PROJECT FINANCING AMONG THE PEOPLE OF YORUBA.

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CERTIFICATION

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DEDICATION

I dedicate this research work to the creator of heaven and earth, the Almighty God, the source of all knowledge and understanding. I also dedicate it to my ever supportive parents, Mr and Mrs A.O. Dada.

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ABSTRACT

To achieve economic development, there is an increased need for development of projects at the individual, firm and national level. However, one impediment to project development is the inadequacy of finance. This thesis focused on project financing among the people of Yoruba.

The social capital theory was employed as the theoretical framework for the study. The methodology adopted involved the use of well-structured questionnaires for collection of information on factors that influence financing behaviour among Yoruba people. A total of 100 questionnaires were administered. Descriptive statistics such as percentages and frequency distribution, and cross tabulations were used to analyse the data on socio-economic characteristics of the rural households. The study also made use of inferential statistics such as Ordinary Least Square Regression and Probit Regression.

Ordinary Least Square Regression was used to determine the factors affecting the amount of financial capital sought while Probit regression analysis was used to analyze the relationship between the choice of financing arrangements (*Ajo/Esusu*) and socioeconomic characteristics of the respondents. The result of the Ordinary Least Square Regression showed that the amount of finance sought by Yoruba people, according to the findings are determined by the membership in a self-help group, income, loan repayment period, loan approval period. The result of the Probit Regression showed

that the choice of Yoruba financing arrangement as the preferred method of financing is greatly influenced by monthly income, interest rate, marital status, years of saving, preferred saving method. The study also discovered that along with the funds from Ajo/Esusu, Yoruba preferred the use of their personal savings and loans from Cooperative societies.

The study recommended that Yoruba financing methods should be strengthened through government intervention so as to guide their activities and improve the amount of available finance. The Microfinance bank framework should be improved while commercial banks introduce banking packages that favour low income groups. A positive correlation was recorded between income and amount of finance ($r = 0.74$). Therefore, government should aim its policies at improving the welfare of citizens through their wages. Provision of employment opportunities would be a good start.

Keywords: project , financing.

CHAPTER ONE

INTRODUCTION

1.1 PREAMBLE

Every proposed undertaking of man requires a careful conception of the expectations of the activities, the cost involved, how such costs would be funded and the possible benefits that can be derived from such activities. Financing is a means of providing or raising the funds or capital for a particular project. Financing is the act of providing funds for business activities, making purchases or investing. Financing is vital in any economic system as it allows consumers to purchase products out of their immediate reach like houses, and businesses to finance large investment projects. De La Torre et al (2009) notes that improving access to finance entails improving the degree to which financial services are available to all at a fair price. Claesen (2005) opines that one of the issues connected to access to finance relates to the question of whether financial services are available and in what quantity. The second relates to cost; that is, at what price both implicit and explicit are financial services available including opportunity cost. The third is about the range, type and quality of financial services being offered.

Yoruba is a Nigerian ethnic group that occupies the south-western part of Nigeria as well as the southern part of Benin in West Africa. According to the CIA World

Factbook (2013), the Yoruba make up 21% of the population of Nigeria: that is about 35 million people. Though they reside majorly in the south western part of Nigeria, the Yorubas can also be found in other part of West Africa: Togo, Liberia and Sierra Leone (where they have blended in with the Saro and Sierra Leone Creole people). The total number of Yorubas in diaspora is about 2 million (CIA World Factbook, 2013). Yoruba-speaking people of South-Western Nigeria occupy Ekiti, Lagos, Ogun, Ondo, Osun and Oyo States of the Federal Republic of Nigeria, as well as parts of Edo, Kogi and Kwara States. It was the Anglo-French pact of 1889 that ceded part of the Yoruba in Nigeria to the Republic of Benin, where they are known as Anago and the Republic of Togo, where they are called Ana. According to Famuyiwa (2014), there are some groups in diaspora, notably in Sierra Leone where they are known as Aku, in Cuba where they are known as Lukumi and in Brazil where they are called Nago.

The Yoruba are a distinctive race with a rich culture, highly urbanised communities, and developed political systems hinged around centralised monarchies, which fascinated the early European colonial masters on reaching Nigeria. In terms of occupation, the Yoruba are largely farmers, tilling the soil for such crops as cocoa, palm products, cassava, maize, assorted vegetables and fruits as well as some rubber and timber. They are also traders, weavers, craftsmen and iron smelters. Before the discovery of oil at Oloibiri in 1958, the Yoruba nation had earned its wealth from agriculture and trade. Today, many of them are industrialists, professionals, educationists and academicians. There is hardly any sphere of human endeavour in which they do not feature, including religion and the public service. Their music and works of art are acclaimed worldwide (Famuyiwa, 2014.)

Apart from the various forms of occupation which the Yorubas undertake, they also engage in various projects such as building of houses, clearing of farmlands, purchasing of certain domestic equipment. To do this, they usually take up various forms of financing arrangements such as the use of personal savings, borrowings from friends, colleagues, family members and other relatives.

The main objective of this thesis is to examine the historical methods of financing, and their increased relevance in contemporary Nigerian society. The areas of similarities and departures would be carefully highlighted as they are discovered.

1.2 STATEMENT OF THE PROBLEM

Poverty is still a problem in Nigeria. According to the NBS (2011), poverty rate in Nigeria is at 71% of the population of Nigeria. Over the years, the Nigerian government has introduced several economic recovery programmes such as NEEDS, NAPEP, SURE-

P, and so on, yet the country is still plagued by this menace. The inadequacy of investment especially by the SMEs has ensured the sustenance of the vicious cycle of poverty. The theory of the vicious cycle of poverty, proposed by Ragnar Nurske, expresses the relationships that afflict both the demand and the supply side of the problem of capital formation in less developed areas. Inadequate financing leads to low investment which leads to low productivity. Low productivity leads to low income which leads to low savings and investment and the cycle continues.

The importance of finance in the transformation of developing countries, as regards project development, is beyond doubt. Accordingly, a number of policy interventions aimed at ensuring the easy access to credit by rural dwellers, farmers and small-scale industries have been attempted in developing countries. For example, in Nigeria, a multiplicity of formal institutional arrangements has been put in place to ensure such access for farmers and agro-allied and small-scale industries (Soyibo, 1996). Access to finance was, and still is, one of the major impediments to economic development in Africa. The problem was no more serious in the period before colonial rule than it is now. Where the fund provided through the Rotating Savings and Credit Associations (ROSCAs) was not sufficient, as was often the case, the African trader, craftsman and farmer had to seek additional funds from moneylenders (Adebayo, 1992). Inadequate access to financing, especially by small and medium scale enterprises and individuals, is one of the major causes of unemployment and underdevelopment in Nigeria. The availability of finance in an economy can determine the level of investment which has a significant effect on the gross domestic product (G.D.P.) of a country and ultimately, the standard of living. Although there are other means of raising funds such as borrowings from friends, family and relatives, personal savings etc., they are often times not sufficient to finance large projects.

Interest rate is another impediment to the sought for finance by individuals. Theoretically, the higher the interest rate, the less people would want to borrow and this has an adverse effect on the level of investment. In modern economics, interest is defined as the rental price of money. But the word has a complex and less than fully resolved etymology. The origins of interest are intimately connected to the changing meaning of usury (Persky, 2007.) In an attempt to maximise profit, modern financial institutions have devised several forms of charges including interest rates. This has further alienated individuals from modern financing techniques. Individuals, therefore, resort to other forms of financing arrangements.

Formal financial institutions have been inefficient in providing services in many developing countries due to high transaction costs in lending that arise due in part to incomplete information about borrowers. Therefore, informal financial arrangements that have informational advantages have been observed to emerge, flourish and provide valuable services (Meyer and Nagarajan, 1996).

This study will seek to provide answers to the following questions;

a) What are the different types of projects undertaken by the Yorubas?

b) What are the various forms of financing arrangement undertaken to fund projects by the Yorubas?

c) What factors are taken into consideration in selecting a financing arrangement?

d) Are these forms of financing arrangements relevant in contemporary Nigerian society?

e) What are the factors that made these arrangements successful and what lessons can be learnt/ adopted for modern Nigerian business operations?

1.3 OBJECTIVES OF THE STUDY

The main objective of the study is to explore various methods of financing project undertaken by the people of the ancient Yoruba culture and compare with modern financing. The specific objectives of the project are to:

i. Examine the different types of projects undertaken by the Yoruba people.

ii. Examine the various financing arrangements undertaken by the Yoruba to finance their projects and how they compare to the various modern forms.

iii. Underscore the existence, practice and importance of these financing arrangements in our modern Yoruba societies.

iv. Determine the factor that influences the choice of financing among the Yoruba people.

1.4 JUSTIFICATION FOR THE STUDY

Projects whether at the individual, firm, or at the national level would contribute to a country's overall economic growth and development. Though historically, the sphere of economic activities of the Yorubas is found to be continuously increasing overtime, this area of their economic history/activities remains arguably and relatively unexplored.

However, areas of Yoruba knowledge that have been explored in the literature include cosmology and religion, education and marriages among the Yorubas. Sociology of the Yoruba (Fadipe, 1970), Yoruba life and culture (Lawal, Sadiku and Dopamu , 2004) and Yoruba History (Atanda, 1980). Adebayo (1992) examined the pre-colonial institutional frameworks for moneylending and loan repayment among the Yorubas.

Soyibo (1996); Oladeji and Ogunrinola (2001); Adeyemo and Bamire (2005); and Oloyede (2008) represent some of the recent studies that have been done in the area of informal finance among the Yoruba people. Shittu (2010) attempted to assess banking behaviour among rural households in South - West Nigeria while Oluyombo (2012) examined the role of cooperative societies in rural finance with evidences from Ogun State, Nigeria. However, most of the literature focuses on savings and particular instruments of financing such as esusu, ajo, mobile bankers and so on. Also, the few studies that have been done on financing have focused majorly on the financing of firms/businesses or firm expansion i.e. how firms sought for finance (Williams, 2010). This study aims to extend the studies to the financing of projects. Projects are different from businesses. Therefore, the reasons/ideas underlying the choice of financing are usually different.

This study would help fill gaps in the literature by identifying the ways in which projects are financed among the people of Yoruba and the factors that underlie this choice. There is no study, known by the researcher, that addresses this issue. This project is undertaken with a view to exploit areas within the traditional system that are inextricably related to the reinforcement of the present system for purposes of economic development and progress. It is also part of an attempt to extend these studies to recent years and to explore the various forms of financing arrangements available to individuals in the Yoruba land and their continued relevance in modern societies. Studies that help us understand this would enrich our insight into the Yoruba culture, politics and traditional behaviours. This write up provides an attempt to underscore the existence and practice of these forms of financing arrangement in contemporary Yoruba societies. Though most of these methods are categorised informal, it is pertinent to know that the ideas behind their establishment, the gains/ satisfaction that people derive from it and the reasons why they were widely accepted can be used to chart a modern system of financing or at least modify it.

The presence of adequate financing methods will spur and induce individuals to invest. From the Keynesian macroeconomics, we know that an increase in investment can increase the national income (GDP) by a multiple of the increase. This further underscores the need for a study to explore the various financing arrangements available to individuals.

1.5 SCOPE OF THE STUDY

The study focuses on the major business/ economic activities among the Yorubas. This study will include the various methods of financing arrangements that existed among the Yorubas. The study is specifically aimed at underscoring the existence and practice of these financing arrangements in our modern contemporary society. Particular attention will also be given to Yoruba communities in Ibadan. Ibadan is the largest Yoruba city in the country and its proximity to the researcher's institute of study is a significant reason for the choice. Another reason for this choice is the time constraint faced by the researcher.

The researcher aims to carry out the study through a survey in Ibadan . Multi stage purposive sampling technique will be employed in selecting the respondents. Purposive sampling is a non-probability technique where the units that are investigated are based on the judgement of the researcher. Purposive sampling will be used to ensure that the respondents are people with knowledge of the Yoruba culture and practices.

1.6 ORGANISATION OF THE STUDY

This research work contains five chapters. Chapter one introduces the study and the issues around the study. It also deals with the statement of problem, objectives of study, scope of the study and justification of the study.

Chapter two contains the background of the study.

Chapter three contains the review of related literatures and theoretical framework. Reviewed areas of interest will include mainly empirical studies on The Yoruba people, their various business activities, and the various financing arrangements they undertake.

Chapter four deals with the presentation and analysis of the data collected for empirical analysis. Thereafter, the economic implications and relevance of the Yoruba financing arrangements for the contemporary society would be discussed.

Chapter five deals with summary of the findings and policy recommendations will be made on the result gotten in chapter four.

CHAPTER TWO

BACKGROUND OF THE STUDY

2.1 INTRODUCTION.

Chapter two discusses the background of the study. Section 2.2 talks on the history of the Yoruba people. Section 2.3 explores the socio-political organisation of the Yoruba while Section 2.4 looks at the economic activities of the government. Section 2.5 discusses the various forms of financing among Yoruba people while Section 2.6 examines the various modern financing methods. Section 2.7 examines financing among the Yoruba people from 1957 -1976. Section 2.8 examines the distress in the Nigerian banking system.

2.2 HISTORY OF THE YORUBA PEOPLE

The chief characteristic of the history of the Yoruba people is that it is oral and recitative (Biobaku, 1956). Much of the documented history of the Yoruba started under the Oyo Empire. There are two versions of the historical account of the origin of the Yoruba; the mythological version and the migratory version.

2.2.1 MYTHOLOGICAL VERSION

In mythology, it is believed that *Olodumare*, the Creator God equivalent in Yoruba linguistics, created the whole world by sending his son Oduduwa as the progenitor of the whole human race at Ile Ife as the point of origin. In their paper "*Yorubaland up to 1800",* Akinjogbin & Ayandele (1980) give a full picture of what the mythological version is all about. According to the legend, there was a period when the world was covered by water. God then resolved to send some of his messengers to the world and they included Obatala [as the head] and sixteen Oye [immortals]. They were given fives pieces of iron, a lump of earth tied to a white piece of cloth, and a cockerel. On their way to the world, the leader, Obatala, got drunk with palm wine. Oduduwa seized the paraphernalia of authority from him and eventually led the delegation to the world. The site on which they landed is traditionally known as Oke Oramfe in Ile-Ife. From this episode the town probably took its name Ile-Ife (the land of spreading). On arrival at the site, Oduduwa set down the five pieces of iron and placed the lump of earth on them. The cockerel then spread its toes on the lump of earth and scattered them all over the surface of the earth. Consequently, the earth was formed and Oduduwa thus became the ruler. It was from this base (Ife) that he extended his authorities to other Yoruba towns and villages.

2.2.2. MIGRATORY VERSION

In the migratory school of thought, it is believed that the Yorubas migrated to Ile-Ife. However, there is no consensus as to where they migrated from. Some believe that the Yorubas migrated from the North-Eastern part of Africa (Egypt) to Ile-Ife, while others believed they did from Saudi Arabia. In his book, *History of the Yoruba* (1950), Johnson traces the origin of the Yoruba to the "East". According to him, the Yoruba originally came from the North-Eastern area of Africa. Johnson (1950) believes the similarities between the cultures of the Yoruba and the Egyptians in terms of religious observances, works of arts, burial and other traditional practices are enough evidence. It is from Egypt, after several years of journey that the Yoruba finally settled in Ile-Ife in Nigeria. Oduduwa is believed to be the first leader that led the Yoruba to Ile-Ife and subsequently sent his sons and grandsons to found other Yoruba kingdoms. According to the other facet of this version, Oduduwa, a legendary warrior, migrated with others as the leader to the location of Ile Ife from the far east of Arabia (Johnson, 2001: 15). This migration probably started at some time between AD 700 and 1000 (Davidson, 1965:118). They were not Arabians but descendants of Cush who settled there. They were forced out of Arab towns for refusing to give up their religious faith, their deep mysticism, paganism and idol worship after Islam was introduced to those places by the Prophet Mohammed in 600 AD (Johnson, 2001).

2.3 THE SOCIO-POLITICAL ORGANIZATION OF THE YORUBAS

Oyo is best known as the major kingdom that eventually emerged as an empire in Yorubaland. Various traditions believe that Oyo was founded by Oranmiyan, the son of Oduduwa, who is also credited with establishing the present Benin monarchy. Oyo Empire was founded in the middle of the fifteen century. According to Ngamen Kouassi (2008), the Yoruba political administration was divided into three organs.

2.3.1 THE ALAAFIN ADMINISTRATION

Oyo Empire was very unique and exceptional in its system of government. For instance, in the sixteenth century, Oyo was one of the rare empires that had in-built checks and balances, and, this contributed to its stability for centuries. The Alaafin was the head of the empire, and was resident in the capital. The Alaafin was assisted in his administration by a retinue of officials made up of priests, officials and eunuchs. Theoretically, the Alaafin was the fountain of authority and was therefore regarded as the "companion of the gods". Though he had an autocratic tendency, his powers were limited and regulated by the Oyomesi. Oyomesi is a council of seven members headed by Bashorun who acted as the prime minister. At the demise of the Alaafin, they were the ones to select his successor. The Oyomesi also had the power to remove any Alaafin especially when he appeared dictatorial or transgressed the laws of the land. Usually, the deposed Alaafin was expected to commit suicide.

2.3.2 THE OGBONI CULT ADMINISTRATION

Apart from the Alaafin cabinet, members of the Oyomesi cult constituted another arm of government. It was a very powerful cult. It was composed of free and prominent members of the society as well as members of the Oyomesi. The Ogboni cult had a very vital position in Yoruba society. It played a mediatory role in any conflict between the Oyomesi and the Alaafin. It was a kind of counter power to the Oyomesi as well.

2.3.3 THE ARMY

The Army was another arm of government in traditional Yoruba society. It was very organized. Its head was conferred with the coveted title of Are-Ona-Kankanfo. It was made up of infantry and calvary. The Are- Ona-Kankanfo was expected to live outside the capital. The Army was credited with performing important functions which included stability of the empire, expansion, as well as keeping dissident territories in check.

Oyo Empire also had provincial governments. They were modelled after the central government. They were administered by princes, minor kings and baales [provincial governors]. All of them were subject to the over- lordship of the Alaafin. Though the provincial governments enjoyed considerable autonomy, the Alaafin had personal agents all over the provinces. The Alaafin used the Bere annual festival periods to acknowledge the renewal of allegiance of the provincial governors to him.

2.4 THE ECONOMY/ ECONOMIC ACTIVITIES OF THE YORUBAS

Another element within the Yoruba cultural milieu is the economy. Before the Portuguese came to Benin Kingdom in the mid-16th century, and subsequent visits of other Europeans to the West African coast; the economy in Yoruba land revolved around: slave trade, farming (agrarian) on perennial crops, artisan, trade-by-barter on farm crops and produce, and services in the open markets operated mostly by women.

Agriculture was the main stay of all Yoruba towns or kingdoms' economy. First, it provided food needs for the people; and, second, sales of its produce provided revenue for the old Ọyọ Empire. At an early stage, the Yoruba invented metal tools, such as hoe, cutlass, which helped in the production and harvesting of farm produce; besides, items like machetes and guns were manufactured by blacksmiths for local hunters and soldiers. Subsistence farming was the prevailing practice, family land was shared among members of paternal homes, and where land was not enough or not available, people hired land on Land-Tenure-System. Tributes (Iṣakọlẹ/ Owo-Onilẹ) were paid annually to land-owners, either for land renewal or for extended use. Besides farming, Yoruba people practiced other craft-based trades. Some of them are discussed below.

2.4.1 Blacksmithing (Alagbẹdẹ)

The blacksmiths were majorly involved in crafting metals into domestic, farm and war tools. Now, the trade is relatively extinct, as modern steel and wrought companies have taken over the production of metal related materials. The tools from ancient blacksmiths included, but not limited to: Hoe (Ọkọ), Cutlass (Ada), Machetes (Ohun-ija), Guns (Ibọn) Trap (Takute) Bracelet (Ẹgba-ọrun), Brooch/Ornament (Ohun-ọṣọ ara) Hairpin (Ikoti-irun), Hook (Iwọ) for fishing Chain (Ẹwọn) Sword (Ida) Shield (Asa, Apata), Abo for safety , Lancet (Abẹ) , Helmet (Aṣibori, Ihamọra, Akete-Agboorun) , Pin (Abẹrẹ-Alugbẹ).

2.4.2 Leather-Work (Oni-Sọna)

They used skins of animals killed after tanned (after sun-dry); changed the hides into leather with local chemicals. Leathers in times past were the major raw-materials to make items like sandal (salubata), bag (àpò), sheath (apó). Again this trade is dying, because of synthetic technology; no thanks to petro-chemical and bio-technology/chemical sciences which are constantly re-defining our world through the artificial production of silk, drug, plastics, fibre.

2.4.3 Bead making

Bead makers string beads of different sizes and color together by thread, separate them into five or ten by bigger beads. Beads are made with pearls, and (Iyun/baba ilẹkẹ, Sẹgi/iya ilẹkẹ, and Ọpọkun/Iyalode) are worn by royalty (kings and their household members, title holders, Ifa priests) and women during festivals and ceremonies.

2.4.4 Wood/Calabash Carving (Agbẹgilere)

Artisans in this group change woods or calabash into artifacts (iṣẹ-ọna), gourds are designed vertically or horizontally. Blade is used to make design by cutting the cuticles. Designs come in different forms, it could be pictures, drawings, even paintings. The size of the gourd will determine the design. Works under this trade include: wooden trays, Royal chairs Foot-stool Tables, Furniture, Carved doors/windows in palaces, shrines. Calabash carvers transform gourd of various sizes into priceless/valuable items, such as drinking and eating plates for royalty, medicine case holder (àdó), decorative items in palaces and temples.

2.4.5 Sculpture

This trade is popular among the Yoruba – it is a three dimensional work of art which includes Carving and Pottery.

2.5 HISTORICAL FINANCING METHODS AMONG YORUBA PEOPLE.

Financing is the provision of one or more factors of production for the purpose of undertaking a particular project or business activity. Provision of Financing can come in different forms. It could be the provision of capital or labour.

No doubt, labor is an essential factor of production - a major wealth creation. Yoruba economic system in times past had different types of labor- such as: Aaro, Ọwẹ, Iwọfa and Ẹrú (slavery). No doubt, today's economy is significantly different from what it was decades back; organized labor, a prominent feature of modern economy still synchronizes with Aaro and Ọwẹ. They have both become the engine of economic development not in Yoruba land alone, but also in Nigeria.

2.5.1 <u>AARO (group-labor-by-turns)</u>

Aaro (group-labor-by-turns) is a non-group, loose labor type- where people agree to assist, and to work for each other on trust, and by turns. Individuals at a village or community level take turn to work for each other without monetary gains (no charges or wages paid). Reciprocal working parties, in which participants exchange labor to bush-clear and weed each other's land or for timely harvesting of crops, are still common in developing countries, in Africa in particular. Such parties may consist of any number, ranging from two to twenty or more, depending on the size and type of fields and harvest. (Boumann, 1995)

Nevertheless, Aaro labor system is guided by two principles:

- One, Aaro recipient must provide meal (food and drink) for all labor providers after the task is accomplished.

- Two, since labor is provided by turns, previous beneficiaries must support and help when it is the turn of other person. Anything contrary will be seen as going back on promise and commitment.

It would be seen that the strong and functioning institutions of the pre-colonial Yoruba societies was the major reason behind the success of this kind of arrangement.

Labour exchange has slowly, but persistently, given way to wage labour, because of the former's inherent problems. A hard worker may have to trade with a poor or lazy worker, making the balanced reciprocity, which is an essential part of the rotating principle, to become unbalanced. This can be a source of friction and dissatisfaction between parties.

2.5.2 OWE

Ọwẹ is another form of labor system similar to Aaro in purpose and in function; but, differs structurally. Ọwẹ is more of a club, or association formed by people of the same age group to render help, provide assistance to group members when the need arises. Under Ọwẹ system, members are summoned, or put on notice by the group leader the nature of the task, the time, and the date. Interestingly, Ọwẹ system responds quickly to emergency, unlike Aaro because of its loose or weak control. Also, under Ọwẹ, services and helps are not limited to farm related jobs; rather, helps are provided in areas like construction, building, and community service. Similarly, Ọwẹ system supports any of its members in times of joy and mourning, this social function is very evident in all Yoruba towns and villages, especially during ceremonies-such as burial, marriage, coronation, anniversary, house warming, you see various groups supporting their affected/concerned members.

2.5.3 IWOFA

Iwọfa (Ṣọfa) is a labor based service provided by a debtor to offset, or to pay off interest on a loan. Iwọfa can be a man, a woman, a girl, or a boy. According to Samuel Johnson (1956), Iwọfa system is “one in service of interest”; alternatively, one who serves another person periodically in lieu of interest on money or loan. Iwọfa labor practice was earlier misunderstood by Europeans, when they saw it and compared it to pawning- a system where a debtor drops/deposits valuable (house-hold things/property) as collateral and security before a loan is granted. However, Yoruba version of pawning (Ifi-do-go; dogo) does not apply to humans, because individual (iwọfa) still had his social status remains the same, his civil and political rights intact, and he is only subject to his master in the same universal sense that “a borrower is servant to the lender.(Samuel Johnson, 1956).

2.5.4 ESUSU

It is the most popular and commonly used method of financing amongst the people of Yoruba. They have an age long history. They are also known as Rotating Savings and Credit Association (ROSCAs). Nobody knew when they actually started but has a very successful story in terms of mobilizing funds for rural savers and borrowers who have little or no access to institutional finance. (Jerome, 1991). There is mounting evidence that these associations are far large and more complex than previously thought. They have survived into modern times and continue to grow inspite of the influence of the modern financial system. There is hardly any village or town in Nigeria which does not have a large number of these associations. It has been claimed that there are still villages in Nigeria where more than ninety per cent of the population are members of this association (Jerome, 1991).

Among the roles which ROSCAs have performed in Nigeria, the provision of credit is perhaps most important. They provide institutional credit which serves as real capital for needy people. Without credit, rural inhabitants would find it difficult to free themselves from permanent indebtedness to landlords and money lenders. ROSCAs act as an important means of channelling funds. In the process of mobilizing domestic savings, they accumulate funds for overall development. The prime motive of these associations is the provision of re-investable savings. The multiplier effect of loans extended for productive activities has been evident. The bulk of credit provided in the past years had gone for financing agricultural during peak periods thus resulting in employment and income generation. They succeeded in providing financial services to the rural sectors of Nigeria that would otherwise not have access to these services (Jerome, 1991).

In their most elementary form ROSCAs are comprised of a group of individuals who each make periodic contributions to a pot that is then given to one member in rotation. (Ardener 1964). Each participant typically contributes the same amount of money and the rotation of the pot is determined by lot. After all members receive a pot, the group may disband, may be reformed with some members exiting and new members entering, or the same group may simply recycle. Typically membership is restricted to individuals who work for the same business, or who are relatives, friends, or neighbors.

In Africa, the continent with most ROSCA literature, several authors quoted by Ardener (1964) mention the appearance of the "esusu" in the economy somewhere around the mid - 19th century. According to Bascom (1952), Crowther's Yoruba vocabulary of 1843 gave details of small rotating credit associations called "esusu" among the Yoruba. "Esusu" contributions were in cowries, before British currency came into use" (Ardener 1964:209). Whether the Yoruba in Nigeria borrowed the esusu from Sierra Leone or vice versa, is a matter of debate, but "thrift clubs of some sort existed in

Sierra Leone as early as 1794" (Ardener, ibid.). The use of the word "Susu" in Trinidad, Jamaica and West Indies would indicate that the ROSCA had been imported there by Yoruba slaves, which could suggest that it was part of Yoruba culture during the period of the slave trade" (Ardener, 1964). Seibel and Shrestha (1988) as cited in Boumann (1995) puts the first Yoruba ROSCA in Southern Nigeria around 1600. Elsewhere in West African literature, the ROSCA appears in the late-19th or early 20th century. In East Africa, Jellicoe's extensive survey of 1968 as seen in Boumann (1995) puts its appearance there even later.

There are advances that the ROSCAs might have started out as the Rotating work party (Aaro). With increased commercialization and monetisation of the economy, money ROSCA became prevalent. The working party most probably is the primordial form of ROSCA (Boumann, 1995)

2.6 MODERN/FORMAL METHODS OF FINANCING

The advent of banking and increased commercialisation gave rise to other modern methods.

2.6.1 BANK LOANS

This method of financing is usually offered by commercial banks, merchant banks and development banks. It is a facility in which banks lend money to individuals, firms or governmental corporations at an agreed upon interest rate and period of time. The bank would usually require a collateral security from the borrowing entity. Bank loans represent the most prevalent form of formal financing.

2.6.2 BANK OVERDRAFTS

It is a financing facility offered by banks to its customers. It is an arrangement where the bank allows its customers to withdraw over and above their current account balance. Beneficiaries of this form of financing are current account holders. Current account is a deposit account held at a bank or financial institution, for the purpose of securely and quickly providing frequent access to funds on demand, through a variety of different channels. It is often called demand deposit because money is available on demand.

Business overdrafts are a very common way of financing small and medium-sized enterprises (SMEs), and are ideal for those with fluctuating finance requirements. They are either provided over a fixed period of time or as a rolling facility with no end date. Overdrafts can be authorised or unauthorised. The former is a pre-agreed facility and will be offered at a lower rate than unauthorised overdrafts. The use of unauthorised overdrafts will often incur charges for the business, so it is wise to agree an authorised facility if a need for funds is anticipated.

Interest will vary depending on risk of default. Due to the flexible nature of overdrafts the most common type of interest rate charged will be variable (a margin over base rate or Monetary Policy Rate(MPR). A higher rate will often be charged for utilising the unauthorised facility. Businesses exceeding their authorised facility may be charged unauthorised borrowing charges such as unpaid fees and an utilisation fee.

2.6.3 **EQUITY/DEBT FINANCING**

This form of financing is characteristic of bigger and larger firms. They raise funds by selling equity. Equity is a stock or any security representing an ownership interest. In essence, Equity financing involves the sales of shares/stocks of a company to willing buyers to raise funds for the company. Equity financing is the method of raising capital by selling company stock to investors. In return for the investment, the investors (the shareholders) receive ownership interests in the company. They are also entitled to dividends at the end of the business year. For the entrepreneur, equity financing is a method to raise capital for the company before it is profitable in exchange for diluted ownership and control of the company. Equity financing enables a business to receive the capital needed without taking on additional debt.

Unlike equity financing, debt financing is the raising of capital by selling bonds/debentures to potential buyers. The holders of these bonds are not owners of the company like the shareholders; they are creditors of the firm. They receive a fixed income at the end of the year (as agreed in the debenture contract). Debt financing represents additional debt to the firm.

2.6.4 TRADE CREDIT

Trade credit is a deferment of payment for goods or services granted by the seller for a short period, primarily to give the buyer a means of financing inventories. It is an arrangement to purchase goods and services without making immediate cash payment for them.

This arrangement effectively puts less pressure on cash flow that immediate payment would make. This type of finance is helpful in reducing and managing the capital requirements of a business. Trade credit is helpful tool for growing businesses, when favourable terms are agreed with a business's supplier. The amount of days for which a credit is given is determined by the seller allowing the credit, and is agreed upon by both the party allowing the credit and the party receiving it. With the extension of the payment date, the company receiving the credit essentially could sell the goods and use the net proceeds to pay back the debt. This type of credit is sometimes given to encourage sales and gain customer loyalty.

This is short-term finance that is relatively quick to arrange. The typical amount involved and the terms will depend entirely on your trading activity. However, trade credit could lead to the possible loss of early payment discount. Failure to comply with the terms and conditions could lead to the loss of a supplier.

2.6.5 HIRE PURCHASE

Hire purchase is a financing arrangement used to acquire relatively expensive machinery and equipment. It is an arrangement (contract) between two parties, in which one of the parties (purchaser) agrees to purchase a good, and pay in installments. This form of financing is different from installmental payment because the ownership of the good remains with the seller until the last payment is made. The possession of the goods lies with the buyer, while the (legal) ownership of the good remains with the seller.

If the buyer defaults in paying the instalments, the owner may repossess the goods. Also, if the buyer damages the good without making final payments for them, he would still have to make complete the instalments. The buyer can, however, not resell the good until final payment has been made. The hire purchase price is usually a combination of the original full price plus interest. Hire Purchase is frequently advantageous to business men because it spreads the cost of expensive items over an extended time period.

2.6.6 LEASING

Lease is a financing arrangement under which one party agrees to rent property from another party. A lease guarantees the lessee (an entrepreneur) use of an asset and guarantees the lessor (usually a finance company) regular payments from the lessee for a specified number of months or years. Both the lessee and the lessor must uphold the terms of the contract for the lease to remain valid.

Financial leasing is a modern financing method that enables entrepreneurs to own and make use of certain assets for medium to long term financing periods in return for previously-set interim payments.

At the conclusion of the leasing period, the lessor would have recovered a large portion (or all) of the initial cost of the identified asset, in addition to interests earned from the rentals or installments paid by the lessee. The lessee also has the option to acquire ownership of the identified asset by, for example, paying the final rental or installment, or by bargaining a final purchase price with the lessor. Throughout the duration of the leasing period, the lessor (finance company) remains the legal owner of the asset. However, the lessee also has control over the asset, making use of the benefits and assuming the risks of economic (de facto) ownership.

2.6.7 FACTORING

A financing method in which a business owner sells accounts receivable at a discount to a third-party (a factor) funding source to raise capital. Accounts receivable includes all bills and money that a company is entitled to receive. Account receivable is a short term current asset.

It is one of the oldest forms of business financing. Factoring is very common in certain industries, such as the clothing industry, where long receivables are part of the business cycle. Factoring is not a loan; it does not create a liability on the balance sheet. It is the sale of an asset--in this case, the invoice. It also differs from Invoice discounting which involves using the account receivables as collateral for a loan.

Factoring is also used as a cash-management tool. They (the factoring company) typically take over a significant portion of the accounting work for their clients, help with credit checks, and generate financial reports to let you know where you stand. By the first decade of the twenty first century a basic public policy rationale for factoring remains that the product is well suited to the demands of innovative rapidly growing firms critical to economic growth (Baumol, Litan and Schramm, 2009).

Factoring's origin lies in the financing of trade, particularly international trade. It is said that factoring originated with ancient Mesopotamian culture, with rules of factoring preserved in the Code of Hammurabi. Factoring as a fact of business life was underway in England prior to 1400, and it came to America with the Pilgrims, around 1620 (Tatge, Flaxman and Tatge, 2009). It appears to be closely related to early merchant banking activities (Landes, 1969).

2.7 FINANCING AMONG THE YORUBA PEOPLE.

Finance in Nigeria has been on the increase in Nigeria since independence. The formal and informal financial sectors have increasingly rolled out funds to their patronisers for various reasons. The amount of loans issued out over the years can be used to examine the level of financing in the Western part of the country. Since the Yoruba people occupy the Western part of Nigeria, it can be said that the figures represent the amount of finance available to the Yoruba people. The table below shows the amount of loans and credit issued by Cooperative Societies from 1957 – 1976 for Western and Eastern Nigeria. Due to a dearth of data, figures for loans and credit for the Northern part of the country was not found. The figures relate to loans sought by the entire country as revealed by the Federal Office of Statistics. The Federal Office of Statistics before its merger with the National Data Bank was the apex statistical agency of the government. The body coordinated statistical operations of the National Statistical System in the production of Office Statistics in all the regions of the country as that time. It, however, became the National Bureau of Statistics with the merger with the National Data Bank.

Table 2.1 Loans and Credits issued out in Western and Eastern Nigeria between 1957 and 1976

Year	Western Nigeria (₦)	Growth rate (%)	Eastern Nigeria (₦)	Growth rate (%)
1957	52,619		385,515	
1958	70,616	34.2	565,137	46.6
1959	79,234	12.2	536,316	-5.1
1960	100,734	27.1	576,932	7.6
1961	121,858	20.9	821,034	42.3
1962	149,565	22.7	673,707	-17.9
1963	178,578	19.4	1,022,755	51.8
1964	214,781	20.3	811,789	-20.6
1965	131,794	-38.6	847,992	4.5
1966	430,611	226.7	1,061,080	25.1
1967	610,009	41.7	1,374,168	29.5
1968	699,477	14.7	1,748,336	27.2
1969	998,175	42.7	1,612,936	-7.7
1970	1,589,395	59.2	1,641,592	1.8
1971	2,090,823	31.5	2,450,904	49.3
1972	3,678,626	75.9	4,126,471	68.4
1973	5,609,871	52.5	6,384,701	54.7
1974	6,108,417	8.9	7,561,612	18.4
1975	6,673,360	9.2	7,998,175	5.8

1976	7,166,175	7.4	8,779,835	9.8

Federal Office of Statistics (1977)

From the table above, it would be seen that there has been a continuous significant increase in the level of loans and credit in the country. The yearly increase could be explained by the increasing commercialisation and monetisation of the economy. However, the Eastern part of the country (which is majorly occupied by the Ibo people) recorded more finance than the Western part of the country (which is occupied by the Yoruba people) for all the years taken into consideration. There was a difference of over N 300,000 and N500, 000 recorded in the level of finance in 1957 and 1958 respectively. The trend also continued in other years.

Though the level of finance in the Western Nigeria has been on the increase since 1957, it has continuously been lower than the level of finance obtained in the East. This suggests that the Ibo people had more access to finance and were involved in more projects. However, it is pertinent to note that the data cannot be said to absolutely accurate. It is possible that the figures did not entirely capture all the loans, credit and finance obtained by the Yoruba people in the Western part of Nigeria.

2.8 FORMAL FINANCIAL SECTOR DISTRESS.

The financial sector is one of the dominant economic sectors in Nigeria. Banks are key players in any country's financial sector - they occupy a delicate position in the economic equation of any country such that their (good or bad) performance invariably affects the economy of the country (Wilson, 2006). According to Yauri, Musa and Kaoje (2012), studies have shown that the banking sector which actually started in Nigeria in 1892 has been largely volatile with spates of banking failure experienced in most parts of the 1990s, and in the early and mid-2000s.

Financial sector distress has been described as a situation in which a sizeable proportion of financial institutions have liabilities exceeding the market value of their assets which may lead to runs and other portfolio shifts and eventual collapse of the financial system (Ohwofasa and Mayuku, 2012).

Bank distress differs from Bank failure. Bank distress is the forerunner of bank failure. A bank in distress has the chance to regain health, whereas a failed bank loses every chance of life. Its final destination, as in the case of Nigeria, is the Nigerian Deposit Insurance Corporation (NDIC). However, in the literature, the two terms are used interchangeably.

The history of bank failure in Nigeria dates back to 1930 when the Industrial and Commercial Bank failed. Thereafter, the Nigerian Mercantile Bank failed in 1936 while the Nigerian Penny Bank failed in 1946 (Foluso, 1985). According to Soyibo and Adekanye (1992), between 1930 and 1958, over 21 bank failures were recorded in the Nigerian banking sector. The banking failures during that era may have been caused by the domination of foreign banks in terms of the exclusive patronage by British firms (Soyibo and Adekanye, 1992). Banks distress was also recorded in the 1990s and in the early parts of the 2000s.

It is instructive to note that 21 out of the 25 indigenous banks that were established collapsed in quick succession due to bad management, inadequate capital, inexperienced personnel, excessive branch expansion and inadequate banking regulation and unfair competition from foreign banks (Ajayi and Ojo, 1981). Others included outright fraud, lack of acceptable prudential guideline and lack of right banking orientation among the operators. Most of the bank failures were resolved mainly through self-liquidation.

In Nigeria, the collapse of banks and the subsequent loss of depositors funds has resulted in low economic growth, low capacity utilization, unemployment among other problems. Several studies have been conducted to proffer solutions to the problems (Nzotta and Okereke, 2009).

In the period, 1994- 2000, a total of 33 terminally distressed banks were liquidated (CBN, 2001). Also, the number of banks was reduced from 89 banks in 2004 to 24 groups of banks at the end of 2005 when the government through the CBN came up in July 2004 requesting that all banks beef-up their capital base from the mandatory minimum of N2 billion to another mandatory minimum of N25 billion. (Obamuyi, 2011). With 9 banks adjudged to be in grave situations in October, 2009, the number of banks was therefore set to reduce progressively. For instance, three banks (Bank PHB, Afribank and Spring Bank Plc) were nationalized by the government in the first quarter of 2011 and handed over to Asset Management Corporation of Nigeria (AMCON) (The Sun Newspaper, October 03, 2011) as cited in (Ohwofasa and Mayuku, 2012).

Similarly, there was another merger and acquisition where Intercontinental Bank plc. was acquired by Access Bank Plc, a deal completed by March 2012 while Oceanic Bank Plc. was also acquired by Ecobank Plc.

According to Sanusi (2002) as cited in Musa (2010), one major cause of the distress in the sector was that the increase in the number of banks overstretched the existing human resources capacity of banks which resulted into many problems such as poor credit appraisal system, financial crimes, accumulation of poor asset quality etc. A result of the reason stated above is that most if not all of the banks that failed in Nigeria failed due to non-performing loans. On close scrutiny, it will also be observed that the single biggest contributor to the bad loans of many of the failed banks in Nigeria was insider lending. Insider loans accounted for 65 percent of the total loans of the four banks liquidated in Nigeria in 1995, virtually all of which were unrecoverable (NDIC, 1994). This not only shows the inefficiency of banks in savings/ investment mobilisation but also underscores their biasedness in the directions of loans.

Literature has shown a series of recurrent failures in the banking system of Nigeria. These bank failures led to a significant loss to depositors, loss of confidence by the public in not only the Nigerian banking industry, but also in the ability of Nigerians to manage banking business (Olukotun, James and Olorunfemi, 2013). Hence, this has led to an increasing patronage of the informal sector.

CHAPTER THREE

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

3.0 Introduction

In general, financing can lead to increased commercialisation, rural growth and development as well as alleviation of poverty. This chapter is devoted to the review of existing bodies of knowledge on related studies that have been carried out in areas of financing among Yoruba people. This chapter presents what other researchers and writers have written about financing among the Yoruba people, their alternatives, the benefits and the downsides.

3.1 LITERATURE REVIEW

3.1.1 FINANCIAL SYSTEM

Financial system is the system that allows the transfer of money between savers (and investors) and borrowers. A financial system can operate on a global, regional or firm specific level. Gurusamy (2008) describes it as a set of complex and closely interconnected financial institutions, markets, instruments, services, practices and transactions. Financial systems are crucial to the allocation of resources in an economy.

Evidence from Ojo (1992) shows that the main sources of finance for small scale enterprises can be broadly categorised as formal and informal sources. The formal sources which include banks, other financial institutions government loan agencies and cooperative credit societies are of less importance than the informal sources which include savings /retained earnings, friends and relations, clubs, esusu and money lenders constitute a major source, more than 60% of the total surveyed.

In another study by (Phillips and Titiola, 1995), the financial system was divided into three parts. The first category comprised the controlled or regimented markets. This has the government through the Central Bank of Nigeria in collaboration with the Federal Ministry of Finance. The second category is made up of the regulated market which includes the securities markets, the money market and the insurance market. The third category is the unregulated or informal markets made up of money lenders, merchants, savings group, thrift and cooperative societies, credit societies. The third order represents the order in traditional Yoruba land.

3.1.1.1. THE FORMAL FINANCIAL SYSTEM

The formal financial system operates with a state charter and consists of financial intermediaries as delegated monitors. Within this formal sector, lending by state-owned banks dwarfs all other types of formal lending, such as equity, trade credit, leasing, or factoring, that make up a small percentage of GDP. The banks rely on courts and the state and local governments for repossessing collateral and to ensure loan repayment. Other formal sources include government lending agencies, farmers' cooperatives, commercial and merchant banks.

3.1.1.2. THE INFORMAL FINANCIAL SYSTEM

The informal financial system consists of individual lenders or non-delegated monitors such as moneylenders and institutions that operate without state charters (Allen, Qian, and Qian 2008). This distinction between formal and informal financing channels manifests in the type of enforcement mechanisms used. Formal financial intermediaries such as banks typically lend conditional on collateral (Gregory and Tenev 2001; Cousin 2006) and rely on formal institutions such as courts or government channels to enforce repayment of loan contracts (Zhang and Booth 2001). By contrast, individual moneylenders and the informal delegated lenders rarely require collateral and do not use the courts or the government and rely on informal channels to enforce repayment (Tsai 2004; OECD 2005).

The definition of informal financing is also consistent with the definition of Allen, Qian, and Qian (2005) that informal financing is everything that is not bank financing, since the banking sector is the largest component of the formal financial sector. Allen, Qian, and Qian (2008) specifically refer to lending by the moneylenders and private money houses as the nonstandard financial sector. The informal sources comprise friends, neighbours, relatives, professional moneylenders, produce buyers, traders and merchants.

Access to the informal market is usually based on networking through common friends, and the cost of accessing informal credit varies depending on the structure of local social networks while low-interest loans are common only among close friends and family (Tsai 2004). Allen, Qian, and Qian (2008) notes that private moneylenders and money houses charge very high interest rates, with the associated loan contracts resembling junk bonds. The informal lenders rely on trust and reputation or coercion and violence for repayment of the loans and very often do not require collateral or guarantee. The operations of the informal sector derive their rules and regulations from the country's culture and customs. Informal sector transactions are conducted on the basis of trust and intimate knowledge of customers. In many respects, its distinguishing characteristics, which in fact is also its primary economic rational, is the informal nature of its activities (Chandavarkar, 1984).

3.1.2 ORIGIN OF INFORMAL FINANCIAL MARKETS

There are two schools of thought as to the origin of the informal financial markets; the financial repression school and the structuralist school. The financial repression grew out of the seminal works of McKinnon (1973) and Shaw (1973) and theorises that informal finance agents start operations as a result of excessive regulation of the formal financial sector represented by the use of policies of directed credit, interest rate ceiling and preferential credit allocation to government and its parastatals. This leads to a lot of distortions in the economy resulting in government debt crowding out official private sector investment, graft and corruption by bank and government officials. Consequently, the effective cost of funds to small scale enterprises and the poor becomes excessively high.

The imposition of interest rate ceiling, often below market interest rates usually induces excess demand for loanable funds, thus leading to credit rationing by banks and other financial institutions and the existence of parallel financial markets with higher market clearing interest rates. Government debts, the result of budget deficits and public enterprise losses, crowds out bank loans to the private sector especially to small businesses, compulsory bank loans to the public sector, obliges banks, in the remainder of their portfolios, to emphasise short term loans and to insist on higher quality collateral than they otherwise would have demanded. The administrative sluggishness, high management costs and payment delays of banks prevent them from reaching small businesses. All these help in the development of informal finance (Huggon, 1990).

The structuralist school believes the existence of informal finance is a product of other forces other than economic forces (Hugon, 1990). According to this school, informal financial systems are subordinate to the official formal financial system. Market segmentation occurs not because of regulation but because informal financial system exist to serve social goals than simply to make the highest profits. Informal financial systems redistribute income among community members and provide a form of social security by meeting member's fluctuating liquidity needs. They express solidarity based on kinship, ethnicity or religion.

According to the structuralist school, the informal financial systems are offshoots of official systems in which currency has a greater velocity of circulation than in the official financial system. Official monetary policy thus produces effects that informal financial systems diffuse (rather than counteract, as the financial repression school suggests).

3.1.3 FORMS OF INFORMAL FINANCE

The traditional credit institutions have for a long time been assisting not only in mobilising savings but also in distribution of finance among people with small incomes in the developing countries. Such credits come from the money lenders and the indigenous bankers/saving and credit societies. There are mounting evidences that the bulk of the credits for the common man come from these association (De Lancy, 1977; Bouman 1977; Miracle et al., 1980).

The credit system under indigenous savings and credit institutions takes a variety of forms. According to Adebayo (1994), the Yorubas have two basic institutions for savings and credit. The first is esusu, which was more developed and served the people in all the senses of the term "savings." The second is ‘ajo’, which was probably devised simply to satisfy the first sense in which savings has been used by economists, i.e., the process of accumulating money. Thus, it is believed to have originated to replace the practice of burying money in the ground for safekeeping. Esusu and ajo did not replace each other; rather, the two institutions continued to exist side by side, and individuals freely chose to patronize one or/ and the other.

3.1.3.1 AJO

The Ajo financial system is similar to the ‘Esusu’ institution especially in terms of savings and credit creation. However, it was a financial arrangement in which a single collector formed his/her own savings/credit group. Contributions did not necessarily have to be equal among members. What each member contributed was determined by individual’s capabilities.

The contribution on many occasions could be daily. The collector went round to collect from members. This arrangement was common among petty traders who were expected to save as much as possible from their daily sales. Needy members of the group could request for loans before the end of the month when collections were usually returned to the contributors. Each member could apply for a loan equivalent to double his contribution as from the tenth day of each month. Such loan requests were usually met with the excess collected from other members who did not need any advances. The collector usually deducted one daily contribution from each member as remuneration for his efforts. Borrowers usually had their own contributions retained by the collector as part payment of the loans.

Unlike esusu, the ajo institution has not received attention in scholarly writings. This is probably because of the series of abuses which its operation had witnessed in pre-colonial Yorubaland (and continues to witness in modern times). Ajo is probably a short word for akojo (pool together). Thus, under the ajo institution, an individual entered into an agreement with a savings collector, paid a fixed sum of money at regular intervals (daily, weekly, fortnightly, monthly, or, simply, "every market day") to this collector, and drew all his contribution at the end of an agreed period or anytime it was needed. The main attraction of this system, therefore, is the element of promptness, i.e., the contributor could draw his/her money at short notice, unlike in the esusu where he/she had to wait his/her turn.

3.1.3.2. ESUSU

Esusu also known as ROSCA is a market mechanism for saving and credit mobilisation towards capital formation in order to facilitate business activities. Members of Esusu system contribute a fixed amount periodically, usually on market days. There were some with huge amounts which required long period to complete. These were made seasonal ‘Esusu’. Savings and credits generated therefrom were usually earmarked for long term projects, for example housing projects. Such seasonal Esusu were fixed for festival periods like Ogun festival.

Total collections at each meeting were allocated to each member at a time successively until all members had had their turns. Any member could opt for multiple contributions. Under this arrangement, all members were ultimate lenders while the person whose turn it was to take the collection became the ultimate borrower. Put simply, the system in this arrangement served both saving and credit purposes.

There were credit systems that gave interest-free loans and credit systems that operated on the basis of interest collection. The esusu societies (rotating saving and credit associations) gave interest free loans to members (Adebayo, 1992). Adebayo (1992) further pointed out three credit systems that operated on the basis of interest collection. The first is the system of pledging crops as collaterals and as interest. The second is the iwofa system where the borrower paid the interest in labour supplied on the creditor's farm or industry. The third is the s'ogun d'ogoji system under which the interest was paid in cash which was, at the very least, an amount equal to the principal.

3.1.4. ACCESS TO FINANCE

The efforts so far devoted by commercial banks towards improving the range and quality of financial services have been grossly inadequate (Abebe, 1990). Very little finance gets to the peasant in the rural areas, although the banks are heavily involved in financing commercial farming enterprises. The commercial banks in African countries prefer to deploy excess liquid assets in treasury bills and government bonds, where risks are marginal. Few African countries have deliberately directed the lending pattern of the commercial banks to generating development (Abebe, 1994).

The record of the development banks has equally been disappointing. Like the commercial banking system, development banks in Africa mainly cater to manufacturing industry, the mining sector but have not yet had an appreciable impact on small-scale enterprises and small holder agriculture. These institutions have literally become mere retailers of foreign loans and government funds even though many were empowered to mobilize resources in their statutes of establishment. The high operating costs of agricultural development banks and the woefully slow loan recovery cycle erodes their capital base for onward lending to a diversified set of customers (Bourne and Graham (1984). This was further reiterated by Miller (1977), who noted that the non-institutional sources (the informal lenders) provide most of the finance used by small farmers while the institutional lenders constitute the major supplier of credit to larger farmers and urban-based borrowers.

The Cooperative banks which were intended to spearhead a process of rural transformation have not been entirely successful. Not only are credit cooperatives fundamentally weak in both financial strength and economic impact but they have tended to reinforce existing social structures or even to aggravate class division rather than acting as vehicles of equitable change (Eicher and Baker ,1982).

The need for credit in the informal sector of the developing countries cannot be over-emphasized. The small per capita income and savings suggest some resilience on borrowed money (Oladeji and Ogunrinola 1990). Vogt (1978) argues that credit provides an avenue for most people to improve their lives and to launch new undertakings and income generating projects. In some cases, for small business development, informal credits constitute the core of investment (Ogunrinola, 1990).

The situation in the informal money market is such that the demand for credits, in relation to the supply, is large. The supply of credit comes from the money lenders, traditional bankers, formal/organised institutions (e.g. cooperative credit societies, agricultural banks and other government sponsored institutions) and at times international funding agencies. Allowing credit deployment to be influenced by the market rate of interest will obviously make the distribution of the loanable fund highly skewed to the disadvantage of the poorer strata of the society (Oladeji and Ogunrinola, 1990).

What broadening access to credit therefore entails is credit rationing while the lending rates are kept down within the reach of the common man. This, in itself does not guarantee the loan facilities penetrating down to deep down into the society. According to

Pischke, the economics of loan administration would require lenders seeking a few large loans rather than many small loans. Soles (1976) further elucidates:

> ‘*To avoid such high administrative costs and losses on such loans, the banks allocate their funds to a few large credit-worthy clients rather than making small loans to numerous small farmers’*

The foregoing exemplifies the lending behaviour of the formal banking institutions whenever such credit programme has to be executed by them.

Access to credit requires some liberalisation of the credit system. However, excessive liberalisation has its problems; it tells on the survival of the credit system (Oladeji and Ogunrinola, 1990). Soles (1976) provides three criteria for a successful credit programme;

1. That they make credit resources available to those who have not had access to non-usurious credit before;
2. That the programmes charge sufficient and flexible interest rates such that they are economically sustainable ventures and
3. That they obtain repayment of outstanding loans in a timely and efficient manner.

The first criterion would be deemed to be achieved if poorer strata of the society are reached with affordable credits. The second requires charging a positive rate of interest which exceeds both administrative and inflation costs. The second and third would ensure the longevity and non-shrinkage of the credit system. Besides these criteria, (Oladeji and Ogunrinola, 1990) believes the success of a credit programme depends critically on the disbursement of such credits and their control.

3.1.5. SAVINGS MOBILISATION AND CAPITAL FORMATION

The place of capital, hence saving rate, in economic development is perhaps beyond dispute. But the debate on the issue of casual relationship is still on. The question is simply whether saving could be said to be a cause or an effect of development process. Within the classical paradigm, savings and investment are one and the same. In terms of the direction of causation, savings is said to be a prerequisite for investment. Expressed in the context of Say's axiom, all savings find investment outlets through variations in the rate of interest. In the classical tradition, therefore, investment and the development process are led by savings.

In contradistinction to the classical position, the Keynesian view is that the causation is the other way round. It is argued that investment will generate its own saving by raising the level of income when the economy is operating below capacity, and by redistributing income from wage earners with a low propensity to save to profit earners with a high propensity to save when the economy is working at full capacity (Thirwall, 1983). It can be inferred from the Keynesian viewpoint that savings and development process are led by investment.

Thirwall (1983) further argues that much as the Keynesians can welcome prior (or voluntary) savings, the classical economists can just as well admit the possibility of forced savings in the process of development. The emphasis in this study is on domestic private financing cum savings in the informal sector. Presumably, such savings are largely voluntary. It is, however, relevant to remark that the totality of savings of this kind do not necessarily go into capital formation.

According to Guilford (2007) financial facilities enable impoverished persons to start businesses, rebuild after natural disasters like floods and hurricanes, and to receive both short- and long-term loans to meet their financial needs and improve their overall quality of life. The impact of micro lending is changing the economic landscape of the areas where it is most prevalent.

Magyezi (1999), states that savings act as collateral security for savers to acquire more and bigger loans. He confirms that such practices promote savings culture. The extent to which savers benefit from the savings remains unclear, as the credit providers attach very low interest to it.

In the process of capital formation, Meier (1970) recognises three critical steps :

1. An increase in the volume of real savings.
2. The channelling of savings through a finance and credit mechanism.
3. The act of investment itself, by which resources are used for increasing the capital stock.

Capital accumulation, therefore, requires not just decisions about savings but the desire to invest or, an effective mechanism through which the savings could be mobilised to reach the necessary investment locations (Lancey 1978).

Savings mobilisation is not spontaneous. It requires institutions which ‘allow such savings as are currently forthcoming to be invested conveniently in the most useful purposes’ (Nevin 1966). The commercial banking system is one of such institutions, but which is said to be rudimentary in most developing economies. Besides the low ratio of deposit money to money supply, the number of banks relative to population size is small in these countries. For example , bank density in Nigeria is about 64,000 people per branch where the figures for Britain, United states and India are 4,000; 6,000; and 3,000 respectively (Adekanye, 1989).

A suggestion is that banks need to proliferate and be dispersed (Thirwall, 1983 ; Onyemelukwe 1966). The expectation is that such spatial spread ill act as catalysts for small savings while, at the same time, facilitate savings mobilisation for investment purposes. On this, Lewis (1955) hypothesised thus:

> ‘if banks are pushed under the individual’s nose, people save more than if the nearest savings institution is some distance away’

The plausibility of this proposition may not be in doubt, but not in practical feasibility. The cost consideration or the desire to reap economies of scale in their operations is a constraint in this regard. Responding to Onyemelukwe’s suggestion of opening more banks in rural areas, De Lancy (1978) argues thus:

> *“One suspects, however, that if banks were to operate in the manner he suggests, they would soon go out of business. The costs involved in opening many branches, in providing access for easy withdrawals throughout the day, and in handling the numerous small loans needed by the population are probably beyond the capability of most banks’’*

The role of the informal banking arrangements in savings mobilisation has received some attention in the literature. These institutions are reported to be existing and predominant in the developing countries especially in the western tropical Africa (Miracle et al., 1980). Compared to the formal banking system, these institutions are ubiquitous, handling small amounts of savings of 'common people' and granting them credits. As reported by Miracle (1980), these savings and loan groups have administrative and transaction costs that are such lower. Group officers are paid very little if any, and of course, little paper work is done in the acts of saving and obtaining loans (Oladeji and Ogunrinola, 1990).

The impact of informal savings on capital formation and hence economic development still remains a moot. De Lancey (1978), in his study of migrant workers in the plantation environment of Cameroon's South West Province observes that large proportions of the money saved are ultimately used for consumption rather than for productive investment. This is explained by the small amount often saved which apparently would not be adequate for any investment; lack of desire for productive investment and lack of profitable investment opportunities. On the other hand, there are reports of such savings being used to buy agricultural inputs such as seedlings, fertilizers, or a tool (Miracle et al 1980). The evidence from Badagry shows that apart from being a principal source of initial capital, such savings constitute the single most important source of addition to the stock of capital for the small scale businesses (Ogunrinola, 1990).

3.2 THEORETICAL LITERATURE REVIEW.

Much of the theories on financing focus on Corporate finance (finance of firms). Some of the theories include the Pecking order theory, financial growth cycle and life cycle theory of financing.

3.2.1 The Pecking Order theory

The Pecking order theory appears to suggest that as projects become larger and older, they will have greater access to external sources of finance. On the surface, this argument seems to apply well in the context of small projects whose access to external sources of financing are quite limited, mainly due to their inability to provide the necessary financial information needed by funding institutions.

3.2.2. The Financial Growth Cycle Model

The Financial Growth Cycle model as proposed by Berger and Udell (1998) provides a framework that can be used to analyze the impact of certain characteristics of firms that influences the decision to raise financing for growth and survival.The model shows how the financing needs and options of the firm change as the business grows, becomes more experienced and more informationally transparent. In essence, what the model seems to suggest is that as the firm grows, it will have access to more sophisticated external sources of financing (e.g. Venture Capital, Mid-Term Debt) and in the final stage of its growth cycle, as it becomes older, more experienced and transparent, it will possibly gain greater access to external financing such as public equity and long-term debt. The model focused on firm size, age and information as important characteristics of the firm which will determine the method by which it raises finance for business growth and survival.

However, for the purpose of this study, these theories are somewhat irrelevant. This study focuses on how projects and not just businesses/firms are financed. The application of the theories to project financing would be faulty as they focus intensively on the financing of businesses/ firms. Most of the literatures in this area of study have been explorative. Therefore, there are no explicit specifications of the theories/models used. Nevertheless, Basargekar (2010) studying the effect of self-help group financing on empowerment made use of the Social Capital Theory. The theory was also employed in the works of Anderson et al. (2002), Jainaba et al. (2005)and Oluyombo (2010).

3.2.3. The Social Capital Theory

The social capital theory postulates that when people act or function in a group as in a cooperative society or self-help group, it leads to the economic and social development of the group, individuals in the group and the immediate community where such group operates from (World Bank, 1998). The social capital theory covers various aspects of social capital which include the type of social networking, relationship and interaction which comprises the rules, regulations and norms that govern social actions and the trust among members including the benefits that accrue to them either as an individual, for the community or for the association that they belong to (Anderson et al., 2002).

3.3. METHODOLOGICAL LITERATURE REVIEW

Basargekar's (2010) studied the effect of self-help group financing on empowerment underpinned by the social capital theory among 215 women members of the group in urban areas of India through survey. The study used 14 variables to measure the effectiveness of social capital due to changes in participants' life before and after joining the program. The variables include education and training, healthcare, family planning, girl's education, son's education, expenditure decision, physical mobility, other household decision, family social status, social status in the neighbourhood, participation in gender issue, social empowerment and participation in social issues and participation in electoral system.

Oladeji and Ogunrinola (2001) used the personal interview technique. They drew samples from five states in South-western Nigeria between the months of October and November 1989. The locations include Ibadan, lle-lfe and Erin-Ogun (Oyo State), Akure and Ore (Ondo State), Sagamu (Ogun State), Benin City and Igara (Bendel State) and Ikorodu (Lagos State). A total of 2,507 individuals were interviewed on their socio-economic background, their attitude to savings generally, participation in the informal savings, and amount of savings per period. The purposive sampling approach was adopted while the method of ordinary least squares was used to estimate the parameters in their model.

Soyibo (1996) examined the relationship between financial linkage and development in sub –Saharan Afican with focus on the informal sector of Nigeria. The data for this study were generated using a comprehensive questionnaire comprising 13 sections. The information sought by the questionnaire includes the following: The deposit characteristics of the various informal financial institutions; the characteristics of lending operations; the characteristics of the usual borrowers; the lending to small-scale and micro enterprises; the characteristics of loans, their maturities, and other conditions.

The study adopted a multi-stage sampling procedure. The first stage was to select three pre-determined zones of the country - Southwest, Middle Belt and *Core* or *Far North*. This was a deliberate sampling process, intended to reflect the diverse ethno-cultural and regional backgrounds of the respondents. The second stage of the sampling process involved the selection of towns/villages, ensuring an approximate balance between urban and rural areas, apart from the case of Lagos State. The third stage involved the selection of financial operators from the selected town/village. To identify known operators, the interviewers visited notable individuals in the communities studied who helped in arranging a link. A total of 81 questionnaires were sent out, 64 of which were found usable, giving a response rate of 79%.

The method of analysis used is basically descriptive, using frequency distributions, proportions and means to make judgements about the characteristics of the different operators in the informal financial sector. The relationships between the types of unit in the informal financial sector, the location of the units and other relevant variables were also established using cross-tabulations.

Oloyede (2008) used random sampling technique to collect data, in all 16 local government areas of Ekiti. A sample of thirty-two villages and towns were randomly chosen from all the 16 local governments of the State. 70 questionnaires each were distributed in each of the 16 towns and villages. This means questionnaires were administered to a total of 1120 subjects. However, 1100 questionnaires were recovered from respondents, representing about 98.2% of the total questionnaires administered. Complementary interview was conducted to capture more women belonging to one form of informal financial institutions or the other than men.

Udry (1990) reported the findings of a detailed survey of 198 households conducted between 1988 and 1989 in four randomly selected villages near Zaria, Kaduna State in north-central Nigeria. He used a two stage sampling method procedure. The survey consisted of a series of monthly interviews with each of the household heads and (separately) his wives. The questionnaires were designed to yield a complete picture of each household's asset and debt position; an account of its credit, labour, product, asset, and asset-rental transactions over the previous month; and a range of demographic and background data.

R. Adeyemo and A. S. Bamire (2005) carried out a study in four states comprising Ekiti, Ondo, Osun and Oyo. Data were obtained through fieldwork. In selecting the respondents, the list of Cooperative Unions in each of the Cooperative divisions in the Ministry of Commerce was collected in the four states. The cooperative offices in the four states provided the list of registered and unregistered societies. A total of four hundred co-operators were involved in the study. Based on the proportion of cooperative farmers in each state, 70, 100, 125 and 105 respondents respectively were selected for Ekiti, Ondo, Osun and Oyo states. Data was collected through the administration of structured questionnaires. The questionnaire contained such variables as family size, gross income, cooperative experience, distance to the nearest bank, age, level of education, source of initial capital, technology level, total consumption and household living expenses. Data were analysed using descriptive statistics to explain the relationship between study variables, and the multiple regression technique.

Jerome (1991) investigated the roles of rotating savings and credit associations in mobilising domestic savings in Nigeria. He used the survey method; restricting the investigation to a specific number of associations and location. Nine ROSCAs, comprising of 182 members in Moniya and environments, a village twelve kilometres north of Ibadan were studied.

Oluyombo (2012) examined the role of cooperative societies in rural finance with evidences from Ogun State, Nigeria. The data collection instrument for the study included a combination of interview, focus group discussion and questionnaire techniques. The study covered the activities of cooperative societies located in rural communities and villages outside the state capital and local government headquarters where there is no electricity, water and tarred road in Ogun State, Nigeria. Five cooperatives were randomly selected in each local government area to make a total of 30 cooperatives out of the 90 cooperatives within the six local governments. Thereafter, a random sampling of eleven individuals from the membership list of the 30 chosen cooperatives was selected to participate in the impact survey questionnaires. The researcher also conducted interviews with 48 individuals.

Peace (2012) tried to establish the relationship between small savings and credit schemes and financial accessibility in Nyakagyeme Sub County- Rukungiri District. A survey was conducted through the use of targeted sampling. A questionnaire was admitted to a total of 150 people were sampled in which all responded. 142 of them were members/beneficiaries of the Mitaana Sacco Credit and Savings scheme while 8 were Staff members of Nyakagyeme SACCO. 53.3 percent of respondents were Males while the females constituted the remaining 46.7 percent. The researcher chose a bigger sample size to win confidence desired and make the study representative. However, the use of targeted sampling undermines the degree of representation the study possesses.

Oludimu (1983) set out with the objective of assessing some of the factors which influence the levels of demand for institutional credit in the rural sector of Nigeria. A survey of 70 farmers from 7 local government areas in Ibadan was carried out. The farmers interviewed were randomly selected from those who had applied for and received credit from the Oyo State Investment and Credit Corporation between 1976 and 1981.

Shittu (2010) attempted to assess banking behaviour among rural households in South - West Nigeria. He employed a multi-stage sampling method. The first stage of the sampling involved the random selection of two (2) of six south-western states (Ekiti and Oyo states). The second stage involved the division of the States into senatorial and selection of two (2) Local governments areas in each senatorial district of the two states. The third stage involved random selection of two (2) rural communities in each Local Government Area. At the final stage, ten (10) rural households were selected in each rural community. A total of 300 questionnaires were administered (i.e. Ekiti = 120, Oyo state = 180) and 274 questionnaires were returned. He employed the use of well-structured questionnaire in the data collection. Also open discussion, interviews as well as physical observation were used to complement the data for accuracy and reliability. The sampling instruments involved socio-economic characteristics of the respondents, choice of banking methods and attitude of respondents towards conventional banking. The data obtained from the respondents were subjected to descriptive and inferential statistical analysis. Inferential statistics such as probit regression was employed to determine the choice of mobile bankers as the banking methods of the rural households and also to determine the choice of unorganized/informal banking system as the banking method.

3.4. EMPIRICAL LITERATURE REVIEW

Oludimu (1983) set out with the objective of assessing some of the factors which influence the levels of demand for institutional credit in the rural sector of Nigeria. Evidence from the study seems to point to the fact that the larger-scale operators with huge returns from bigger hectares continue to have greater credit needs which are largely being met. Results of his analysis revealed that, if proper care is not taken, the vicious cycle of low income, low farm size, low level of farm inputs, low scale of operations and low farm returns that presently afflict many farmers in the rural areas, would not be broken. One major problem with his study was the total concentration on the farmers while neglecting individuals in other forms of occupation.

Oladeji and Ogunrinola (2001) examined the determinants of informal savings in south-western Nigeria. They found that the bulk of savings of the respondents were not to be found in commercial banks or recorded in official documents. They rather patronised the informal financial institutions for such savings. They discovered that in the south-western part of Nigeria, low income earners have the desire to save and they do save. The result of their findings also showed that age and income exercised significant impact on the savings behaviour in the informal sector. It was also discovered that the marginal propensity to save in the informal financial sector is positive, less than one, that marginal propensity to save is lower than average propensity to save in the informal sector. The results also showed that the self-employed, the less educated and the rural population identified more with informal savings and also have a higher savings ratio than other groups.

Soyibo (1996) showed that, in spite of financial liberalisation, the volume of business in the informal financial sector has been on the increase in Nigeria. It also showed evidences that some informal operators use formal sector interest rates as a reference point for charging higher rates. This contradicted the hypothesis of interest-rate convergence between the formal and informal sectors as a result of liberalisation. It would appear that the existence of the informal financial market depends on other factors besides policies of financial repression in the formal sector. The study also discovered most of the informal operators have bank accounts because of the need to ensure safety of deposits and earning of interest.

Peace (2012) examined small savings and credit schemes and financial accessibility in Rural Areas, using Mitaana Sacco as a case study. Mitaana Sacco is a savings and credit scheme in Nyakagyeme – a sub county in Rukungiri district, Uganda. The study concluded that the establishment of a small credit and savings scheme has played a positive role on the development of a rural place of Nyakagyeme and that the small credit and Savings scheme of Mitaana has led to increased rural financial accessibility in Nyakagyeme. The study also reiterated that the rural people of Nyakagyeme who have accessed financial services from Mitaana SACCO have used them well and got profits which improved their financial status and hence improved their standards of living.

Oloyede (2008) examined informal financial sector, savings mobilization and rural development in Nigeria using Ekiti state as a case study. A majority of the group (58.6%) patronized the informal financial sector as opposed to the formal and many respondents claim to utilize more than one mechanism, the most popular being the Ajo group while money lending was discovered to be declining in importance. The study further concluded that funds mobilized are effectively allocated to such activities as trading, farming, financing of formal education, etc., It was further discovered that the major problems besetting the effective performance of informal financial institutions include utter neglect and lack of official recognition of their activities, poor or inadequate capital base for effective operation, poor record keeping or crude accounting systems and gross mismanagement or embezzlement of funds by the managers or leaders.

Park and Ren (2001) studied the performance of Chinese rural finance program and found that the majority of the respondents 63%, 71% and 97% in government, mixed and NGO programs respectively reported that the program has brought an increase to their household consumption.

Adebayo (1992) examined the pre-Colonial Institutional frameworks for moneylending and loan Repayment among the Yoruba. He discovered that by the time of British conquest and colonial rule, the Yorubas had developed a variety of credit institutions ranging from the interest free funds from ROSCAs, to loan markets based on kinship but which were also guided by the 'capitalist' goals of profit making and accumulation.

Jerome (1991) showed that there is a general reluctance on the part of rural populace especially among illiterates to make use of the services provided by the organised financial system. The reasons attributed are the cumbersome procedures operating in these institutions coupled with distrust. Little linkages, according to him, exist between these associations and the organised financial sector as none of the nine ROSCAs surveyed is accessible to institutional sources of finance. Interest rates were found to be unprecedentedly high and often usurious. The survey revealed that members used a large part of funds received for clearly productive investments such as the purchase of fertilizers, farm improvements, establishment of cottage industries etc. Among the clearly less productive uses mentioned by participants were spending on education, consumer goods and medical expenses. The non-productive uses mentioned were spending on ceremonies including funerals, bride wealth, parties and other entertainments.

Udry (1990) established that nearly all loans are transacted within the village or kinship group. The transactions appear to be extremely informal; they generally occur in private with no witnesses or written record. Although the borrower and lender negotiate the size of loan, most transactions are carried out without setting an explicit (nominal) interest rate or repayment date. The simplest and most direct penalty for a default is the exclusion of the defaulter from future opportunities to borrow from the lender. Alternative mechanisms for enforcing credit obligations are available by means of appeal to the community authorities.

The study showed evidences of free information flow between lenders and borrowers, as 92% of all loan transactions are contracted within the same village. Moreover, there is no indirect evidence of information asymmetries. The use of collateral is relatively unimportant; only 3% of loans reported using collateral, usually land. The study also showed no evidence of inter-linkage of the credit market with land, labour or product markets. Credit contracts were also shown to play a vital role in risk pooling in the area surveyed; the repayment owed by the borrower being dependent on the absorption of production and consumption shocks by both borrower and lender

Adeyemo and Bamire (2005) carried out a study on Savings and Investment Patterns of Cooperative Farmers in South-western Nigeria. The study was undertaken in four South Western states – Ekiti, Ondo, Osun, Oyo states. The study discovered that farmers increase their savings, as they grow old. Income, loan repayment and amount borrowed for the farm business significantly influenced the savings patterns of cooperative farmers in South Western Nigeria. The result of their study also showed that the investment pattern of cooperative farmers are influenced by income, age, farming experience and amount of borrowed fund in Ekiti state; family size and amount borrowed in Ondo state; income, loan repayment and amount borrowed in Osun state; and income and loan repayment in Oyo state.

Oladeji and Ogunrinola (1990) noted the assistance of the traditional financial institutions in mobilizing savings and dispensing credits among people with small incomes particularly in the rural sector. Specifically noting the roles of the Rotating

Savings and Credit Association (ROSCA), the authors elicit information on its form and the motivating factors for its patronage. Nevertheless, the study fails to make a survey of the available strategies for managing the inequality and loss associated with the scheme. Besides, the study fails to show empirically the effects of ROSCA on investment behaviour and capital formation in the contemporary Nigerian sector.

Oke et al. (2007) examined the factors that influence repayment of microcredit among members of Country Women Association of Nigeria (COWAN) and Federal Agricultural Development Unit (FADU) in Ondo and Oyo States of Nigeria respectively. They found that 88% of COWAN members repaid more than 70% of their loans on or before the due date while 90% of FADU borrowers paid their loan as and when due. They reported that a kilometre increase in the distance of bank to the clients reduces repayment of loans by 0.92%. This is significant and the closer a bank is to a client; the quicker it is for loan repayment to be made. The study found that loan repayment increased by 0.27% based on additional naira loan, indicating that the programs clients have more capacity to accommodate more loans to increase their productivity and earnings. They suggested that any delay in disbursing credit also reduces a client's ability to repay loans to the extent that any disbursement delay for a day may result to 0.98% reduction in repayment. Their conclusion is that members of FADU are credit worthy and COWAN members had easy access to loan facilities but the poorer a client is, the more difficult it is for him/her to repay. The reasons for selecting COWAN in Ondo State and FADU in Oyo State was not stated. The researchers, also, omitted their data collection methods.

Shitu (2010) attempted to assess banking behaviour among rural households in South - West Nigeria. The finding shows that a large percentage of the respondents are undecided about higher volume of loan released by convectional banks and loan accessibility without stress in convectional banks. Also, larger percentage of the respondents feel that convectional banks are far away from rural households and interest rate on loan in convectional banks is high. This may be the reasons for their low level of patronage. The choice of mobile bankers (Ajo) can be determined by their, age, years of formal education, savings in convectional banks, marital status, and traditional leadership.

Oluyombo (2012) examined the role of cooperative societies in rural finance with evidences from Ogun State, Nigeria. Oluyombo (2010) shows an increase in the acquisition of household and enterprise assets of members of the cooperative societies resulting from their participation in the society. This is reiterated by the physical capital aspect of the social capital theory. Furthermore, the financial capital in the theory also explains the result of the increase in household income among the participants. However, an increase in financial capital through enterprise profitability was not found and this may be because profits realised are spent rather than being re-invested. However, according to Oluyombo (2010), a lack of increase in enterprise profitability does not contradict the explanatory power of the social capital theory.

3.5 THEORETICAL FRAMEWORK

Evidence obtained from the literature (Anderson et al. (2002), Jainaba et al. (2005), Basargekar, 2010; Oluyombo, 2012) shows that the social capital theory could be relevant to this study. Therefore, for the purpose of this study, the social capital theory would be adopted as the theoretical framework.

3.5.1 The Social Capital Theory

The social capital theory originates from social capital which was defined by the World Bank (1998: 2) as the institutions, the relationships, the attitudes and values that govern interactions among people and contribute to economic and social development. Social capital has to do with the relationship that exists among people which is expected to lead to social and economic development.

. The social capital theory postulates that when people act or function in a group as in a cooperative society or self-help group (like the Ajo/Esusu clubs), it leads to the socio

-economic development of the individuals in the group, group and the immediate community where such group operates from. Social development is the improvement in relationship between people while the economic development is divisible into two parts as improvement in financial condition and physical progress such as material acquisition and financial resources (Jainaba et al, 2005).

According to Henry and Schimmel (2011), financing arrangements are meant to meet members' financial, economic and social needs. The economic needs can be met through the financial and physical benefits derived by the members, while social needs relate to social benefits. Physical capital includes material items and products that can be seen or touched and which shows an improvement in standard of living (Calkins and Ngo, 2005). The use of the theory relates to the development of social, financial and physical capital of individuals who are participants of a Yoruba financing arrangement. This is perceived to enhance the social capital of the community where people participate in financing.

Anderson et al. (2002) suggests that social capital is not the main focus of finance providers but, a by -product of their services which may be attained or not. However, Anderson et al. (2002) identified three main applications for the use of the social capital theory. One is where rural finance is given to poor people in order to improve their business activities. Another is where services are deployed through groups and the last is where the program focuses on females alone.

Also, Basargekar (2010) offered four reasons why researchers use social capital theory to determine the theoretical implication of rural finance program. They include: where the program is used for females; where the program operates in group, to be able to analyse the impact of the program on a community; and where loans are given for enterprise use. This study focuses on the financial and physical capital that is made possible by participating in financing arrangements. The implications of social capital theory imply the existence of physical, financial and social benefits that accrue to people when they participate in a financing network.

The theory simply states that membership of an association would lead to increase in economic condition. The more the finance one receives, the more he is able to invest in socio – economic project, the more the increase in his socio – economic condition.

3.5.2 Critique of the Theory

A major critique of the use of social capital theory claimed that it will be very difficult to guarantee a common future of the individuals in a group. Also, trust in a group, as regards adequate loan repayment cannot be ascertained. The social capital theory assumes that, what happens to a group will affect the community. However, where the majority people in the community do not belong to such group, this assumption may not hold.

Anderson et al. (2002) affirm that the ability of finance program to create new social capital would be difficult to ascertain as financial providers build on existing social capital among the participants through the group. Prior to the delivery of the rural finance services, societal ties are already in existence. Therefore the social capital that comes from community social ties may not be the effect of the program.

CHAPTER FOUR

EMPIRICAL ANALYSIS

4.0 INTRODUCTION

This chapter contains the methodology and all the relevant analysis peculiar to this study. The chapter begins with a model specification based on the Social Capital Theory. Analysis is then done to determine the factors affecting financial capital using the Social capital theory. The chapter also contains descriptive statistics.

4.1 MODEL SPECIFICATION

The Social Capital theory indicates that membership of a self-help group (Ajo/Esusu or Cooperative societies) would lead to an increase in the social capital. According to Oluyombo (2012), social capital has three variants namely: the physical capital, the financial capital and social capital itself.

Social capital = f (Membership of an Association).

For the purpose of this study, the financial capital would be regarded as the dependent variable as physical capital and social capital are relatively difficult to quantify. However, other variables would be included to examine their influence on the size of financial capital an individual possesses.

With the Social Capital theory as the theoretical framework, the model to be used for the study is as follows:

$$AOFC = f\,(MOA, INC, INT, AGE, LRP, LAP, NOE)$$

$$AOFC = B_o + B_1(MOA) + B_2(INC) + B_3(INT) + B_4(LRP) + B_5(LAP) + B_6(NOE) + E_1$$

where AOFC is the amount of financial capital

MOA is dummy variable representing Membership of an Association. (Ajo/Esusu or Cooperative societies =1, Others = 0)

INC is income

INT is the interest rate on finance sought

LRP is the loan repayment period

LAP is the loan approval period

NOE is dummy variable representing Nature of Employment. (Self-employed =1, Others=0)

B = Coefficient

E_1 = Error term.

4.1.1 A PRIORI EXPECTATION

From the social capital theory, membership of an association/self-help group should lead to an increase in the amount of financial capital and therefore an increase in the social capital of an individual. Hence, there should be a positive relationship between membership of an association (MOA) and Amount of Financial Capital (AOFC). Similarly, the more the income of an individual, the more the financial capital he would possess. Also, longer the loan repayment period, the more financial capital would be sought. The longer the loan approval period, the lower the amount of finance sought.

4.2 METHODOLOGY AND ANALYTICAL TECHNIQUE

The data obtained from the respondents were subjected to descriptive and inferential statistical analysis. Inferential statistics such as ordinary least square regression and probit regression were employed to determine the factors affecting amount of finance sought and to determine the factors that influence the choice of Yoruba financing arrangement respectively.

Ordinary Least Square method helps to estimate the expected or mean value of the dependent variable given the values of the independent variables. The independent variable could be both quantitative and qualitative.

In models where the dependent variable is qualitative, the objective would be to find the probability of the variable occurring. Hence, qualitative response regression models are often known as *probability models.* There are three approaches to developing a probability model for a binary response variable: the linear probability model (LPM), the logit model, the probit model. The probit regression technique was used in the work of Shitu (2010) and Lawal and Abdullahi (2011)

4.2.1. METHODOLOGY

Methodology can be defined as the procedures and methods employed during the course of research study. It is a body of knowledge that describes and analyses methods indicating their limitation and resources, clarifying their presupposition and consequences and relating their potentials to research advances (Miller, 1991). It is also regarded as a set of principles guiding the performance of a particular activity.

This section encompasses area of study, sampling techniques, method of data collection, sample size, test for validity and reliability of instruments and method of data analysis

4.2.2. AREA OF THE STUDY

The study was carried out in Ibadan North local government - a local government in Oyo State. It is a location densely populated with Yoruba people. According to the National population census of 2006, the Zone has a total population of 306,795 and a land area of 27km^2.

4.2.3. SAMPLING TECHNIQUES AND SAMPLE SIZE

Sampling techniques are methods of selecting the samples from the population (Omirin, 2008). The multi-stage sampling technique, albeit non – probabilistic, was used in the course of the study. A multi-stage sampling technique involves many stages and gives opportunity to reach the actual subject of a sample directly. The non – probabilistic element represents the purposive choice of the location used in the study. This as explained earlier was as a result of the time and financial constraint faced by the researcher.

A total number of 100 individuals were selected during the course of the study. South-western zone of Nigeria has six (6) States; the first stage of the sampling technique involved the random selection of one of the six states (Oyo state). The second stage involved selection of one Local Governments area in the state (Ibadan North local government area). A total of 100 questionnaires were administered. All questionnaires were returned as they were personally administered by the researcher.

4.2.4. METHOD OF DATA COLLECTION AND SAMPLING INSTRUMENTS

Primary data was employed in the course of the study. This was done by the use of well - structured questionnaire. A sizeable number of the respondents could not understand the questions, therefore the researcher had to interpret the questions into Yoruba and fill in the responses. The sampling instruments included socio-economic characteristics of the respondents, types of projects undertaken, various financing methods used, existence and practice of Yoruba financing arrangements in the contemporary society.

4.3. PRESENTATION AND ANALYSIS OF DATA

4.3.1 SOCIO - ECONOMIC STATUS OF THE RESPONDENTS

The result of the socio-economic characteristics of the respondents are analysed and presented below. The socio-economic characteristics of respondents considered include Age of the respondents, Gender of the respondents, marital status of the respondents, Religion of the respondents, educational status of the respondents, household size.

Table 4.1 : Frequency distribution by Gender.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	47	47.0	47.0	47.0
	Male	53	53.0	53.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

From table 4.1 above, it can be seen that 47% of the respondents were female while 53% were male. This shows that both facets of gender were adequately represented in the sampling pool.

Table 4.2.: Frequency distribution by Age of the respondents.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 20	7	7.0	7.1	7.1
	21-40	48	48.0	48.5	55.6
	41-60	34	34.0	34.3	89.9
	Above 60	10	10.0	10.1	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

SOURCE: FIELD SURVEY 2015

From the table above, it can be seen that 48.5% of the respondents fall within the age category of 21 – 40, while 34.3% fall within the 41 – 60 category. 10.1% and 7.1% fall within the above 60 and below 20 categories respectively.

TABLE 4.3. Frequency Distribution Of Respondents By Marital Status

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Single	21	21.0	21.0	21.0
	Married	73	73.0	73.0	94.0
	Separated	3	3.0	3.0	97.0
	Divorced	3	3.0	3.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

Table 4.3 shows that 73% of the respondents are married while 21% are still single and 6% are either separated or divorced.

TABLE 4.4: Frequency Distribution Of Respondents By Level Of Education.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	None	8	8.0	8.0	8.0
	Primary level	14	14.0	14.0	22.0
	Secondary level	31	31.0	31.0	53.0
	Tertiary level	47	47.0	47.0	100.0
	Total	100	100.0	100.0	

47% of the respondents, from Table 4.4., are graduates of tertiary institutions while 53% are either non- educated, primary school graduates or secondary school graduates.

Table 4.5: Frequency distribution of respondents by level of income.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below N5,000	5	5.0	5.0	5.0
	N(5,001-20,000)	36	36.0	36.0	41.0
	N(20,001-50,000)	30	30.0	30.0	71.0
	N(50,001-100,000)	18	18.0	18.0	89.0
	Above N100,000	11	11.0	11.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

Table 4.5 above shows that 41% of the respondents get at most N20,000 in a month while 29% earn at least N50,000 in a month. Also, 30% of the respondents earn between N20,000 and N50,000.

TABLE 4.6 : Frequency Distribution Of Repondents By Family Type.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Monogamous	88	88.0	88.0	88.0
	Polygamous	12	12.0	12.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

From Table 4.6, 88**%** of the respondents are from a monogamous family while 12% are from a polygamous family.

TABLE 4.7: Frequency Distribution Of Respondents By Family Size

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 – 4	45	45	45.9	45.9
	5 – 8	51	51	52.6	98.5
	Above 8	2	2.0	1.5	100.0
	Total	98	98.0	100.0	
Missing	System	2	2.0		
Total		**100**	**100.0**		

SOURCE: FIELD SURVEY 2015

Table 4.7 shows that 54.1% of the respondents have a family size of more than 4 people while 45.9% have a family size of less than 4.

TABLE 4.8: Frequency distribution of respondents by nature of employment

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Public Service	21	21.0	21.0	21.0
	Private sector	29	29.0	29.0	50.0
	Self-Employment	50	50.0	50.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

Half of the respondents, shown in table 4.8, are self-employed while the other half are either employed in the private sector or public sector.

TABLE 4.9: Frequency Distribution Of Repondents By Religion.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Christianity	47	47.0	47.0	47.0
	Islam	51	51.0	51.0	98.0
	Traditional religion	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

The table 4.9 above shows that about 51 percent of the respondents are Muslims while 47 percent practice Christianity and 2% engage in Traditional Religion.

4.3.2. PROJECT UNDERTAKEN BY THE PEOPLE OF YORUBA AND THE WILLINGNESS TO TAKE LOANS

TABLE 4.10: Frequency Distribution Of Respondents By Willingness To Take Loans.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	64	64.0	64.0	64.0
	No	36	36.0	36.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

From the survey carried out as shown in the table above, 64% of the respondents have taken/plan to take loans while 34% do intend to . The major reason stated for the reluctance to take loans was the fear of default in repayment of the loan. Some also indicated that they felt they were in no need of loans.

TABLE 4.11 Table Showing Types Of Project Undertaken By Respondents.

Type of Project undertaken/ How Loans are employed?	Number(%)
Social Functions	19
Buy Land/Build House	23
Business or purchase of business equipment	56
Sponsoring self/children education?	35
To meet emergency situations	28
Buy Consumer durables	23
For Consumption purposes	16

SOURCE: FIELD SURVEY 2015

From the table 4.11above, 56% of the respondents indicated that they used loans obtained to finance their business. 35%, 28%, 23% and 23% used the loans to finance self/child education, contingencies, purchase land/ build house and purchase consumer durables respectively. 19% and 16% used the loans for social functions and consumption purposes respectively.

4.3.3 FINANCING PATTERNS AMONG YORUBA PEOPLE.

TABLE 4.12: FREQUENCY OF RESPONDENTS BY CHOICE FINANCING PREFERENCE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Personal Savings	31	31.0	31.0	31.0
	Loans from Banks	9	9.0	9.0	40.0
	Loans from friends, family and close relatives	6	6.0	6.0	46.0
	Loans from Money lenders	2	2.0	2.0	48.0
	Loans from Ajo/Esusu clubs	27	27.0	27.0	75.0
	Loans from Cooperative Societies	25	25.0	25.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

From the table 4.12. above, it would be seen that 31% of the respondents prefer to use their personal savings to finance whatever projects they want to undertake. 27% of the respondents rely on Ajo/Esusu clubs for project financing while 25% rely on loans from Cooperative societies.

Further Analysis as shown in the table below indicates that respondents in the public service use loans from Cooperative societies in financing projects. Also, 23 out of 50 self-employed respondents rely on their personal savings for the financing of projects.

TABLE 4.13: Cross Tabulation Showing Choice Method Of Financing And Nature of Employment.

		Nature of Employment			
		Public Service	Private sector	Self – Employment	TOTAL
Method of financing	Personal Savings	0	8	23	31
	Loans from Banks	6	1	2	9
	Loans from friends, family and close relatives	0	2	4	6
	Loans from Money lenders	0	1	1	2
	Loans from Ajo/Esusu clubs	1	11	15	27
	Loans from Cooperative Societies	14	6	5	25
Total		21	29	50	100

SOURCE: FIELD SURVEY 2015

Table 4.14: Cross tabulation Showing The Relationship Between Method Of Financing And The Level Of Education.

		Level of Education				Total
		None	Primary level	Secondary level	Tertiary level	None
Method of financing	Personal Savings	5	3	12	11	31
	Loans from Banks	0	0	1	8	9
	Loans from friends, family.	1	1	2	2	6
	Loans from Money lenders	1	0	1	0	2
	Loans from Ajo/Esusu clubs	1	10	11	5	27
	Loans from Cooperative Societies	0	0	4	21	25
Total		8	14	31	47	100

SOURCE: FIELD SURVEY 2015

The table 4.14 shows that 42 out of 51 respondents with at most a Secondary level of education prefer using their personal savings and loans from Ajo/Esusu clubs. 10 out of 14 respondents with the primary level of education prefer the loans from Ajo/Esusu clubs.

TABLE 4.15. Frequency Distribution By Amount Of Finance Received.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below N20,000	27	27.0	27.0	27.0
	N(20,001-50,000)	32	32.0	32.0	59.0
	N(50,001-100,000)	28	28.0	28.0	87.0
	Above N100,000	13	13.0	13.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

From the table above, 60% of the respondents received finance of a sum between N20,000 and N100,000 . Further analysis as shown in the table below indicate that 7 out of 13 (56%) above N100,000 finance received were issued out by banks. Also, 37% of 20,001 – 100,000 finance were issued out by Cooperative societies.

TABLE 4.16: Cross-Tabulation Showing Relationship Between Method Of Financing And Amount Of Finance Received.

		AMOUNT OF FINANCE RECEIVED				TOTAL
		Below N20,000	N(20,001-50,000)	N(50,001-100,000)	Above N100,000	
Method of financing.	Personal Savings	19	6	3	3	31
	Loans from Banks	0	1	1	7	9
	Loans from friends, family and close relatives	2	4	0	0	6
	Loans from Money lenders	0	1	1	0	2
	Loans from Ajo/Esusu clubs	6	13	8	0	27
	Loans from Cooperative Societies	0	7	15	3	25
Total		**27**	**32**	**28**	**13**	**100**

SOURCE: FIELD SURVEY 2015

TABLE 4.17: Satisfaction Of Respondents From Financing Methods

Was the amount received sufficient to finance the project?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	73	73.0	75.3	75.3
	No	24	24.0	24.7	100.0
	Total	97	97.0	100.0	
Missing	System	3	3.0		
Total		100	100.0		

SOURCE: FIELD SURVEY 2015

73% of the respondents believe that the finance they received was sufficient to finance their projects while 24% were not. Further analysis as shown in the table 4.18 below indicates that 50% of respondents that obtained loans from the bank were not satisfied with the amount of finance received while 30% and 29% of Ajo/Esusu and cooperative society's patronisers were not satisfied.

TABLE 4.18: Cross-tabulation showing the relationship between method of financing and the satisfaction of respondents.

		Was it sufficient to finance the project?		Total
		Yes	No	
Method of financing	Personal Savings	22	7	29
	Loans from Banks	6	3	9
	Loans from friends, family and close relatives	5	1	6
	Loans from Money lenders	2	0	2
	Loans from Ajo/Esusu clubs	20	6	26
	Loans from Cooperative Societies	18	7	25
Total		73	24	97

SOURCE: FIELD SURVEY 2015

4.3.3.1 SAVINGS HABIT OF RESPONDENTS

TABLE 4.19: Do you think saving is necessary?

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	98	98.0	98.0	98.0
	No	2	2.0	2.0	100.0
	Total	100	100.0	100.0	

SOURCE: FIELD SURVEY 2015

98% of the respondents believe saving is necessary while only 2% did not believe. The major reason indicated was that they were too old to save.

4.3.3.1.1 PREFERRED METHOD OF SAVING BY RESPONDENTS.

TABLE 4.20: Table Showing The Preferred Saving Method Of Respondents.

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Bank	43	43.0	43.4	43.4
	Ajo/Esusu	36	36.0	36.4	79.8
	Cooperative Society	10	10.0	10.1	89.9
	Keeping money at home	10	10.0	10.1	100.0
	Total	99	99.0	100.0	
Missing	System	1	1.0		
Total		100	100.0		

SOURCE: FIELD SURVEY 2015

43% of the respondents prefer the use of Banks as a method of financing while 36% preferred using the Ajo/Esusu medium. 20% of the respondents prefer to save either at home or with a cooperative society.

TABLE 4.21: Cross tabulation Showing The Relationship Between Preferred Saving Method And Financing Method

		SAVING METHOD				Total
		Bank	Ajo/Esusu	Coop. Society	Home	
FINANCING METHOD	Personal Savings	13	12	0	6	31
	Loans from Banks	6	0	3	0	9
	Loans from friends, family and close relatives	2	0	0	3	5
	Loans from Money lenders	1	0	0	1	2
	Loans from Ajo/Esusu clubs	5	22	0	0	27
	Loans from Cooperative Societies	16	2	7	0	25
TOTAL		43	36	10	10	99

FIELD SURVEY 2015.

From the table above, 22 out of 36 (61%) respondents that save using the Ajo/Esusu medium are able to receive finance from the programme while 5 out of 43 (11.6%) respondents that use banks are able to. This revelation underscores the efficiency and reliability of the Yoruba financing arrangement.

TABLE 4.22: Correlation Between Income And Amount Of Finance.

		Monthly Income	Amount of finance
Monthly Income	Pearson Correlation	1	.744(**)
	Sig. (2-tailed)		.000
Amount of finance	Pearson Correlation	.744(**)	1
	Sig. (2-tailed)	.000	

** Correlation is significant at the 0.01 level (2-tailed).
Author's computation using SPSS15.

The table above uses the Pearson Correlation coefficient in an attempt to show relationships between the variables (income and amount of finance). From the table above, it can be seen that the income and amount of finance sought has a strong positive relationship (r = 0.74).

TABLE 4.23: Frequency distribution of respondents by statements on the relative ease of Yoruba financing methods.

Frequency distribution of respondents by statements on the relative ease of Yoruba financing methods					
	Easy	Not Sure	Difficult	Missing	TOTAL
Relative to banks, how would you describe joining the Yoruba financing arrangements?	86	6		8	100
Relative to banks, how would you describe saving in the Yoruba financing arrangements?	86	7		7	100
Relative to banks, how would you describe withdrawing money saved in the Yoruba financing arrangements?	54	28	11	7	100
Relative to banks, how would you describe obtaining loan from the Yoruba financing arrangements?	57	27	8	8	100
Relative to banks, how would you describe repayment of loans to the Yoruba financing arrangements?	59	31	2	8	100

SOURCE: FIELD SURVEY 2015

From the table above, 86% believe joining and saving in the Yoruba financing arrangement is easy. 54% and 57% of the respondents believe withdrawing money saved and obtaining loan from the arrangement is easy respectively. Though 31% were not sure about the relative ease of repaying back a loan, 59% believe it is easy.

TABLE 4.24: Frequency Distribution Of Respondents By Statements On The Existence, Practice And Importance Of Yoruba Financing Arrangements.

Frequency distribution of respondents by statements on the existence, practice and importance of Yoruba financing arrangements.						
Statements	SA	A	N S	D	SD	Missing
1. Availability of financing arrangements has led to an increase in the success rate of project development.	32	60	7	1	0	
2. Yoruba financing arrangements supports low income groups.	50	39	6	2	3	
3. Yoruba financing arrangements mobilise sufficient funds for its members.	41	50	5	2	2	

4. Yoruba financing arrangements are the source of revenue which small investors use to finance their social economic projects.	28	44	4	14	10	
5. Yoruba financing arrangements provide advisory services to its members.	18	22	18	36	6	
6. Conventional banks loans attract higher interests.	36	41	15	5	0	3
7. Form filling in conventional banks is discouraging.	50	43	5	2		
8. Loan processing under Yoruba financing arrangements is simple and easy.	38	50	6	6		
9. Yoruba financing arrangements require collateral security for a loan.	6	8	19	29	38	
10. Yoruba financing arrangements give a favourable credit period to borrowers.	22	51	22	5		
11. Yoruba financing arrangements are easily accessible and	27	61	10	2		

approachable.						
12. Conventional banks release higher volume of loan at a time.	20	21	28	25	6	
13. Small amount of loans are available in unorganized financial institutions	11	25	38	24	2	
14. Involvement in Yoruba financing arrangements has improved the investment culture of the Yoruba people.	41	51	8			
15. Increased access to financing can lead to improvement in the standard of living.	61	34	5			

SOURCE: FIELD SURVEY 2015

From the table above, 92% either strongly agree or agree that availability of financing arrangements has led to an increase in the success rate of project development. Likewise, 89% either strongly agree or agree that Yoruba financing arrangements supports low income groups. 41% and 50% strongly agrees and agrees respectively that Yoruba financing arrangements mobilize sufficient funds for its members. 28% and 44% strongly agrees and agrees respectively that Yoruba financing arrangements are the source of revenue which small investors use to finance their social economic projects.

40% either strongly agree or agree that Yoruba financing arrangements provide advisory services to its members while 42% strongly disagrees or disagrees.

Similarly, 77% either strongly agree or agree that conventional banks loans attract higher interests. 93% either strongly agree or agree that form filling in conventional banks is discouraging. 88% either strongly agree or agree that loan processing under Yoruba financing arrangements is simple and easy. 67% either strongly disagree or disagree that Yoruba financing arrangements require collateral security for a loan. 73% either strongly agree or agree that Yoruba financing arrangements give a favourable credit period to borrowers. 27% and 61% strongly agrees and agrees respectively that Yoruba financing arrangements are easily accessible and approachable.

Furthermore, 41% either strongly agrees or agrees that conventional banks release higher volume of loan at a time while 28% are not sure and 25% disagrees. 36% either strongly agrees or agrees that small amount of loans are available in unorganized financial institutions while 38% are not sure and 24% disagrees. To add to this, 41% and 51% strongly agrees and agrees respectively that involvement in Yoruba financing arrangements has improved the investment culture of the Yoruba people. 61% and 34% strongly agrees and agrees respectively that increased access to financing can lead to improvement in the standard of living.

4.3.4 ORDINARY LEAST SQUARE ESTIMATION OF THE MODEL

This analysis is done to estimate the parameters of the specified model.

With the Social Capital theory as the theoretical framework, the specified model is as follows:

$$AOFC = f\,(MOA, INC, INT, AGE, LRP, LAP, NOE)$$

$$AOFC = B_o + B_1\,(MOA) + B_2\,(INC) + B_3\,(INT) + B_4\,(LRP) + B_5\,(LAP) + B_6\,(NOE) + E_1$$

where *AOFC* is the amount of financial capital

MOA is dummy variable representing Membership of an Association. (Ajo/Esusu or Cooperative societies =1, Others = 0)

INC is income

INT is the interest rate on finance sought

LRP is the loan repayment period

LAP is the loan approval period

NOE is dummy variable representing Nature of Employment. (Self-employed =1, Others=0)

B = Coefficient

E_1 = Error term.

Table 4.25: Result of Ordinary Least Square Regression on Model I.

Variable	Coefficient	Probability
C	19414.89*	0.0072
MOA	8351.655***	0.0930
INC	0.475269*	0.0007
INT	212.5663	0.4891
LRP	438.4487**	0.0247
LAP	361.7188**	0.0328
NOE	6647.368	0.2643
R-squared	0.582313	
Adjusted R-squared	0.541891	
Durbin-Watson stat	1.726597	

* Statistically significant at 1% level
**Statistically significant at 5% level
*** Statistically significant at 10% level
SOURCE: Field Survey 2015.

4.3.4.1. INTERPRETATION/DISCUSSION OF RESULT

The intercept is significant at 1% level of significance and shows that the estimated average amount of financial capital held by the Yoruba is about ₦19, 415.

Membership of a financing arrangement is significant at 10% level of significance. This means that an individual that is in a self-help group like the Ajo/Esusu or cooperative society would witness an increase in the financial capital possessed. This finding conforms to the social capital theory. From the study, the average value of financial capital held by individuals in a self-help group is ₦ 27,767.

Income is significant at 1% level of significance and has a positive influence on the amount of finance invested. This matches a priori expectation. A ₦ 1 increase in the amount of income would lead to a 48k increase in the amount of finance sought. This further underscores the strong positive correlation between income and amount of finance recorded in table 4.22.

Interest is not significant, which implies that it does not influence the amount of finance sought for. There should be a negative relationship. The reason behind this occurrence can be attributed to the low level of finance available in the informal financial sectors. The Yoruba financing arrangements, for example, charge no interest. One would expect more finance to be available in this method. However, this is not the case.

Loan repayment period is significant at 5% level of significance and has a positive influence on amount of finance. A 1 week increase in the period of time a loan has to be repaid is likely to lead to ₦ 438 increase in the amount of finance.

Loan approval period (LAP) is significant at 5% level of significance and it has a positive coefficient. However, there should a negative relationship between the loan approval period and the amount of financial capital sought because a long loan approval period will discourage individuals from obtaining loans. The reason for this should be similar to the reason advanced for the insignificance of interest rates. Though the Yoruba financing arrangements have shorter loan approval periods, there is a limit to the available amount of financial capital.

Nature of Employment (NOE) is insignificant in the determination of the amount of finance.

The result indicates an R-squared value of 58%, depicting that 58% of the variations in the amount finance sought are explained by the explanatory variables. If the adjusted R-Squared value is much lower than the R-Squared value, it is an indication that our regression equation may be over-fitted to the sample, and of limited generalizability. However, in this case, the values are close. Also, the Durbin Watson statistic shows that there is no cause for alarm as regards serial correlation in the model.

4.3.5. DETERMINANTS OF THE CHOICE OF YORUBA FINANCING ARRANGEMENTS

In an attempt to determine the factors influencing the choice of Yoruba financing arrangements, the study will adopt Shitu's (2010) mobile banker's model (Ajo ojoojumo) with some modifications. . The specified choice of mobile bankers' model for his study was as follows: $Y = f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9, X_{10}, X_{11})$

where Y is mobile bankers (Ajo ojoojumo, the dependent variable);$\mathbf{X_1}$ = Gender; $\mathbf{X_2}$ = Age**;** $\mathbf{X_3}$ = Household's size; $\mathbf{X_4}$ **=** Marital status; $\mathbf{X_5}$ **=** Year of formal education**;** $\mathbf{X_6}$ **=** Cash crop production; $\mathbf{X_7}$ **=** Arable crop production; $\mathbf{X_8}$ **=** Savings in conventional banks; $\mathbf{X_9}$ **=** Livestock production; $\mathbf{X_{10}}$ **=** Traditional leadership; $\mathbf{X_{11}}$ **=** Artisans.

According to Adebayo (1992), the mobile bankers represent another form of informal finance prevalent among the Yoruba people. Therefore, since this study focuses on Yoruba financing arrangements which are largely informal, the mobile banker variable would be replaced with the informal finance arrangements variable (Ajo/Esusu). The factors affecting its choice would then be examined. However variable X_6, X_7, X_9, X_{10},X_{11} would be eliminated from the model. This is because the variables are assumed to be of minimal importance with respect to this study.

4.3.5.1. MODEL SPECIFICATION II

The model to determine the choice of Yoruba financing arrangement would therefore be stated as follows:

FAEC= f (INC, INT, AGE, FMS,YSAV, SAV MS, SEX, NOE, REL).

$FAEC= B_o + B_1(INC) + B_2(INT) + B_3(AGE) + B_4(FMS) + B_5(YSAV) + B_6(SAV) + B_7(MS) + B_8(SEX) + B_9(NOE) + B_{10}(REL) + E_1$

where,

FAEC = Finance in Ajo/Esusu Clubs **(**the dependent variable). (Ajo/Esusu = 1, Others = 0)

INC = Income.

INT= Interest

AGE = Age (years).

FMS= Family size.

YSAV= Years of saving

SAV= dummy variable for choice saving method (Ajo/Esusu= 1, Others = 0)

MS= dummy variable for Marital status (married = 1, others = 0)

SEX= dummy variable for Gender. (female =1, non-female=0)

NOE= dummy variable for Nature of employment (Self-employed =1, non-self-employed = 0)

REL= dummy variable for Religion. (Christian=1 ,non-Christian =0)

B = Coefficient.

E_1 = Error term

4.3.5.2. PROBIT REGRESSION ESTIMATION OF THE MODEL

TABLE 4.26: Result of Probit Regression on Model II

Variable	Coefficient	Prob.
AGE	0.034500***	0.0945
INC	-2.40E-05**	0.0278
INT	-0.234802**	0.0270
MS	1.011322***	0.0712
NOE	-0.706955	0.1255
REL	0.201320	0.6458
YSAV	-0.054927***	0.0753
FMS	0.066280	0.6545
SAV	1.768546*	0.0000
SEX	-0.728991	0.1524
McFadden R-squared	0.520759	

*1% level of significance
** 5% level of significance
***10% level of significance.
SOURCE: Field Survey 2015.

4.5.3.3. INTERPRETATION/DISCUSSION OF RESULTS

Age: Age is significant and has a negative coefficient. This implies that the higher the age the lower the probability of patronising Yoruba financing arrangements. The significance shows that age is one of the socioeconomic characteristics that affect the choice of Yoruba financing arrangements. This matches the a priori expectation. This contradicts results obtained in the works of Shitu (2010) and Adeyemo and Bamire (2007).

Monthly Income: Monthly Income is significant at 5% level of significance and has a negative coefficient. This implies that the higher the income the lower the probability of patronising Yoruba financing arrangements. The significance shows that age is one of the socioeconomic characteristics that affect the choice of financing method. This contradicts the findings of Shitu (2010). This further reiterates the fact that Yoruba financing arrangements are designed for low income groups.

Interest: Interest is significant at 5% level of significance and has a negative coefficient. This depict that a lower interest rate is likely to lead to an increased probability of patronising Yoruba financing arrangements. This also empirically underscore that the Yoruba financing arrangements charge low interests.

Marital Status: Marital status is also significant (at 10% level of significance) and has positive coefficients. This implies that a married person has a higher probability of patronising Yoruba financing arrangements. The significance shows that marital status is one of the socio-economic characteristics that affect the choice of Yoruba financing arrangements. Similar results were obtained in the works of Shitu (2010).

Nature of Employment: The nature of employment variable is not significant and therefore, does not have any effect on the probability of choosing a Yoruba financing arrangement.

Religion: The religion variable is not significant and therefore, does not have any effect on the probability of choosing a Yoruba financing arrangement.

Years of Saving: The longer the years of saving of an individual, the lower the probability of patronising Yoruba financing arrangements. The variable is significant and depicts a negative relation.

Family size: The family size variable is not significant and therefore, does not have any effect on the probability of choosing Yoruba financing arrangement. In the work of Adeyemo and Bamire (2007), this variable was significant and had a negative influence on the choice of a Yoruba financing arrangement.

Saving Method: Saving method is significant at 1% level of significance and has a positive coefficient. This depicts that if a person uses the Ajo/Esusu method as his preferred saving method, there is a high probability that the person would choose that method as his choice financing method.

Sex: The sex variable is not significant and therefore, does not have any effect on the probability of choosing a Yoruba financing arrangement. This contradicts the findings of Shitu (2010) who discovered that females are more likely to use the Yoruba financing arrangement.

The McFadden R- squared of 52.7% also indicates that the specified model is a good fit for the data.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

The study examines project financing among the people of Yoruba. This chapter presents summary of the findings, conclusion and recommendations

5.1. SUMMARY OF CHAPTERS.

Chapter one introduced the term ‘project financing’ as the raising of capital for the development or execution of a particular project. The statement of the problem identified poverty, inadequate access to finance and the inefficiency of the formal financial system as problems faced by individuals and small enterprises in Nigeria. Most of the work that have be done in the area of informal finance in South-West Nigeria has focused on majorly on savings and investment. The aspect of how Yoruba people finance projects has been relatively untouched. This justifies the need for this study.

Chapter two examines the background to the study. The history of the Yorubas was explored from the various version; the mythological and migratory version. The socio-political and economic organisations were also explored. Trend showing an increase in the amount of finance sought for by the Yoruba was also shown.

Chapter Three examined the various literatures in this area. The theoretical framework was also specified to be the Social Capital Theory. The social capital theory postulates that when people act or function in a group as in a cooperative society or self-help group, it leads to the economic and social development of the group, individuals in the group and the immediate community where such group operates from.

Chapter Four includes the methodology, model specification and data analysis. Primary data was used in the course of the study. The data was obtained through the use of questionnaires. Descriptive and Inferential Statistics were used to analyse the data.

5.2. SUMMARY OF MAJOR FINDINGS

The research focused on project financing among the people of Yoruba. It tried to determine factors that influence the choice of Yoruba financing arrangements. A total of 100 respondents were selected for the purpose of the study.

The socio-economic characteristics of the respondents that were studied include age, sex, marital status, educational level, family size and religion. Based on the analysis of socio-economic characteristics of these rural households, it was discovered that there were more male respondents than female counterpart in the study area. It was also observed from the findings that higher percentages of the respondents are in their active age. A greater percentage of the respondents are married. Also, most of the respondents have attained education up to the secondary school level.

The study showed that about 36% of the respondents are not willing to take loans owing from the fear of defaulting and the believe that they are in no need of one. However, findings from the study show that loans sought for are used for productive purposes such as the purchase of equipment, purchasing of land/ building of house and sponsoring self-education. 81% of the respondents never used loans for social functions.

The study discovered that personal savings was the most preferred form of financing by the Yoruba. This was closely followed by the loans from Ajo/Esusu clubs and loans from Cooperative societies in that order. Loans from moneylenders are the least preferred. The findings also suggested that a large percentage of public service employed individuals patronised the cooperative societies for loan while self-employed individual would rather use their personal savings. Also, half of the respondents that sought loans from the Banks were not satisfied with the amount of loan received.

The findings from the study suggest that most people (43%) save in conventional banks while 36% save in Ajo/Esusu clubs. Furthermore, that a large proportion of individuals saving in the Ajo/Esusu clubs are able to source for loans from the club while very few individuals saving in the bank get loans from the bank.

Also, the finding shows that larger percentage of the respondents are not sure if large volume of loans are released by conventional banks and if loan are accessible without stress in conventional banks.

The study showed a strong positive relationship between income and amount of finance sought. The Pearson correlation coefficient of 0.74 was estimated. This underscores the importance of income in the undertaking of projects. With more income, individuals are able to undertake various kinds of projects.

The amount of finance sought by Yoruba people, according to the findings are determined by the membership in a self-help group, income, loan repayment period, loan approval period. Also, the choice of Yoruba financing arrangement as the preferred method is greatly influenced by monthly income, interest rate, marital status, years of saving, preferred saving method.

5.3. CONCLUSION

The contribution of the Yoruba financing arrangements to the Nigerian economy is quite significant. Based on the findings, it was revealed that Ajo/Esusu is the most preferred source of finance by individuals, after their personal savings. It was also discovered that formal financing methods are deficient in the provision of loans. This forms the bases for the low level of patronage despite the fact that conventional banks are reliable and trustworthy. The study also showed the increasing importance of Cooperative societies in the provision of finance in the country especially among the public service employees.

The study also underscored the importance of income for the development of projects. The excessive reliance on personal savings for project financing underscores the urgent need for improvement in the financial sector of the country. The use of personal savings shows the level of faith that individuals place in the system. A consistently reliable source of finance is needed to foster project development that would lead to economic development. The lower the income of individuals, the lower their investment in socio-economic projects. The strong correlation between income and amount of finance underscores this.

5.4. POLICY RECOMMENDATION

The preceding analysis has brought some findings that have implication to this study. Based on the findings the following recommendation is made to address the problem finance in Nigeria.

1. Yoruba financing arrangements should be strengthened through government intervention so as to guide their activities and ensure better security. This is one of the reasons why people have sought refuge in Cooperative societies which offer better protection for their funds.

2. Formal financials systems should relax their credit policies to ensure increased patronage.

3. Conventional banks should extend their operation unit to rural/uneducated individuals by making use of the Yoruba financing arrangements.

4. Cooperative societies show a lot of promise. However, the charging of interest on loans makes it a less preferable option to the Yoruba financing arrangements.

5. Commercial banks should introduce effective banking packages/programmes aimed at helping low or income groups, or better still, the microfinance bank framework should be improved.

6. Introduction of interest free and collateral free loans can help stimulate the level of investment in socio-economic projects. In pursuit of economic development, government can aim policies to this effect.

7. A positive correlation was recorded between income and amount of finance ($r = 0.74$). Therefore, government should aim its policies at improving the welfare of citizens through their wages. Provision of employment would be a good start.

5.5. LIMITATION OF THE STUDY

As with most undergraduate thesis, the major limitation faced in the course of the study was the time and financial constraint. This study would have been better using a longitudinal study.

Also, some of the respondents, due to illiteracy, could not understand the questions in the questionnaire. The questionnaire had to be interpreted to them in local Yoruba language and filled in by the researcher. Adequate caution was, however, taken to avoid bias. The entire process made data collection activities tedious and time consuming.

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APPENDIX 1

QUESTIONNAIRE

Dear respondents,

This is a research questionnaire aimed at collecting information on project financing among the people of Yoruba. Your response will enable the researcher to arrive at a conclusion for research purpose. It is strictly for academic purpose and your responses will be treated with optimum confidentiality.

SECTION A: PERSONAL DATA

1. Sex: Female ( ) ; Male ( )
2. Occupation: …………………………………………
3. Age: Below 20 ( ) 21-40( ); 41 – 60 ( ); Above 60( )
4. Nature of Employment: a) Public Service ( ), b) Private Sector ( ); c) Self Employment ( )
5. Marital status: Single ( ), Married ( ), Separated ( ); Divorced ( ); Widowed ( )
6. Monthly Income: ………………………………………
7. Level of Education : a) None ( ) b) Primary ( ) c) Secondary level ( ) d) Tertiary level. ( )
8. Type of Family: a. Monogamous ( ) b. Polygamous ( ) c. Others, Please specify ………………………….
9. Family Size: ………………………….
10. Religion: a.) Christianity ( ); b.) Islam ( ); c.) Traditional religion ( ); d.) Others, Please specify ……………………………………….

SECTION B: DIFFERENT TYPES OF PROJECTS UNDERTAKEN BY THE PEOPLE OF YORUBA.

1.) Do you take or intend to take loans? Yes ( ); No ( )

2.) If No, Why? ....

3.) If Yes, what do you do or plan to do with the loans? (Tick where appropriate. You can tick more than one.)

i) Social functions (e.g. birthday, wedding, burial etc.).	
ii) Buy Land/Build a house.	
iii) For business or purchase of business equipment.	
iv) Sponsoring self/children education.	
v) To meet emergency situation	
vi) Buy Consumer durables (e.g. Fridge, T.V., Furniture, Electronics, etc.)	
vii) For consumption purposes	
viii) Others,	

SECTION C: VARIOUS FINANCING ARRANGEMENTS UNDERTAKEN BY THE YORUBA.

1.) How do you finance projects? (Tick where appropriate.)

i) Personal Savings	
ii) Loans from Banks	
iii) Loans from friends, family and close relatives	
iv) Loans from Money lenders	
v) Loans from Ajo/ Esusu clubs	
vi) Loans from Cooperative societies	
vi) Others, please	

2.) Which of these financing media above do you use most? ....

3.) Why do you use this medium? (Tick where appropriate.)

a. Easy Accessibility	
b. No/Minimal Collateral requirement	
c. No or Low interest	
d. Low bureaucratic process/paper work	
e. Others	

4.) How much did you get from the financing arrangement indicated in 2 above? ……………….........

5.) Was it sufficient to finance the project? Yes ( ), No ( )

6.) If No, what other source(s) did you seek funds from? ………………………..

7.) How much was the interest paid on the finance received in 4 above ? ………….

8.) How long were you supposed to pay back? …………………………….

9.) How long does it take to approve loans requested? ………………….

10.) Do you think saving is necessary? Yes( ) No ( )

11.) If No, why? ....

12.) If yes, through which medium do you save? (Tick where appropriate.)

a. Bank	
b. Ajo/Esusu.	
c. Cooperative Society	
d. With trusted friend	
e. Keeping money at home	
f. Others, Please specify	

13.) Which of these saving media do you use most? ………………………

14.) For how long have you been using this method? ……………………..

15.) Relative to banks, how would you describe the following concerning Yoruba financing arrangements? (Tick where **appropriate.)**

	EASY	NOT SURE	DIFFICUL_
i) Joining the financing programme.			
ii) Saving in the financing programme.			
iii) Withdrawing money saved.			
iv) Obtaining loan from the financing programme.			
v) Repayment of the loan			

SECTION D: EXISTENCE, PRACTICE AND IMPORTANCE OF THESE FINANCING ARRANGEMENTS IN OUR MODERN CONTEMPORARY SOCIETY.

Kindly indicate whether you strongly agree (SA), agree(A), disagree(D) or strongly disagree (SD) with the following statements. NS means Not Sure

	SA	A	NS	D	SD
1. Availability of financing arrangements has led to an increase in the success rate of project development.					
2. Yoruba financing arrangements supports low income groups.					
3. Yoruba financing arrangements mobilises sufficient funds for its members.					
4. Yoruba financing arrangements are the source of revenue which small investors use to finance their social economic projects					
5. Yoruba financing arrangements provide advisory services to its members.					

6. Conventional banks loans attract higher interests					
7. Form filling in conventional banks is discouraging.					
8. Loan processing under Yoruba financing arrangements is simple and easy.					
9. Yoruba financing arrangements require collateral security for a loan.					
10. Yoruba financing arrangements give a favourable credit period to borrowers.					
11. Yoruba financing arrangements are easily accessible and approachable					
12. Conventional banks release higher volume of loan at a time.					
13. Small amount of loans are available in unorganized financial institutions.					
14. Involvement in Yoruba financing arrangements has improved the investment culture of the Yoruba people.					
15. Increased access to financing can lead to improvement in the standard of living.					

APPENDIX 2

RESULT OF E-VIEWS REGRESSION ON MODEL SPECIFICATION I

Dependent Variable: AOFC
Method: Least Squares
Date: 02/18/15   Time: 10:36
Sample: 1 100
Included observations: 69

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	19414.89	6985.040	2.779497	0.0072
MOA	8351.655	5485.660	1.522452	0.0930
INC	0.475269	0.132446	3.588399	0.0007
INT	212.5663	305.4933	0.695813	0.4891
LAP	361.7188	165.6437	2.183716	0.0328
LRP	438.4487	190.4916	2.301670	0.0247
NOE	6647.368	5900.662	1.126546	0.2643

R-squared	0.582313	Mean dependent var	64521.74
Adjusted R-squared	0.541891	S.D. dependent var	32106.03
S.E. of regression	21730.56	Akaike info criterion	22.90675
Sum squared resid	2.93E+10	Schwarz criterion	23.13340
Log likelihood	-783.2830	Hannan-Quinn criter.	22.99667
F-statistic	14.40607	Durbin-Watson stat	1.726597
Prob(F-statistic)	0.000000		

APPENDIX 3

RESULT OF E-VIEWS REGRESSION ON MODEL SPECIFICATION II

Dependent Variable: FAEC
Method: ML - Binary Probit (Quadratic hill climbing)
Date: 02/16/15 Time: 06:48
Sample: 1 100
Included observations: 95
Convergence achieved after 6 iterations
Covariance matrix computed using second derivatives

Variable	Coefficient	Std. Error	z-Statistic	Prob.
C	-1.534884	0.866595	-1.771166	0.0765
AGE	0.034500	0.021799	1.582664	0.1135
INC	-2.40E-05	1.09E-05	-2.199964	0.0278
INT	-0.234802	0.106192	-2.211117	0.0270
MS	1.011322	0.560502	1.804314	0.0712
NOE	-0.706955	0.461420	-1.532130	0.1255
REL	0.201320	0.438086	0.459544	0.6458
YSAV	-0.054927	0.030882	-1.778604	0.0753
FMS	0.066280	0.148124	0.447461	0.6545
SAV	1.768546	0.425142	4.159894	0.0000
SEX	-0.728991	0.509350	-1.431217	0.1524

McFadden R-squared	0.520759	Mean dependent var	0.273684
S.D. dependent var	0.448214	S.E. of regression	0.323898
Akaike info criterion	0.794102	Sum squared resid	8.812442
Schwarz criterion	1.089814	Log likelihood	-26.71983
Hannan-Quinn criter.	0.913591	Deviance	53.43966
Restr. Deviance	111.5089	Restr. log likelihood	-55.75445
LR statistic	58.06924	Avg. log likelihood	-0.281261
Prob(LR statistic)	0.000000		

Obs with Dep=0	69	Total obs	95
Obs with Dep=1	26		

Computation done by the Author using Eviews.