the various levels of government at some chosen banks, with availability of many branches as a major criterion. and the fund should be managed by these banks.

Then enabling laws establishing this scheme should make it mandatory for these levels of government to make a certain amount of money available as their contributions to the scheme. This will go a long way in addressing the problem of insecurity of the loans and as well as facilitating access to credit by the informal sector operators.

6.3.5 Building the Capacity of the Informal Sector operators and their Confidence in the Formal Financial Institutions.

There is the need to improve the skills of the urban informal sector operators so as to increase their capacity to enable them access the credit opportunities provided by the Government. As noted by the Central bank of Nigeria (2005), as at December 2004, only N8.5billion (29.5%) of the N28.8billion Small and Medium Enterprises Equity Investment Scheme (SMEEIS) fund had been utilised. Moreover, 10% of the credit fund meant for micro credit had not been utilized due to lack of an appropriate framework and confidence in the existing institutions that would have helped in credit delivery. As rightly pointed out by ILO (2000), basic life skills such as numeracy and literacy, problem-solving and management, communication and negotiation skills improve confidence and capacity to explore and try income-earning opportunities. In addition, the government should improve the state of infrastructural facilities to reduce transactional costs associated with administration of micro-credit in the country (CBN Baseline Study of MFIs, 2001).

The confidence of the urban informal sector operators could be built in the formal financial institutions through the following four main elements:

(i) accommodating small and frequent money transactions; (ii) promoting regularity of such transactions; (iii) making use of inter-personal relationships; (iv) reducing transactions costs, especially those borne by the client. Examples of these elements include the following:

Daily deposit collection—A number of banks in India have introduced daily deposit collectors, which operate in a fashion similar to *esusu* collectors. (Aliber, 2002). This method is very important for the informal sector operators who often earn money on a daily basis. The collectors are placed on commission based on the volume of collections. This is similar to the spirit of *esusu* collection systems practised currently in Nigeria.

Group solidarity—The principle of the group-credit method, made famous by Grameen bank in Bangladesh, is that the members' joint and several liability for their loan inspires "peer monitoring", effectively eliminating the need for conventional collateral. In a more general sense. however, group-credit schemes can be thought of as harnessing the same sort of group solidarity and interdependence that lie at the heart of indigenous savings associations. The link between group credit and such savings associations is explicit for some formal financial institutions. All that is required is that group members engage in regular savings for some months before they are eligible for loans. The purpose of this is partly, to give time to groups to build up some collateral for the loan, but it also serves to inculcate the group cooperation and interdependence that are critical for future success.

Fostering personal relationship and structuring incentives—Personal relationships are central, not only to indigenous savings associations, but also to the business of traditional money-lending, where the moneylender prefers to lend to people he knows personally or vicariously through a broker. The personnel of the credit departments of formal financial institutions could go beyond paper work to establish personal relationships with this category of clients so that credit delivery to the informal sector operators can be built on this relationship.

Continuity and stepping-up—Moneylenders would prefer to make repeat loans to a small number of clients, rather than one-off loans to a large number of clients. This continuity of contact with the same client serves to reduce information asymmetries between the moneylender and his clients, thus improving the moneylender's estimate of the client's credit-worthiness. Similarly, an almost universal feature of micro-credit programmes is that they employ a step-up system, whereby a client's successful repayment of small loan signals eligibility for a subsequent larger loan. The principle here is that the client becomes better known over time in terms of his/her deeds.

6.4 PROPOSITION FOR FURTHER STUDY

While access to credit is necessary and most needed by the informal sector workers, other factors that could facilitate and enhance their activities and therefore improve effective use of the credit, need to be considered. These factors include training, infrastructure, and enabling laws.

Studies in these areas could support access to credit by enhancing urban informal sector activities to increase their productivity.

6.5 CONTRIBUTION TO KNOWLEDGE

This study makes the following contributions to knowledge.

1. It has been established in this study that the credit needs of the urban informal sector operators vary from one another. This study has therefore developed an alternative strategy for adequate and sustainable access to credit by the informal sector.

2. Most of the existing data on the informal sector have to do with those registered with the Corporate Affairs Commission or some other formal organizations. This study has attempted to generate data on the urban informal sector operators that have no records of registration with any formal organization. Generating data on this sector is in itself a contribution to knowledge.

3. "The Urban informal sector and credit accessibility" studied in this work is an area of study that has not received much attention from scholars in Nigeria, particularly in the area covered by this study (Jos metropolis). This study has therefore added another contribution to the existing body of knowledge on the informal sector.

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APPENDIX A

QUESTIONNAIRE URBAN INFORMAL SECTOR SURVEY

SECTION A: PERSONAL DETAILS

INSTRUCTION: Tick ( ) or fill against the appropriate space provided.

1. Gender: 1. Male ( ) 2. Female ( )

2. Age group 1. 18-29 ( ) 2. 30 – 39 ( ) 3. 40-49 ( ) 4. 50-59 ( ) 5. >60 ( )

3. Religion 1. Christianity ( ) 2. Islam ( ) 3. Traditional ( ) 4. Others ( )

4. State of Origin --

5. State of Residence --

6. Tribe --

7. Average distance of present residence to village in State of Origin 1. <5km ( ) 2. 5-8km ( ) 3. >8km ( )

8. Marital Status 1. Single ( ) 2. Married ( )

9. Number of dependents on you --

10. Highest educational qualification 1. Primary school Leaving Certificate ( ) 2. WASCE, SCCE, GCE, etc ( ) 3. Diploma, NCE, Degree, etc ( ) 4. Others (specify) ------------------------------

11. Which of the following can you do?
    - * Read 1. I can ( ) 2. I cannot ( )
    - *Write 1. I can ( ) 2. I cannot ( )

12. What do you do for a living?
    1. Trading ( ) 2. Manufacturing ( ) 3. Transportation ( )
    4. Repairs ( ) 5 . Building construction worker ( )
    6. Owner of hotel/restaurant ( ) 7. Craft work ( )
    8. Others (specify) --

13. Do you keep records of your business? 1. Yes ( ) 2. No ( )

14. If yes, choose the form in which they are kept.

1. Formal document form ( ) 2. Unorganized form ( )

3. Other forms (Specify) --------

SECTION B: SAVINGS BEHAVIOUR

15. How much do you earn on the average daily in your business?

1. Less than N300.00 ( ) 2. N301 to N500.00 ( ) 3. Above N500.00 ( )

16. Do you save your earnings for the future 1? Yes ( ) 2. No ( )

17. If No, why? 1. No earnings ( ) 2. Too small to be saved ( )

3. Used for pressing needs ( )

18. If Yes to Q16, on what basis? 1.Daily ( ) 2. Weekly ( ) 3. Monthly ( )

19. Does the amount saved remain constant always? 1. Yes ( ) 2. No ( )

20. Where do you save? 1. At home ( )2. Bank ( )3. Credit Union ( )

4. Esusu Club ( ) 5. Others (specify) ---------------------------------

21. Why do you choose the option in Q20? 1. Easy access ( ) 2. Convenience ( ) 3. Secrecy ( )

22. Express your knowledge and usage on the following savings medium.

Saving Medium	I am aware	I have participated
At home		
Bank		
Credit Union		
Esusu		
Others (specify)		

23. From the listed savings medium, identify which of these statements best fits.

	Statements	Home	Bank	Credit Union	Esusu	Others
i.	Money is most secure					
ii	Easier access to savings					
iii	No formalities involved					
iv	Easier access to credit					
v.	Interest rate attractive					
Vi	Easy membership enrolment					

24. Are you involved in any of these non-financial savings?

i. Jewelleries Yes ( ) No ( )

ii. Landed properties Yes ( ) No ( )

iii. Livestock Yes ( ) No ( )

iv. Other durable goods Yes ( ) No ( )

SECTION C: SAVINGS AND CREDIT ASSOCIATIONS

25. Are you a member of any savings and credit association (SCA)?

1. Yes ( ) 2. No ( )

26. If yes, how many are you in number? 1. 0 to 50 ( ) 2. 51 to 100 ( )

3. Above 100 ( )

27. Why did you form the SCA?

Reason	True	False
To provide credit for members		
To encourage members to save		
To assist members to acquire assets		
To control expenditure behaviour of members		

28. What conditions do you have to fulfill to become a member?

    1. Sign an undertaking ( ) 2. No obligation ( ) 3. Get a guarantor ()

    4. Others (specify) ---

29. How are individual's contributions made?

    1. Fixed regular contribution ( )

    2. Contribute according to ability ( )

    3. Others (specify) ---

30. How regularly do members contribute to the SCA? 1. Daily ( )

    2. Weekly ( ) 3. Monthly ( ) 4. Others (specify) ------------

31. How regularly do the SCA members meet? 1.Weekly ( )

    2. Twice a month ( ) 3. Monthly ( ) 4. Others (specify) -------

32. How regularly do members get back their savings? 1. Weekly ( )

    2. Twice a month ( ) 3. Monthly ( ) 4. Others (specify) ------------

33. Are you paid interest on your savings? 1. Yes ( ) 2. No ( )

34. If Yes, at percentage rate? 1. 0 to 20% ( ) 2. 21 ton 50% ( )

    3. 51 to 100% ( )

35. Does your SCA collect service charge on your money saved?

    1. Yes ( ) 2.No ( )

36. If yes, how much do you pay for the service of the collector?

1. 0 to 20% ( ) 2. 21 to 50% ( ) 3. 51 to 100% ( )

37. I save with SCA for the following reasons:

Reason	True	False
Easy Access		
Convenience		
Secrecy		
Knowledge of SCA Leaders		

38. Does your SCA extend credit to members collect credit?

1. Yes ( ) 2. No ( )

39. What rate of interest is charged on the credit?

1. 0 to 20% ( ) 2. 21 to 50% ( ) 3. 51 to 100% ( )

40. What security do members have to provide to be given the credit?

1. Property ( ) 2. Guarantor ( ) 3. Previous contribution ( )

4. Others (specify) --

41. What length of time is allowed for repayment?

1. 1 to 3months ( ) 2. 4 to 6months ( ) 3. 7 to 12 months ( )

SECTION D: CREDIT ACCESSIBILITY AND SAVING HABIT

42. On a scale of 1 – 5, rate how strong these statements are with respect to your business progress (1. Poor feelings or none acceptance; 5. Very strong feelings or acceptance).

		1	2	3	4	5
i.	I need extra money to strengthen my business					
ii	SCA gives me access to quicker credit					
iii	I can get credit from the Bank when I so need					
iv	I am more comfortable with SCA than credit from friends, relatives or money lenders source					
V	Informal credit source enables easier payment of credit than the formal sources					
vi	The informal sources have adequate funds to meet my credit needs.					
vii	I get loan at lower interest rate from informal sector					
viii	Informal sector makes it easier for me to get loan					
ix	Informal sector sources nearer to me					
x	My business progresses based on this credit source					
xi	These credit sources sustain me in my employment status					
xii	Members of the informal finance sector are known to each other					
xiii	Procedures for acquiring loan in the informal financial sector are easy					
xiv	The formal banking sector is distant from me					

43. The following factors influence the choice of the finance sources.

Factor	Yes	No
Availability of funds		
Easy accessibility		
Secrecy		
Low interest charges		
Convenience		
Easy procedure		

44. The major problems always encountered in using your financing sources are:

Problem	Yes	No
Inadequate funds		
Long waiting time		
Lack of secrecy		
Long distance from source		
Irregular availability of funds		

45. The major problems facing your business are:

Problem	Yes	No
Poor patronage		
High cost of inputs		
Lack of funds		
Transport problem		
Lack of basic infrastructure (electricity, roads, water, etc)		
Harassment by Govt. agents over revenue, relocation, etc.		
Lack of space		

46. Are you generally satisfied with the saving facility granted you by the SCA? 1. Yes ( ) 2. No. ( )

47. Are you generally satisfied with the borrowing facility granted you by

the SCA? 1. Yes ( ) 2. No. ( )

Appendix B

Frequency Table

Category

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Mechanic	195	20.1	20.1	20.1
	Commercial Motocycle operators	200	20.6	20.6	40.7
	Petty Traders	198	20.4	20.4	61.1
	Barbers and Saloon operators	181	18.6	18.6	79.7
	Shoes - repairers	197	20.3	20.3	100
	Total	971	100	100	

gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	male	786	80.9	82.5	82.5
	female	167	17.2	17.5	100
	Total	953	98.1	100	
Missing	System	18	1.9		
Total		971	100		

age group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18-29	532	54.8	55.6	55.6
	30-39	337	34.7	35.2	90.8
	40-49	68	7	7.1	97.9
	50-59	15	1.5	1.6	99.5
	>59	5	0.5	0.5	100
	Total	957	98.6	100	
Missing	System	14	1.4		
Total		971	100		

religion

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	christain	434	44.7	45.9	45.9
	islam	509	52.4	53.9	99.8
	traditional	2	0.2	0.2	100
	Total	945	97.3	100	
Missing	System	26	2.7		
Total		971	100		

state of origin

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		6	0.6	0.6	0.6
	Abia	10	1	1	1.6
	Abuja-FCT	3	0.3	0.3	2
	Adamawa	20	2.1	2.1	4
	Akwa Ibom	6	0.6	0.6	4.6
	Akwa Ibom	1	0.1	0.1	4.7
	Anambra	19	2	2	6.7
	Anambra	1	0.1	0.1	6.8
	Balyesa	3	0.3	0.3	7.1
	Bauchi	61	6.3	6.3	13.4
	Edo	1	0.1	0.1	13.5
	Benue	49	5	5	18.5
	Borno	26	2.7	2.7	21.2
	Cross River	5	0.5	0.5	21.7
	Delta	9	0.9	0.9	22.7
	Ebonyi	4	0.4	0.4	23.1
	Edo	9	0.9	0.9	24
	Ekiti	2	0.2	0.2	24.2
	Enugu	24	2.5	2.5	26.7
	Gombe	19	2	2	28.6
	Imo	18	1.9	1.9	30.5
	Jigawa	19	2	2	32.4
	Kaduna	53	5.5	5.5	37.9
	kano	1	0.1	0.1	38
	Kano	92	9.5	9.5	47.5
	Katsina	18	1.9	1.9	49.3
	Kebbi	3	0.3	0.3	49.6
	Kogi	38	3.9	3.9	53.6
	Kwara	20	2.1	2.1	55.6
	Lagos	13	1.3	1.3	57
	Borno	3	0.3	0.3	57.3
	Nasarawa	22	2.3	2.3	59.5
	Nasarawa	6	0.6	0.6	60.1
	Niger	8	0.8	0.8	61
	Ogun	13	1.3	1.3	62.3
	Ondo	4	0.4	0.4	62.7
	Osun	12	1.2	1.2	64
	Oyo	28	2.9	2.9	66.8
	Plateau	265	27.3	27.3	94.1
	Rivers	1	0.1	0.1	94.2
	Rivers	7	0.7	0.7	95
	Sokoto	17	1.8	1.8	96.7
	Taraba	17	1.8	1.8	98.5
	Yobe	11	1.1	1.1	99.6
	Zamfara	4	0.4	0.4	100
	Total	971	100	100	

state of residence

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid		1	0.1	0.1	0.1
	Abuja-FCT	5	0.5	0.5	0.6
	Bauchi	5	0.5	0.5	1.1
	Kaduna	1	0.1	0.1	1.2
	Kano	1	0.1	0.1	1.3
	Niger	1	0.1	0.1	1.4
	Nasarawa	1	0.1	0.1	1.5
	Nasarawa	1	0.1	0.1	1.6
	Kogi	1	0.1	0.1	1.8
	Plateau	954	98.2	98.2	100
	Total	971	100	100	

ethinic group

		Frequency	Percent	Valid Percent	Cumulative Percent
		24	2.5	2.5	2.5
	Aberiba	1	0.1	0.1	2.6
	Afizere	1	0.1	0.1	2.7
	Afo	2	0.2	0.2	2.9
	Agbede	1	0.1	0.1	3
	Baju	1	0.1	0.1	3.1
	Alago	1	0.1	0.1	3.2
	Alago	1	0.1	0.1	3.3
	Anaguta	2	0.2	0.2	3.5
	Amaba	1	0.1	0.1	3.6
	Anaguta	5	0.5	0.5	4.1
	Anaguta	1	0.1	0.1	4.2
	Ngas	7	0.7	0.7	4.9
	Annang	1	0.1	0.1	5
	Beri-beri	1	0.1	0.1	5.1
	Babur	7	0.7	0.7	5.9
	Bachama	3	0.3	0.3	6.2
	Bajari	1	0.1	0.1	6.3
	Bajari	1	0.1	0.1	6.4
	Baju	1	0.1	0.1	6.5
	Bachama	2	0.2	0.2	6.7
	Bakatafe	1	0.1	0.1	6.8
	Bassa	1	0.1	0.1	6.9
	Bateri	1	0.1	0.1	7
	Beri-beri	1	0.1	0.1	7.1
	Berom	39	4	4	11.1
	Beron	4	0.4	0.4	11.5
	Bini	2	0.2	0.2	11.7
	Berom	6	0.6	0.6	12.4
	Boghom	1	0.1	0.1	12.5
	Boghom	1	0.1	0.1	12.6
	Buji	5	0.5	0.5	13.1
	Bumada	1	0.1	0.1	13.2
	Bura	2	0.2	0.2	13.4
	Efik	3	0.3	0.3	13.7
	Calabari	1	0.1	0.1	13.8
	Chala	1	0.1	0.1	13.9
	Challa	1	0.1	0.1	14
	Doemak	1	0.1	0.1	14.1
	Dukun	1	0.1	0.1	14.2
	Ibibio	1	0.1	0.1	14.3
	Igbira	1	0.1	0.1	14.4
	Efik	6	0.6	0.6	15

	Igbira	1	0.1	0.1	15.1
	Igede	2	0.2	0.2	15.3
	Eggon	1	0.1	0.1	15.4
	Eggon	1	0.1	0.1	15.6
	Ogori	1	0.1	0.1	15.7
	Ijaw	1	0.1	0.1	15.8
	Urhobo	1	0.1	0.1	15.9
	Esan	2	0.2	0.2	16.1
	Fantsum	1	0.1	0.1	16.2
	Fufulde	2	0.2	0.2	16.4
	Fulani	68	7	7	23.4
	Galambi	1	0.1	0.1	23.5
	Gbagyi	1	0.1	0.1	23.6
	Geomai	1	0.1	0.1	23.7
	Goemai	1	0.1	0.1	23.8
	Goemai	2	0.2	0.2	24
	Gbagyi	2	0.2	0.2	24.2
	Gbagyi	6	0.6	0.6	24.8
	Hausa	298	30.7	30.7	55.5
	Higgi	1	0.1	0.1	55.6
	Ibibio	1	0.1	0.1	55.7
	Ibibio	1	0.1	0.1	55.8
	Idoma	19	2	2	57.8
		1	0.1	0.1	57.9
	Igala	16	1.6	1.6	59.5
	Igbira	14	1.4	1.4	61
	Igbo	1	0.1	0.1	61.1
	Igbo	70	7.2	7.2	68.3
	Igede	3	0.3	0.3	68.6
	Izom	3	0.3	0.3	68.9
	Izon	1	0.1	0.1	69
	Ijaw	3	0.3	0.3	69.3
	Ika	1	0.1	0.1	69.4
Valid	Irigue	1	0.1	0.1	69.5
	Irigwe	1	0.1	0.1	69.6
	Itsekiri	1	0.1	0.1	69.7
	Jaba	10	1	1	70.8
	Afizere	11	1.1	1.1	71.9
	Jere	1	0.1	0.1	72
	Afizere	3	0.3	0.3	72.3
	Jhar	1	0.1	0.1	72.4
	Jukun	8	0.8	0.8	73.2
	Kabba	3	0.3	0.3	73.5
	Kachia	1	0.1	0.1	73.6
	Kadara	1	0.1	0.1	73.7
	Kafancha	1	0.1	0.1	73.8
	Baju	1	0.1	0.1	73.9
	Kalabari	1	0.1	0.1	74
	Kalabari	2	0.2	0.2	74.3
	Kanuri	21	2.2	2.2	76.4
	KarKar	1	0.1	0.1	76.5
	Kataf	2	0.2	0.2	76.7
	Kataf	1	0.1	0.1	76.8

Kilba	1	0.1	0.1	76.9
Kilba	1	0.1	0.1	77
Koto	1	0.1	0.1	77.1
Kutep	1	0.1	0.1	77.2
Kutep	1	0.1	0.1	77.3
Eggon	2	0.2	0.2	77.5
Taroh	2	0.2	0.2	77.8
Mada	6	0.6	0.6	78.4
Mada	1	0.1	0.1	78.5
Magumeri	1	0.1	0.1	78.6
Hausa	1	0.1	0.1	78.7
Mangi	1	0.1	0.1	78.8
Mwaghavul	1	0.1	0.1	78.9
Mwaghavul	11	1.1	1.1	80
Margi	3	0.3	0.3	80.3
Mauga	1	0.1	0.1	80.4
Miship	1	0.1	0.1	80.5
Miango	1	0.1	0.1	80.6
Minchika	1	0.1	0.1	80.7
Minchika	3	0.3	0.3	81.1
Mumuye	1	0.1	0.1	81.2
Mushere	1	0.1	0.1	81.3
Mwaghavul	5	0.5	0.5	81.8
Mwaghavul	1	0.1	0.1	81.9
Anaguta	5	0.5	0.5	82.4
Anaguta	1	0.1	0.1	82.5
Ngas	3	0.3	0.3	82.8
Gbagyi	6	0.6	0.6	83.4
Obudu	1	0.1	0.1	83.5
Ogoja	1	0.1	0.1	83.6
Ogoja	1	0.1	0.1	83.7
Okrika	1	0.1	0.1	83.8
Orogho	1	0.1	0.1	83.9
Owan	1	0.1	0.1	84
Ngas	3	0.3	0.3	84.3
Patsako	1	0.1	0.1	84.4
Ron	1	0.1	0.1	84.6
Rukuba	1	0.1	0.1	84.7
Amoo	1	0.1	0.1	84.8
Sayawa	1	0.1	0.1	84.9
Sayawa	1	0.1	0.1	85
Goemai	1	0.1	0.1	85.1
Jaba	1	0.1	0.1	85.2
Tangale	3	0.3	0.3	85.5
Afizere	3	0.3	0.3	85.8
Taroh	2	0.2	0.2	86
Taroh	3	0.3	0.3	86.3
Teri	1	0.1	0.1	86.4
Tiv	26	2.7	2.7	89.1
Tiv	1	0.1	0.1	89.2
Taroh	1	0.1	0.1	89.3
Tula	4	0.4	0.4	89.7
Urhobo	6	0.6	0.6	90.3
Hausa	1	0.1	0.1	90.4
Taroh	1	0.1	0.1	90.5
Yoruba	92	9.5	9.5	100
Total	971	100	100	

distance to state of origin

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<5km	173	17.8	19.3	19.3
	5-8km	139	14.3	15.5	34.7
	>8km	586	60.4	65.3	100
	Total	898	92.5	100	
Missing	System	73	7.5		
Total		971	100		

marital status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	single	419	43.2	45.3	45.3
	married	491	50.6	53.1	98.5
	others	14	1.4	1.5	100
	Total	924	95.2	100	
Missing	System	47	4.8		
Total		971	100		

number of dependents on you

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1	57	5.9	8.5	8.5
	2	101	10.4	15.1	23.5
	3	94	9.7	14	37.6
	4	105	10.8	15.6	53.2
	5	78	8	11.6	64.8
	6	71	7.3	10.6	75.4
	7	44	4.5	6.6	82
	8	34	3.5	5.1	87
	9	22	2.3	3.3	90.3
	10	18	1.9	2.7	93
	11	5	0.5	0.7	93.7
	12	15	1.5	2.2	96
	13	9	0.9	1.3	97.3
	14	4	0.4	0.6	97.9
	15	4	0.4	0.6	98.5
	16	2	0.2	0.3	98.8
	20	3	0.3	0.4	99.3
	22	1	0.1	0.1	99.4
	26	1	0.1	0.1	99.6
	29	1	0.1	0.1	99.7
	30	2	0.2	0.3	100
	Total	671	69.1	100	
Missing	System	300	30.9		
Total		971	100		

educational qualification

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	first living shool certificate	204	21	23.5	23.5
	secondary school certificate	444	45.7	51.2	74.7
	higher school certificate	154	15.9	17.7	92.4
	others	66	6.8	7.6	100
	Total	868	89.4	100	
Missing	System	103	10.6		
Total		971	100		

read

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	i can	781	80.4	81.9	81.9
	i cannot	173	17.8	18.1	100
	Total	954	98.2	100	
Missing	System	17	1.8		
Total		971	100		

write

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	i can	766	78.9	81.1	81.1
	i cannot	178	18.3	18.9	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

what do you do for a living

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	trading	194	20	21	21
	milling	7	0.7	0.8	21.8
	manufacturing	3	0.3	0.3	22.1
	transpotration	197	20.3	21.3	43.4
	repairs/services	415	42.7	44.9	88.3
	building construction worker	4	0.4	0.4	88.7
	owner of hotel/restaurant	2	0.2	0.2	89
	craft work	5	0.5	0.5	89.5
	others	97	10	10.5	100
	Total	924	95.2	100	
Missing	System	47	4.8		
Total		971	100		

do you keep records of your business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	398	41	42.7	42.7
	no	535	55.1	57.3	100
	Total	933	96.1	100	
Missing	System	38	3.9		
Total		971	100		

if yes, choose the form in which they are kept

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	formal document form	207	21.3	45.7	45.7
	unorganized form	225	23.2	49.7	95.4
	other forms	21	2.2	4.6	100
	Total	453	46.7	100	
Missing	System	518	53.3		
Total		971	100		

how much do you earn on the average daily in your business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<300	302	31.1	31.8	31.8
	400-500	416	42.8	43.8	75.6
	>500	232	23.9	24.4	100
	Total	950	97.8	100	
Missing	System	21	2.2		
Total		971	100		

do you save your earnings for the future

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	706	72.7	77.6	77.6
	no	204	21	22.4	100
	Total	910	93.7	100	
Missing	System	61	6.3		
Total		971	100		

if no, why

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	no earnings	51	5.3	18.2	18.2
	too small to be saved	137	14.1	48.9	67.1
	used for pressing needs	92	9.5	32.9	100
	Total	280	28.8	100	
Missing	System	691	71.2		
Total		971	100		

if yes, to q16, on what basis

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	daily	343	35.3	47.2	47.2
	weekly	321	33.1	44.2	91.3
	monthly	63	6.5	8.7	100
	Total	727	74.9	100	
Missing	System	244	25.1		
Total		971	100		

does the amount saved remain constant always

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	264	27.2	36.4	36.4
	no	462	47.6	63.6	100
	Total	726	74.8	100	
Missing	System	245	25.2		
Total		971	100		

where do you save

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	at home	384	39.5	48.2	48.2
	bank	195	20.1	24.5	72.6
	credit union	116	11.9	14.6	87.2
	esusu club	59	6.1	7.4	94.6
	others	43	4.4	5.4	100
	Total	797	82.1	100	
Missing	System	174	17.9		
Total		971	100		

why do you choose the option in q20

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	easy access	330	34	49.9	49.9
	convenience	217	22.3	32.8	82.8
	secrecy	114	11.7	17.2	100
	Total	661	68.1	100	
Missing	System	310	31.9		
Total		971	100		

at home

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	iam aware	566	58.3	62.5	62.5
	participated	340	35	37.5	100
	Total	906	93.3	100	
Missing	System	65	6.7		
Total		971	100		

bank

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	iam aware	696	71.7	79.1	79.1
	participated	184	18.9	20.9	100
	Total	880	90.6	100	
Missing	System	91	9.4		
Total		971	100		

credit union

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	iam aware	683	70.3	79	79
	participated	182	18.7	21	100
	Total	865	89.1	100	
Missing	System	106	10.9		
Total		971	100		

esusu

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	iam aware	692	71.3	80.7	80.7
	participated	166	17.1	19.3	100
	Total	858	88.4	100	
Missing	System	113	11.6		
Total		971	100		

others

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	iam aware	231	23.8	85.9	85.9
	participated	38	3.9	14.1	100
	Total	269	27.7	100	
Missing	System	702	72.3		
Total		971	100		

money is most secured

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	home	333	34.3	35.7	35.7
	bank	493	50.8	52.8	88.4
	credit union	65	6.7	7	95.4
	esusu	29	3	3.1	98.5
	others	14	1.4	1.5	100
	Total	934	96.2	100	
Missing	System	37	3.8		
Total		971	100		

easier access to savings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	home	508	52.3	54.4	54.4
	bank	242	24.9	25.9	80.3
	credit union	83	8.5	8.9	89.2
	esusu	87	9	9.3	98.5
	others	14	1.4	1.5	100
	Total	934	96.2	100	
Missing	System	37	3.8		
Total		971	100		

no formalities involved

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	home	606	62.4	65.8	65.8
	bank	178	18.3	19.3	85.1
	credit union	53	5.5	5.8	90.9
	esusu	68	7	7.4	98.3
	others	16	1.6	1.7	100
	Total	921	94.9	100	
Missing	System	50	5.1		
Total		971	100		

easier access to credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	home	275	28.3	30.6	30.6
	bank	397	40.9	44.1	74.7
	credit union	157	16.2	17.4	92.1
	esusu	52	5.4	5.8	97.9
	others	19	2	2.1	100
	Total	900	92.7	100	
Missing	System	71	7.3		
Total		971	100		

interest rate attractive

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	home	172	17.7	19.1	19.1
	bank	613	63.1	68	87.1
	credit union	68	7	7.5	94.7
	esusu	32	3.3	3.6	98.2
	others	16	1.6	1.8	100
	Total	901	92.8	100	
Missing	System	70	7.2		
Total		971	100		

easy membership enrolment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	home	365	37.6	39.9	39.9
	bank	202	20.8	22.1	62
	credit union	214	22	23.4	85.4
	esusu	119	12.3	13	98.5
	others	14	1.4	1.5	100
	Total	914	94.1	100	
Missing	System	57	5.9		
Total		971	100		

jewelleries

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	143	14.7	15.9	15.9
	no	758	78.1	84.1	100
	Total	901	92.8	100	
Missing	System	70	7.2		
Total		971	100		

landed properties

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	188	19.4	20.7	20.7
	no	720	74.2	79.3	100
	Total	908	93.5	100	
Missing	System	63	6.5		
Total		971	100		

livestock

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	240	24.7	26.2	26.2
	no	675	69.5	73.8	100
	Total	915	94.2	100	
Missing	System	56	5.8		
Total		971	100		

other durable goods

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	374	38.5	40.7	40.7
	no	545	56.1	59.3	100
	Total	919	94.6	100	
Missing	System	52	5.4		
Total		971	100		

are you a member of any savings and credit association

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	359	37	40.6	40.6
	no	526	54.2	59.4	100
	Total	885	91.1	100	
Missing	System	86	8.9		
Total		971	100		

if yes, how many are you in number

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	<50	172	17.7	69.6	69.6
	51-100	51	5.3	20.6	90.3
	>100	24	2.5	9.7	100
	Total	247	25.4	100	
Missing	System	724	74.6		
Total		971	100		

to provide credit for members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	210	21.6	81.7	81.7
	FALSE	47	4.8	18.3	100
	Total	257	26.5	100	
Missing	System	714	73.5		
Total		971	100		

to encourage members to save

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	243	25	93.8	93.8
	FALSE	16	1.6	6 2	100
	Total	259	26.7	100	
Missing	System	712	73.3		
Total		971	100		

to assist members to acquire assets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	243	25	93.8	93.8
	FALSE	16	1.6	6.2	100
	Total	259	26.7	100	
Missing	System	712	73.3		
Total		971	100		

to control expenditure behaviour of members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	199	20.5	79.3	79.3
	FALSE	52	5.4	20.7	100
	Total	251	25.8	100	
Missing	System	720	74.2		
Total		971	100		

what conditions do you have to fulfil

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	sign an undertaking	165	17	60.7	60.7
	no obligation	55	5.7	20.2	80.9
	get a guarantor	38	3.9	14	94.9
	others	14	1.4	5.1	100
	Total	272	28	100	
Missing	System	699	72		
Total		971	100		

how are individual's contributions made

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	fixed regular contribution	153	15.8	57.1	57.1
	contribute according to ability	110	11.3	41	98.1
	others	5	0.5	1.9	100
	Total	268	27.6	100	
Missing	System	703	72.4		
Total		971	100		

how regularly do members contribute to the sca

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	daily	104	10.7	38.4	38.4
	weekly	85	8.8	31.4	69.7
	monthly	68	7	25.1	94.8
	others	14	1.4	5.2	100
	Total	271	27.9	100	
Missing	System	700	72.1		
Total		971	100		

how regularly do the sca members meet

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	daily	16	1.6	5.9	5.9
	weekly	46	4.7	17	22.9
	twice a month	147	15.1	54.2	77.1
	monthly	62	6.4	22.9	100
	Total	271	27.9	100	
Missing	System	700	72.1		
Total		971	100		

how regularly do members get back their savings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	weekly	42	4.3	15.7	15.7
	twice a month	22	2.3	8.2	24
	monthly	149	15.3	55.8	79.8
	others	54	5.6	20.2	100
	Total	267	27.5	100	
Missing	System	704	72.5		
Total		971	100		

are you paid interest on your savings

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	67	6.9	25.5	25.5
	no	196	20.2	74.5	100
	Total	263	27.1	100	
Missing	System	708	72.9		
Total		971	100		

if yes, at what percentage rate

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20	66	6.8	83.5	83.5
	21-50	10	1	12.7	96.2
	>50	3	0.3	3.8	100
	Total	79	8.1	100	
Missing	System	892	91.9		
Total		971	100		

does your sca collect service charge on your money saved

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	200	20.6	75.2	75.2
	no	66	6.8	24.8	100
	Total	266	27.4	100	
Missing	System	705	72.6		
Total		971	100		

if yes, how much do you pay for the service of the collector

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20	204	21	96.2	96.2
	21-50	6	0.6	2.8	99.1
	>50	2	0.2	0.9	100
	Total	212	21.8	100	
Missing	System	759	78.2		
Total		971	100		

easy access

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	246	25.3	94.3	94.3
	FALSE	15	1.5	5.7	100
	Total	261	26.9	100	
Missing	System	710	73.1		
Total		971	100		

convenience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	246	25.3	93.9	93.9
	FALSE	16	1.6	6.1	100
	Total	262	27	100	
Missing	System	709	73		
Total		971	100		

secrecy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	195	20.1	74.7	74.7
	FALSE	66	6.8	25.3	100
	Total	261	26.9	100	
Missing	System	710	73.1		
Total		971	100		

knowledge of sca leaders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	TRUE	176	18.1	68.5	68.5
	FALSE	81	8.3	31.5	100
	Total	257	26.5	100	
Missing	System	714	73.5		
Total		971	100		

does your sca extend credit to members

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	173	17.8	65.5	65.5
	no	91	9.4	34.5	100
	Total	264	27.2	100	
Missing	System	707	72.8		
Total		971	100		

what rate of interest is charged on the credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0-20	139	14.3	83.7	83.7
	21-50	23	2.4	13.9	97.6
	>50	4	0.4	2.4	100
	Total	166	17.1	100	
Missing	System	805	82.9		
Total		971	100		

what security do members have to provide to be given the credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	property	48	4.9	21.5	21.5
	guarantor	35	3.6	15.7	37.2
	previous contribution	111	11.4	49.8	87
	others	29	3	13	100
	Total	223	23	100	
Missing	System	748	77		
Total		971	100		

what length of time is allowe for repayment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-3months	127	13.1	66.1	66.1
	4-6months	53	5.5	27.6	93.8
	>6months	12	1.2	6.3	100
	Total	192	19.8	100	
Missing	System	779	80.2		
Total		971	100		

i need extra money to strengthen my business

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	47	4.8	5	5
	weak	28	2.9	3	7.9
	fairly strong	17	1.8	1.8	9.7
	strong	324	33.4	34.2	43.9
	very strong	531	54.7	56.1	100
	Total	947	97.5	100	
Missing	System	24	2.5		
Total		971	100		

sca gives me access to quicker credit

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	117	12	13.1	13.1
	weak	255	26.3	28.5	41.6
	fairly strong	273	28.1	30.5	72.1
	strong	165	17	18.4	90.5
	very strong	85	8.8	9.5	100
	Total	895	92.2	100	
Missing	System	76	7.8		
Total		971	100		

i can get credit form the bank when i need it

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	176	18.1	19.6	19.6
	weak	266	27.4	29.7	49.3
	fairly strong	268	27.6	29.9	79.2
	strong	142	14.6	15.8	95
	very strong	45	4.6	5	100
	Total	897	92.4	100	
Missing	System	74	7.6		
Total		971	100		

iam more comfortable with sca than credit from friend, relatives or moneylenders

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	127	13.1	14.5	14.5
	weak	134	13.8	15.3	29.8
	fairly strong	317	32.6	36.2	66.1
	strong	212	21.8	24.2	90.3
	very strong	85	8.8	9.7	100
	Total	875	90.1	100	
Missing	System	96	9.9		
Total		971	100		

informal credit source enables easier payment of credit than the formal sources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	139	14.3	14.7	14.7
	weak	145	14.9	15.4	30.1
	fairly strong	78	8	8.3	38.3
	strong	476	49	50.4	88.8
	very strong	106	10.9	11.2	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

the informal credit sources have adequate funds to meet my credit needs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	151	15.6	16	16
	weak	221	22.8	23.4	39.4
	fairly strong	68	7	7.2	46.6
	strong	352	36.3	37.3	83.9
	very strong	152	15.7	16.1	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

informal sources are easier for me to get loan

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	69	7.1	7.3	7.3
	weak	183	18.8	19.4	26.7
	fairly strong	47	4.8	5	31.7
	strong	435	44.8	46.1	77.8
	very strong	210	21.6	22.2	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

i get loan at lower interest rate from informal sources

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	69	7.1	7.3	7.3
	weak	201	20.7	21.3	28.6
	fairly strong	74	7.6	7.8	36.4
	strong	400	41.2	42.4	78.8
	very strong	200	20.6	21.2	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

informal sources are nearer to me

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	137	14.1	14.5	14.5
	weak	239	24.6	25.3	39.8
	fairly strong	61	6.3	6.5	46.3
	strong	295	30.4	31.3	77.5
	very strong	212	21.8	22.5	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

my business progresses based on this credit source

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	320	33	35.5	35.5
	weak	363	37.4	40.3	75.8
	fairly strong	34	3.5	3.8	79.6
	strong	103	10.6	11.4	91
	very strong	81	8.3	9	100
	Total	901	92.8	100	
Missing	System	70	7.2		
Total		971	100		

these credit sources sustain me in my employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	316	32.5	33.5	33.5
	weak	310	31.9	32.8	66.3
	fairly strong	66	6.8	7	73.3
	strong	171	17.6	18.1	91.4
	very strong	81	8.3	8.6	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

members of the informal sector financial institutions are known to each other

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	101	10.4	10.7	10.7
	weak	182	18.7	19.3	30
	fairly strong	138	14.2	14.6	44.6
	strong	416	42.8	44.1	88.7
	very strong	107	11	11.3	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

procedures for caquiring loan in the informal financial sector are easy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	88	9.1	9.3	9.3
	weak	173	17.8	18.3	27.6
	fairly strong	89	9.2	9.4	37.1
	strong	418	43	44.3	81.4
	very strong	176	18.1	18.6	100
	Total	944	97.2	100	
Missing	System	27	2.8		
Total		971	100		

the formal banking sector is distant from me

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	very weak	238	24.5	25.2	25.2
	weak	341	35.1	36.1	61.3
	fairly strong	42	4.3	4.4	65.7
	strong	132	13.6	14	79.7
	very strong	192	19.8	20.3	100
	Total	945	97.3	100	
Missing	System	26	2.7		
Total		971	100		

availability of funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	648	66.7	67.4	67.4
	no	313	32.2	32.6	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

easy accessibility

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	760	78.3	79.2	79.2
	no	200	20.6	20.8	100
	Total	960	98.9	100	
Missing	System	11	1.1		
Total		971	100		

serecy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	845	87	87.9	87.9
	no	116	11.9	12.1	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

low interest charges

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	693	71.4	72.1	72.1
	no	268	27.6	27.9	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

convenience

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	836	86.1	87	87
	no	125	12.9	13	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

easy procedure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	610	62.8	63.5	63.5
	no	351	36.1	36.5	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

inadequate funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	756	77.9	78.3	78.3
	no	209	21.5	21.7	100
	Total	965	99.4	100	
Missing	System	6	0.6		
Total		971	100		

long waiting time

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	618	63.6	64.3	64.3
	no	343	35.3	35.7	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

lack of secrecy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	310	31.9	32.9	32.9
	no	633	65.2	67.1	100
	Total	943	97.1	100	
Missing	System	28	2.9		
Total		971	100		

long distance from source

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	428	44.1	44.5	44.5
	no	533	54.9	55.5	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

irregular availability of funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	763	78.6	79.4	79.4
	no	198	20.4	20.6	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

poor patronage

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	579	59.6	60.2	60.2
	no	382	39.3	39.8	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

high cost of inputs

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	718	73.9	77.2	77.2
	no	212	21.8	22.8	100
	Total	930	95.8	100	
Missing	System	41	4.2		
Total		971	100		

lack of funds

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	839	86.4	86.9	86.9
	no	126	13	13.1	100
	Total	965	99.4	100	
Missing	System	6	0.6		
Total		971	100		

transport problem

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	641	66	66.7	66.7
	no	320	33	33.3	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

lack of basic infrastructure

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	878	90.4	91.4	91.4
	no	83	8.5	8.6	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

harrassment by government agents over revenue, relocation, etc

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	835	86	86.9	86.9
	no	126	13	13.1	100
	Total	961	99	100	
Missing	System	10	1		
Total		971	100		

lack of space1

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	605	62.3	62.8	62.8
	no	359	37	37.2	100
	Total	964	99.3	100	
Missing	System	7	0.7		
Total		971	100		

are you generally satisfied with the saving facility granted you by the sca

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	422	43.5	58	58
	no	305	31.4	42	100
	Total	727	74.9	100	
Missing	System	244	25.1		
Total		971	100		

are you generally satisfied with the borrowing facility granted you by the sca

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	yes	397	40.9	54.8	54.8
	no	328	33.8	45.2	100
	Total	725	74.7	100	
Missing	System	246	25.3		
Total		971	100		