

**DEMAND AND SUPPLY OF
FINANCIAL SERVICES
AMONG MICRO ENTERPRISES IN
KANO, NIGERIA**

By CENTRE FOR MICROENTERPRISES DEVELOPMENT

Table of contents

EXECUTIVE SUMMARY	3
Introduction.....	5
Background of the survey	5
DEVELOPMENT OF ENTREPRENEURIALSHIP	6
OBJECTIVES OF THE SURVEY	12
SCOPE OF THE STUDY.....	13
ABOUT THE STUDY LOCATION-KANO	13
METHODOLOGY OF THE STUDY	14
Discussion of findings on issues relating to business activities.....	21
Ownership of business	21
Value of initial capital	23
Average daily turnover in Naira (₦).....	24
Average daily profit from business in Naira (₦)	25
Monthly income from business activities	26
Frequency of income.....	26
Major uses of income among respondents.....	27
Sources of raw material/stock.....	29
Outlet for products/services	29
Issues relating to savings	29
Frequency of savings	30
Amount saved in the last 2 months	30
Avenues for saving among respondents	31
REASONS FOR NON-USAGE OF FINANCIAL INSTITUTIONS	33
ISSUES RELATING TO CREDIT FACILITIES	34
EXPERIENCE OF CREDIT/LOAN FACILITIES	34
AVERAGE AMOUNT EVER BORROWED.....	35
REPAYMENT PERIODS	35
FORMS OF SECURITY/COLLATERAL PROVIDED ON LOAN.....	36
INTEREST ON LOAN.....	36
SOURCES OF LOAN REPAYMENT	36
LIKELY SOURCES OF LOAN.....	38
CASHLESS TRADING	38
Mode of operation.....	38
How Does It Operate?.....	39
Security on goods supplied	40
Benefits Derivable from the arrangement.....	40
REASONS FOR NON-WILLINGNESS TO TAKE LOAN	41
BUSINESS SERVICES DEVELOPMENT	41
MEMBERSHIP OF ASSOCIATION.....	43
Conclusion and Recommendations.....	44
Conclusion	44
Recommendations	45
References.....	46

DEMAND AND SUPPLY OF FINANCIAL SERVICES AMONG MICRO – ENTERPRISES IN KANO, NIGERIA

EXECUTIVE SUMMARY

This report documents the findings of a research carried out by the Centre for Microenterprise Development (CMD), in Kano State, Nigeria. The research was carried out to identify and assess the sources of formal and informal financial services been explored by micro-enterprises in Kano, using a formative and baseline approach. It also assesses the possibility for business development services (BDS) in both financial and non-financial services. In addition, it considers various market drawbacks and failures that require intervention. The survey was conducted in four major markets in central Kano, with a study sample size of 185 respondents randomly sampled from the selected markets.

The survey findings indicated that there were more men in the micro and small-scale enterprises than women. Mostly business owners operated them; only in a few cases did people other than the owners operate businesses. It also indicated that most of the businesses have been in existence for periods ranging between 3 to 5years.

This survey finding revealed the value, and sources of initial capital, with which most of the respondents started business. However, most of the respondents started businesses with an average amount of ₦20000 or less. Initial capitals were mostly source through the informal sector, which included family members/ relatives, income from other business,

ASCA/ROSCA, daily contribution among others. The findings indicated that average daily turnover among most of the respondents was ₦10000, while average daily profit was put at ₦500 or less for most of the respondents. Major uses of income included payment of rents, food, clothing, medical, school fees, and transportation. It also revealed major sources of raw materials/ stocks and outlets for finished goods and services. More so, experiences of savings, credit and financial support from the formal financial institutions were indicated.

Major recommendations deriving from the key findings of the study included increase access to financial and business support services among others.

Introduction

This report presents the findings of the study carried out by the centre for micro enterprises development (CMD), Nigeria, to assess the financial services among micro enterprises in some selected markets in Kano. Fund for the study was provided by the ford foundation (ff) Nigeria.

Background of the survey

The recognition of the importance of microfinance as a crucial development tool for poverty reduction (FAO, 2005) and human capital development, premised the need and relevance of this study. Specifically, a general microfinance strategy involves the promotion of sustainable rural livelihoods, more equitable access to resources, particularly for the vulnerable and disadvantaged groups (in the rural and semi- urban communities) (FAO, 2005). The significant achievement of microfinance in this regard was echoed by the United Nations, its General Assembly Resolution 52/94, passed on 18 December 1997, when it noted in particular that in many countries of the world micro credit programmes have succeeded in generating productive self – employment by providing access to small capital for people living in poverty, as well as increased participation in the mainstream economic and political process of society. Specifically, the resolution welcomed the launching of different microcredit initiatives and acknowledges their important contribution to poverty eradication, empowerment of women and social elevation and inclusion. As a deliberate step to further explore the contribution of microfinance to development, the UN resolution specifically called upon its relevant organs, organizations and bodies of the UN system, particularly its funds and programmes, to explore the inclusion of the microcredit approach in their

programmes as a tool for the eradication of poverty and further developing, where appropriate other microfinance instruments (FAO, 2005).

In addition, an important aspect of micro finance programmes generally is that, it aimed to promote and protect income and empower specific sectors of the population. More specifically, the development objectives of microfinance is to enable poor, and low income households and microenterprises increase income, smoothen consumption, develop micro enterprises capable of earning capacity, whilst reducing economic and social vulnerability. This obviously will help empower women who constitute a significant proportion of the population service by micro finance programmes and activities.

It is in recognition of the above stated facts that the need for this study was conceived; in order to assess how best these inexhaustible contributions of microfinance to development can be explored in Kano, Nigeria. However, this study considered it pertinent to assess existing financial practices among micro enterprises in Kano, to foster an understanding of the demand and supply of financial services, as this will enhance product development.

DEVELOPMENT OF ENTREPRENEURIALSHIP

THEORETICAL UNDERPINNING

Though entrepreneurial development can be said to be an off-shoot of "*laissez-faire capitalism*" as propounded by Adam Smith (1776), however, its theoretical expositions were rarely conceptualized until the nineteenth

and early twentieth centuries by different famous researchers and theorists such Max Weber, Karl Marx, David McClelland, Joseph Schumpeter among others.

Karl Marx (1818) conceived work, which includes entrepreneurialship in the production of goods and services as key to human happiness and fulfillment. He wrote that work is the most important, the primary human activity. As such it can provide the means either to fulfill people's potential or to distort and pervert their nature and their relationship with others. From Marx's work, what gave rise to the entrepreneurial spirit was that human being express their personality in the creation of a product, and experiences a deep satisfaction in seeing their product used and appreciated by others. To him, in a community in which everyone works to satisfy both their individual needs and the needs of others, work is a completely fulfilling activity (Haralambos and Holborn, 2004). By inference, this spirit of satisfaction gave rise to the development of entrepreneurialship, as people begins to participate in activities that bring happiness by satisfying the needs of others and gives them sense of fulfillment.

Though Marx's work have been criticized as unscientific but contrarily his later writings, focusing on economics and exploitation, provide a proper basis for a scientific Marxist understanding of society (Haralambos and Holborn, 2004).

Max Weber (1864), in his work the "Protestant Ethic and Spirit of Capitalism", expatiated that religious ideas can stimulate economic development, which leads to the development of the entrepreneurial spirit that prevails today. An investigation was conducted to find out the

changes that occurred as a result of the introduction of a new church (Protestant) in one of the Mexican Villages of his time. It was apparently discovered that the settlement of a Protestant reformation in that Village brought a lot of changes and development such as the establishment of missions, schools, and clinics through which the village became more enlightened. The Protestant Ethic emphasized a proportional relationship between life on earth and hereafter. It portends that life of affluence on earth depicts a life of affluence in the hereafter, which can only be gotten in heaven. As a result of this doctrine, in Protestant villages, children became more ambitious, and parents more enlightened, and they demonstrated this by taking their illness to clinics, their children to school, their savings to the bank, forsaking witchcraft, drinking and marrying of many wives, and generally accumulation of wealth. Considering Weber's exposition, entrepreneurial spirit developed within a social group, which hold values similar to the Protestant. Emmanuel (2002) noted that ethical rationalization, to Weber, is therefore a reflection and justification of economic changes, because individuals cannot manipulate their values at will but must draw them from stronger authority.

Although, Weber have been attacked by intellectuals on the ground that his argument failed to address the question of whether there is a particular pattern of values which derives either from Christianity or other ideological roots, that must first develop and mould the entrepreneurial character in an individual, who in turn redeems his unsatisfied ambition in business (Emmanuel, 2002), but his work has stimulated a lot of scientific researches in the understanding of the development of capitalism.

David McClelland, in his work "Achievement Motivation theory"(1961), made an argued that implies that entrepreneurial behaviour in business is motivated by the individual need for achievement. McClelland also believed that the need for achievement exists in every individual; that a particular training, emotional practices and value orientation cannot produce the disposition, which favours the rational pursuit of economic gains.

His work has been criticized for failing to prove the sense of frustration that drives men to become entrepreneurs (Emmanuel, 2002), but criticism is not valid in most cases for men in entrepreneurial ventures. Rather it is the achievement motivation that drives men to become entrepreneurs in most cases.

Joseph Schumpeter (1934) is another theorist that has made significant contribution to the theory of entrepreneurial development. According to him, innovation is an essential function of the entrepreneur. Just as McClelland, Schumpeter considered entrepreneurialship as an element of the mechanism of change and argued that the principal force behind entrepreneurship is the profit motive (Emmanuel, 2002). Emmanuel (2002) noted that Schumpeter saw entrepreneurship as a fundamental factor in the economic development process and entrepreneur as an innovator is different from a bureaucratic executive that merely runs an establishment.

Empirically, literature have shown that credit facilities of Microfinance Institutions (MFIs) will assuredly enable advantage to be taken of profitable investment opportunities, lead to adoption of better technology, enable expansion of microenterprises, diversification of economic activities, enhance smooth consumption, promote risk taking, reduce reliance on

expensive informal sector sources, enhance ability to face external shocks, improve profitability of investments, reduce distress selling of assets and increase economic growth. MFIs insurance services will lead to more savings in financial assets, reduce risks and potential losses, reduce distress selling of assets reduce impact of external shocks and increase investments, while its payments and money transfer services will alternately facilitate trade and investments (FAO, 2005).

More so, it has been shown that the demand for financial services in the microenterprises is diverse and requires differential product and service development. Though, characterized by small loans, microfinance has inherent limitations in terms of financing the capital investment needs of the microenterprises but it however, form a major source in the continuum of financial services provision to cater for the demand (Greenfacts, 2005).

However, a Microfinance assessment carried out by the World Bank Group in Nigeria revealed that despite the large number of financial institutions that operate in Nigeria, current evidence suggests demand for financial services is far from being met adequately particularly for small and micro enterprises. A large number of organizations are active in the Microfinance sector with varying models of credit delivery. Although, there is a lack of MFIs with adequate institutional capacity, financial performance and technical know-how to service effectively the Microfinance market on a commercial basis, but studies have also shown that there is a relatively low level of demand for financial services from formal institutions by MSMEs, as a result of the existing cashless trading opportunities. There are significant credit supply facilities in terms of raw material and finished

goods. It is against this background that there was an initiative by the Federal Government of Nigeria (FGN) and the Central Bank of Nigeria (CBN) under the aegis of the Bankers Committee. Under this scheme, banks are required to set aside 10 percent of their profit before tax for the financing and promotion of SMEs under the Small and Medium Industries Equity Investment Scheme (SMIEIS). The success of this program is yet to be felt. This has been attributed to the Central Bank of Nigeria (CBN)'s lack of specification on the areas it wanted banks to give finance to SMEs. Most commercial banks have also felt that this scheme is an additional expense to their operations rather than a service that adds value to the society. As a result, the participation of commercial banks in promoting the Microfinance industry is minimal.

In order to further assist small- scale enterprises, the Central Bank of Nigeria introduced some financial schemes and programmes for improving credit accessibility for industrial development, especially for small- scale industries. These programmes included credit guidelines in respect of loan to small- scale entrepreneurs and CBN rural banking programme (Emmanuel, 2002). To expand the credit guidelines to MSMEs, Emmanuel, 2002, indicated that the CBN in 1971 issued directives to banks to ensure that at least 10% of their total loans and advances were allocated to MSMEs. This CBN further increased the percentage over time from 16% in 1980 to 20% in 1990 respectively. Though, non-compliance of this directive by the banks attracts stiff penalties (Emmanuel, 2002), but strict compliance was not rigorously pursued, due largely to improper monitoring by the CBN. In addition to the existing efforts at bringing credit facilities to the MSMEs, the Rural Banking Programme (1971), aimed at ensuring access to credit by the poor rural sector operators was introduced. Part of

the government concerted efforts to ensuring easy access to credit gave birth to the People's bank of Nigeria, which was commissioned in 1989, to meet the credit needs of the ultra- small –scale entrepreneurs such as artisans, "vulcanizers", pepper grinders, petty-traders among others. Apart from the Federal Government's efforts, the World Bank has also offers financial assistance to promote the growth of the small and medium scale enterprises in Nigeria, in realization of its contribution to economic development.

OBJECTIVES OF THE SURVEY

The general objective of the survey was to identify and assess the sources of formal and informal financial services been explored by microenterprises (MEs) in Kano, using a formative and baseline approach.

Specific objectives of the survey include:

- Identify sources of financial services among microenterprises (MEs)
- Determine the sufficiency of supply of financial services in relation to demand among MEs
- Assess the possibility for Business Development Services (BDS) in both financial and non – financial services
- Consider various market drawbacks and failures that will require intervention via the development of new financial products and services to serve the real needs of MEs.
- Proffer necessary strategic interventions regarding problems/constraints to enhance business efficiency.

SCOPE OF THE STUDY

This survey was designed as a formative and baseline survey specifically targeting on more men, in realization of the concentration of men in the microenterprises in Kano. Specifically, the survey targeted micro enterprises in different clusters, which include leather, garment, and local beads, dying material, tannery and general trades among others.

The study was conducted in four markets in Kano central.

ABOUT THE STUDY LOCATION-KANO

Historical Development: **Kano** derived its name from the ancestor of the Abagayawa (the earliest settler), who migrated from Gaya in search of ironstone and chemicals. Kano state was first created under this name on May 23rd, 1967, when Nigeria assumed the twelve states structure. Being the most populous state, on August 27, 1991, Jigawa state was carved out from it. It is now composed of Kano emirate.

Administrative Areas: With Kano as capital, the state is divided into forty-four local government areas, which form twenty-four federal constituencies and three senatorial districts.

Administrative structure: The administrative machinery of the state revolves around the executive and the Legislature, the local government, and the traditional/customary administration.

Kano has great respect for tradition. Thus the ward/hamlet head (*Maianguwa*), the village head (*Dagaci*), the district head (*Hakimi*) and the Emir at the top of the hierarchy are still actively involved in governance.

Economic climate: Economic development policy in Kano state is aimed at achieving a sustained increase in industrial growth through identifying and utilizing to the optimum available potential materials, and fostering interaction between industrial, agricultural and other social and economic sectors. The state has a whole range of services including banks and financial institutions. It also has a large market and is well connected with the rest of the country and the outside world for material and product movements.

METHODOLOGY OF THE STUDY

This survey was conducted in the Kano city central markets. The survey employed a multiple-method of data collection, which included



administration of questionnaires, Focus Group Discussions (FGDs) and observation. The questionnaire interview guide was a combination of quantitative and qualitative enquiries.

Table 1: Distribution of markets and

main trading activities

Market	Kurmi	Kofar mata	Kwari	Kofar wambai
Trade	Leather/Local Beads.	Dye pits for Garments	Garments sales	Tannery



The study sample size was 185 respondents randomly sampled among microentrepreneurs at the central markets, Kano. Structured interview guides were administered directly on the respondents. The data collection instrument (interview guide) was

structured to adequately address the issues of focus of the study (i.e goals of the study). Data also collected were processed with the aid of computer software package for social sciences (SPSS), thereafter; results were edited prior to presentation and analyses.

Quality Control Mechanism

To ensure reliability and credibility of findings of the survey, experienced research assistants were contracted, trained and field activities were carried out under close supervision by the field supervisors and the project coordinator.



Discussion of Survey findings

Socio- demographic information

Sex distribution of respondents

Table 2: Distribution of sex of respondents in frequency and percentage

Sex	Frequency(no)	Percentage (%)
Male	179	96.7
Female	06	3.3
Total	185	100.0

As indicated in the above table majority (96.7%) of the respondents in the study were male, while 3.3% were female. This gender distribution of respondents, by observation reflect the true gender distribution of traders in the markets where this survey was conducted.

Fig.1. Bar chart showing sex distribution in percentage

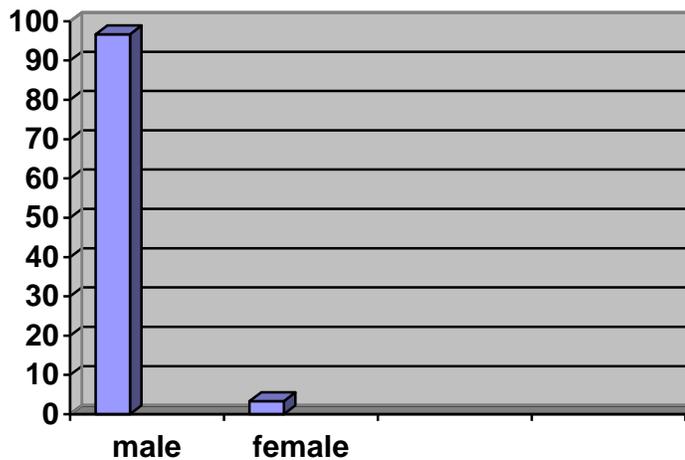


Table 3: Age distribution of respondents

Age Brackets of respondents	No	%
20yrs or less	02	1.1
21- 30yrs	62	33.5
31- 40yrs	63	34.1
41- 50yrs	31	16.8
51- 60yrs	12	06.5
61- 70yrs	05	02.7
70yrs above	04	02.2
Not specified	06	03.2
Total	185	100.0

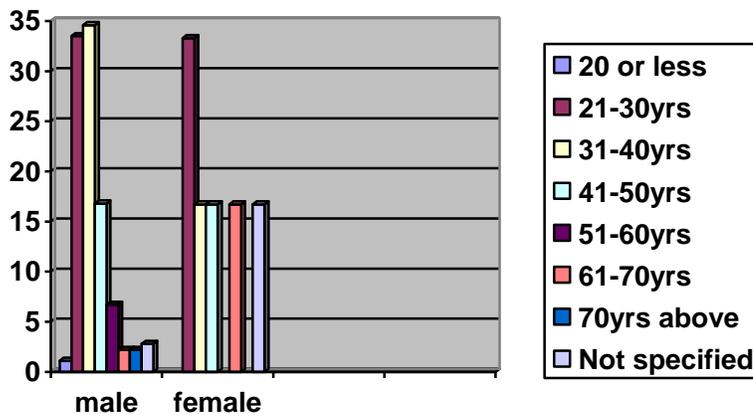
Table 4: Age by sex distribution of respondents

Sex	No		%	
	M	F	M	F
20yrs or less	02	-	01.1	-
21-30yrs	60	02	33.5	33.3
31- 40yrs	62	01	34.4	16.7
41- 50yrs	30	01	16.8	16.7
51- 60yrs	12	-	06.7	-
61- 70yrs	04	01	02.2	16.7
70yrs above	04	-	02.2	-
Not Specified	05	01	02.8	16.7
Total	179	06	100.0	100.0

The above table shows that respondents in the survey were between the ages of 20yrs old and above 70 yrs old. Larger (34%) proportions of the respondents were in the age brackets of 1-20 yrs and 33.5 in the age bracket of 21-30 yrs. Others fell into the age brackets of 41-50 yrs (16.8%) 51-60 yrs (6.5%) 61-70yrs (2.7%), above 70 yrs 92.2%) and 20yrs or less (2.2%). However, about 3.2% did not specify their ages.

Nonetheless, the findings above suggest that most of the respondents were young adults, whom were in their productive ages. They also constitute the bulk of the independent population, whom a lot of financial responsibilities, both to their individual extended and nuclear families rest on.

Fig.2: Bar chart of age distribution by sex of respondents



The table shows a further analysis of the age distribution of respondents by sex. This, though, shows that there were more men than woman in the sampled population but further confirms the information on the preceding table across gender divides.

Table 5: Distribution of respondents by marital status

Marital status of respondents	No	%
Married	148	80.0
Single (Never married)	36	19.5
Not Indicated	01	0.5
Total	185	100.0

The survey shows that majority (80%) of the respondents were married, while 19.5% were not married at the time of the interview. Meanwhile, only one (1) respondent did not indicate his/her marital status.

Fig. 3: Bar chart of respondents' marital status by sex

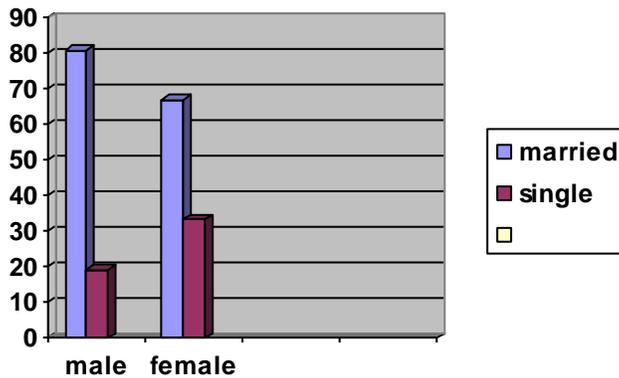


Figure above also shows that just as majority (80.9%) of in the study were married; most (66.7%) of the women were married.

Table 6: Distribution of respondents by last school attended

Last school attended by the respondents	No	%
Primary school	41	22.1
Secondary school	74	40.0
Mid college	10	05.4
University	01	06.7
Post University	03	01.6
Arabic school	56	30.2
Total	185	100.0

Fig.4: Pie chart of respondents by last school attended

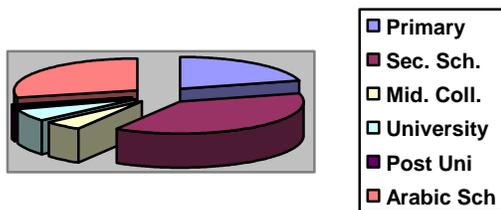


Table 6 indicates that, generally, majority (40.0%) of respondents last attended secondary school, 30.2% attended "Arabic schools, 22.1% had just primary school education. While only a few (6.7%- University, 5.4%- mid college, 1.6% post university education) of the respondent had education above secondary school.

Table 7: Distribution of respondents by trading activities involved in

Trading activities of respondents	No	%
Leather	121	65.4
Garments	36	19.5
General trades	12	6.5
Local beads	04	2.2
Potassium	03	1.6
Spices	01	0.5
Dyeing materials	06	3.2
Grinding of chemical	01	0.5
Tannery	01	0.5
Total	185	100.0

Most (65.4%) of respondents interviewed were trading on leather and leather products, 19.5% trades in garments 6.5% were involved in general trade, 3.2% deal in dyeing materials, 2.2% trade in local beads and 1.6% trade in potassium, while others were involved in grinding of chemical materials, tannery and spices.

Discussion of findings on issues relating to business activities

Ownership of business

Table 8: Distribution of respondents by ownership of business

Ownership of business operated	No	%
Owned business operated	158	85.9
Non-owner of business operated	26	14.1
Total	184	100.0

The finding on the table above shows that their owners operated most of the businesses visited. Most (85.9%) of the traders operated their businesses personally, while some 14.1% claimed they were not the owners of the businesses they operate.

Period of existence of business, Source and value of initial capital with which the respondents started business

The survey sought to know how long the businesses have been in existence. The findings however revealed that most of the respondents indicated that they have been in businesses for a period over 5 years (90.8%), (7.6%) have been in their different businesses for periods ranging between 3-5 years, while others (1.6%) been in their various business between a period less than a year and two years, as indicated in the table below.

Table 9: Distribution of respondents by period of existence of business

Periods of existence of business	No	%
7- 12months	01	.5
1-2yrs	02	01.1
3-5yrs	14	07.6
Over 5 years	167	90.8
Total	184	100.0

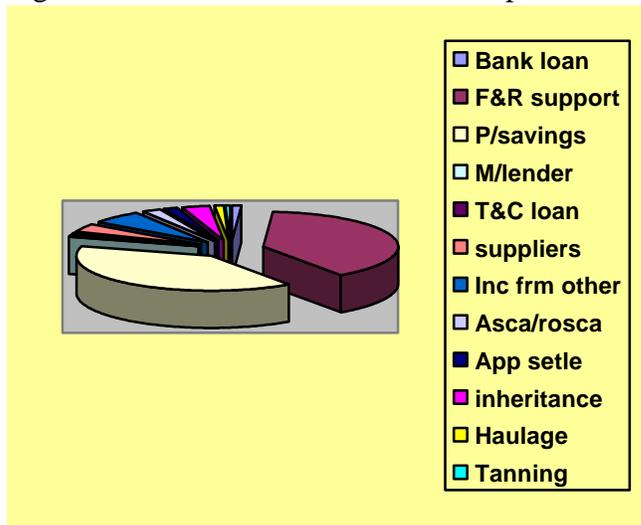
Value of initial capital

Table 10: Distribution of respondents by the value of initial capital

Value of initial capital	No	%
₦20,000 –or less	138	78.9
₦ 20,001 – ₦30,000	15	8.6
₦ 30,001- ₦50,000	04	2.3
₦50,001- ₦ 100, 000	04	2.3
Over ₦ 150,000	14	8.0
Total	175	100.0

The table above shows that majority (78.9%) of the respondents started their businesses with an initial capital less than ₦20,000, 8.6% started business with initial ranging from ₦20,000- ₦30,000. A few started business with initial capital over ₦150,000, while others (2.3%) started business with initial capital ranging between ₦30,000-50,000 and ₦50,000 and ₦100,000 respectively.

Fig. 5: Pie chart of Sources of initial capital



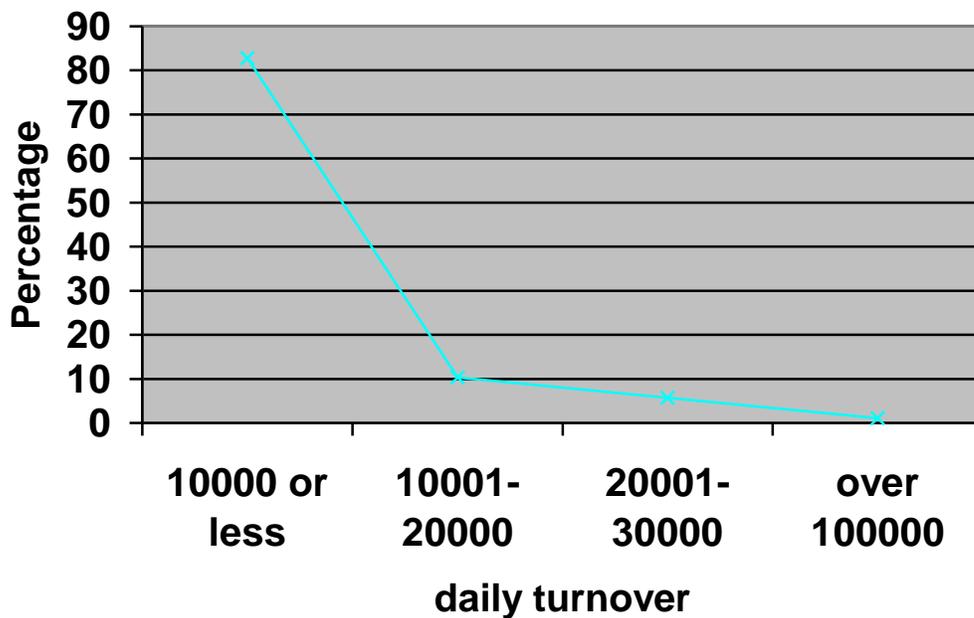
Sources of initial capital with which respondents started business included support from friend or relative (39.2%), personal savings (39.2%) income from farming and business (6.1%) suppliers (3.9%), inheritances (3.3%), savings club/ASCA/ROSCA

(2.2%), settlement from apprenticeship (1.7%), moneylender (1.2%), loan from non-bank financial institutions, and haulage (1.1% respectively), loan from thrift and credit society and tanning (.6%) respectively.

Average daily turnover in Naira (₦)

The survey sought to know the average daily turnover of business or order to assess their rates of turnover. The table below shows that majority (82.8%) of the respondents, daily turnover was less than N10,000 some (10.3%) made daily turnover between N10,000-N20,000 and 5.7% of the respondents daily turnover was between ~~N~~20,000-~~N~~30,000. While a few (1.1%) of the respondents made daily turnover own ~~N~~100,000 from the businesses.

Fig.6. Line graph showing average daily turnover in percent (%)



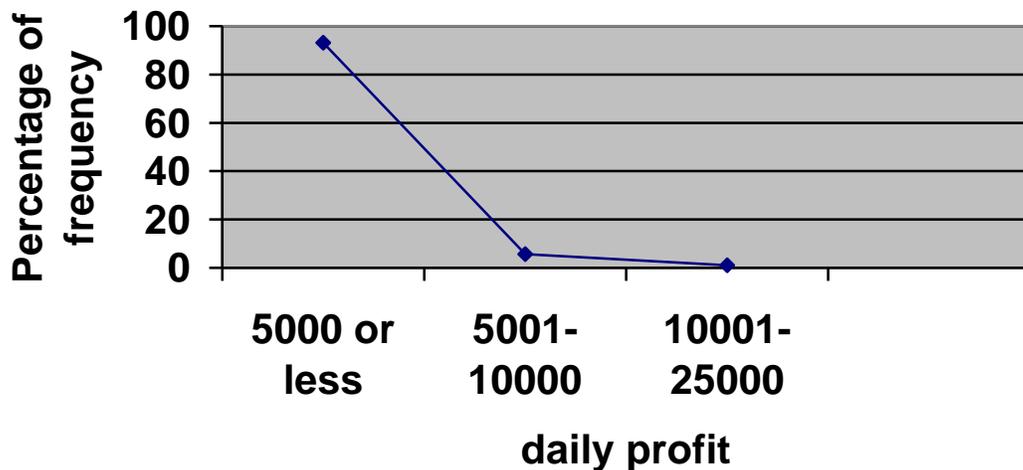
Average daily profit from business in Naira (₦)

Table 9: Distribution of respondents by average daily profit from their business in Naira (₦)

Average daily profit	No	%
₦ 500 or less	164	93.2
₦ 500- ₦10000	10	5.7
₦10001- ₦ 25000	02	1.1
Total	176	100.0

Fig.7

Line graph of average daily profit from business



Many (93.2%) of the respondents interviewed claimed they make an average daily profit of ₦5,000 or less from their business. A few (5.7%) (10). Made average daily profit ranging from ₦5,000-N10,000, while a less significant proportion (1.1%)(2) made an average daily profit between ₦10,000-₦25,000.

Monthly income from business activities

The survey reveals that average monthly, income generated from trading (business) activities varies among traders (businesses). A large (36.7%) proportion of the respondents claimed that they made ₦1000 or less from their businesses monthly, 21.9% claimed their monthly income was between ₦10,000-₦20,000. Some (14.2%) put their monthly income between ₦30,000 and ₦50,000, 13.0% said their monthly income from business between ₦20,000 and ₦30,000, while a few 11.2% put their monthly income between ₦50,000 and ₦100,000. Two (1.2%) respondents each indicated that their monthly income were between ₦100,000 and ₦150,000 and ₦150,000 and ₦200,000. Only one (.6%) respondent claimed that average monthly income from his business was over ₦200,000. Meanwhile, about (8.6%) 16 respondents could not indicate what their average monthly income from their business were as at the time of interview.

This finding however suggests that earning from business among respondents is very low. Their monthly income is less than \$100 per month. This is also an indication that there is the need to develop programmes and products that could help improve the earning capacity of this category of people.

Frequency of income

The study indicated that among most (70.7%) of the respondents income was generated daily, 17.4% generate income weekly, while to 7.6% income was seasonal, some (3.3%) claimed income from business was monthly, others (1.1%) were not specific on the frequency of income from their business. This is an indication that among the category of traders

interviewed for the purpose of this study, income is mostly generated on daily basis. This however has implication for savings products development, which should take into cognizance that daily savings products would be mostly accepted among traders.

Major uses of income among respondents

Table 11: Distribution of respondents by major uses of income

Major uses of income	No	%
Rent	04	2.2
Food	159	85.9
Clothing	04	2.2
Medical	05	2.7
School fees	12	6.5
Transportation	01	.5
Total	185	100.0

Table 12: Distribution of respondents by 2nd major uses of income

2 nd Major uses of income	No	%
Rent	12	7.1
Food	16	9.4
Clothing	48	28.2
Medical	23	13.5
School fees	52	30.6
Working capital	10	5.9
Transportation	02	1.2
Daily basic needs	02	1.2
Working materials	01	.6
Support to others	01	.6
House assistance	02	1.2
Communication	01	.6
Total	170	100.0

The two tables above shows the first and second major uses of income among respondents. In summary the first 5 major uses of incomes among respondents were food, clothing, medical, school fees and rent. These variables were also listed during the FGDs.

Average amount spend per month on each of the first 5 major uses of income among most (58.0%) of the respondents was not more than ₦5,000 (i.e. it was in the range of ₦5,000 or less), some (23.8%) put theirs between ₦5,000 and ₦7,500 monthly on each item. While 11.6%

estimated their average monthly spending on these items between ₦7,500-~~₦15,000~~ and ₦25,000. A few (2) respondents estimated between ₦25,000 and ₦35,000 (one respondents) and over ₦35,000 (one respondents). This finding suggests that most of the respondents spend almost all their income on these items, which include food, school fess, medical, clothing and rent.

Sources of raw material/stock

The findings indicated overwhelmingly that local supplies form the major source of raw materials (stock) among traders. Majority (89.6%) of the respondents claimed they got their raw materials/ stocks locally, 6.6% got their supplies from other states of the country. While 1.6% gets supplies from other West African countries, others (2.2%) received supplies from overseas.

Outlet for products/services

The report showed that most (166) (65.2%) of the produce were sold to the local market, while a very few (06)(3.3%) claimed that their products escaped to other regions of the country (Nigeria).

Issues relating to savings

This section discusses issues relating to the experiences of the respondents as it relate to savings and its uses.

Table 13: Distribution of respondents by savings experience

Do you save?	No	%
Yes	166	65.2
No	62	34.8
Total	178	100.0

The table above showed that most (65.2%) of respondents have been saving from their income while others (34.8%) claimed they have not experienced savings from their income. This finding however suggested that most of the traders have been saving from their income.

Frequency of savings

Most (45.7%) of the respondents save daily, 31.9% save weekly 14.7% save monthly, while 6.9% make seasonal saving. This is an indication that traders save from their daily income from business (trade) activities.

Table 14: Distribution of respondents by frequency of savings

Frequency of savings	No	%
Daily	53	45.7
Weekly	37	31.9
Monthly	17	14.7
Seasonal	08	6.9
Others	01	.9
Total	116	100.0

Amount saved in the last 2 months

The survey sought to assess consistency in savings among respondents. Table 15 below shows the average amount saved in the last two month prior to the survey.

Table 15: Distribution of respondents by average amount saved in the last two months

Average amount saved in the last 2 months	No	%
₦5000 or less	41	34.5
₦ 5001 - ₦ 10000	31	26.1
₦ 10001 - ₦ 20000	21	17.6
₦ 20001 - ₦ 30000	13	10.9
₦ 30001 - ₦ 50000	05	4.2
Over ₦ 50000	08	6.7
Total	119	100.0

Understandably, because of the scale of business among respondents, savings is very low among respondents, as many (34.5%) have been able to save N5000 or less, 26.1% (31) have saved between N5000 and 10,000, 17.6% (21) have saved between N10,000-20,000, while 10.9% (13) have been able to save between N20,000 and N30,000. only a few of the sample size 10.9% have been able to save between N30,000 and over N50,000 in the last two months.

Avenues for saving among respondents

Fig.8 Bar chart of avenues for savings



The survey reveals that majority (53.3%) of respondents saves money at home, 27.9% make use of commercial banks for saving purposes. Other avenues for savings include cooperative society (9.8%), trusted trader (5.7%), saving club (1.6%), and moneylender (1.6%).

The study considered it necessary to assess interaction with formal financial institutions among respondents. When asked of their experience with commercial banks, majority (69.1%) responded affirmatively that they do not save with commercial banks, while 30.9% indicated that they save with commercial banks. This points to the fact that most of the traders not save with commercial banks.

List of Banks used by those who indicated that they save with commercial banks include First Banks (22.0%), Bank of the North (20.0%), Savings group (*Adashe*) though not a formal financial institution was indicated by 6.0% of the respondents, Union Bank, Tropical commercial Bank and standard trust Bank was indicated by 8.0% respectively and Habib Bank (6.0%). One (1) (2.0%) respondent each indicated FSB INTERBANK, OMEGA BANK, U.B.A, INLAND BANK, NACB and Africa Bank. This shows that while usage of commercial banks for savings was very few, those traders exploring commercial banks as an avenue for saving were using varieties of banks.

When asked other services utilize from financial Institutions, 68.8% of those who use commercial banks indicated money transfer, 15.6% indicated accessing credit, while those who also used commercial banks for the purpose of foreign exchange and safe deposit of important documents were 3.1% (one respondents each) respectively. 9.4% sought

for Investment various commercial banks of their choice. Both the FGDs and qualitative Instrument indicated that reasons for the choice of financial institutions being used among participants include efficient services (74.5%), proximity of the bank to their place of business (14.5%), low charges (7.3%), good interest on deposit and security of deposit (1.8%) respectively. Dislike about financial services providers.

The study further indicated major dislike about financial services providers among respondents, which include long queues (59.5%), inefficiency (18.9%), tough conditions for credit (8.1%), no credit facility (5.4%), far from business location (2.7%), high interest on loan (2.7%) and insecurity (2.7%).

Also indicated were major key improvement recommended to financial institutions, which included establishment of more branches, efficient services, meeting customers' needs, giving loan to customers, building trust among customers, and ensuring honest and integrity in service delivery. For the purpose of products development for this category of traders, there is a dire need to conceptualized products and service delivery mechanism that would address the dislike in existing financial institutions and subsequent recommendations made.

REASONS FOR NON-USAGE OF FINANCIAL INSTITUTIONS

As indicated earlier in this survey most of the respondents do not operate an account with any of the financial institution. When asked why they did not operate a bank account, reasons given include the following lack of trust in bank(27.3%), high minimum balance required for opening an

account(17.4%), time wasting(10.7%), inefficiency of the banks(5.8%), not just willing(uninterested)(5.8%), no credit facility(4.1%), no flexibility(2.5%), high minimum deposit balance(2.5%), very demanding process of opening account(1.7%), tough conditions for obtaining credit(1.7%), low interest on savings(1.7%), illiteracy(.8%) and due to religious injunction(.8%). Critical issues to be considered in any attempt to encourage this sampled population to explore formal financial institutions services and products, include buildings trust, reduction in minimum opening balance and cost of operating an account, and prompt service delivery, within the shortest time possible.

ISSUES RELATING TO CREDIT FACILITIES

The study examine availability of credit facility business owners by looking at their experiences at getting credit facilities both in cash and credit supplier, sources, amount over borrowed, constraints to repayment and repayment periods were also considered.

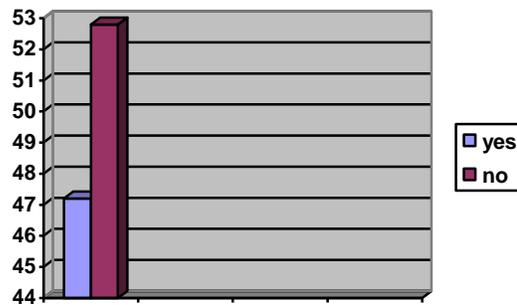
EXPERIENCE OF CREDIT/LOAN FACILITIES

Table 16: Distribution of respondents by experience of credit

Have you obtained credit before?	No	%
Yes	84	47.2
No	94	52.8
Total	178	100.0

While some (47.2%) of the respondents claimed they have obtained credit facility in the past, most (52.8%) said they have not taken credit facilities

Fig. 9: Bar chart distribution of respondents by experience of credit facility



in the past.

Sources of credit facilities among those who have taken some forms of credit facilities in the past include friends and relatives (47.0%), trusted traders/suppliers (26.5%), bank (6.0%), cooperative societies (6.0%), savings clubs/ASCA/ROSCA (4.8%), other financial institutions not named (3.6%), moneylender (2.4%), savings collector (2.4%) and micro finance institution (1.2%).

AVERAGE AMOUNT EVER BORROWED

The study showed that most (41.7%) of the respondents have borrowed N10,000 or less, 17.9% have borrowed between N10,000 and N20,000. Similarly, 17.9% have borrowed over 80,000 in the past, while 9.5% claimed their borrowing had been between N20,000 –30,000, same percentage (9.5%) claimed theirs was between N30,000 and N50,000, while others claimed they have borrowed between N50,000 and N80,000 in the past.

REPAYMENT PERIODS

The respondents indicated various repayment periods. These included self-determined/optional (39.3%), monthly (31.0%), weekly (23.8%), annually (3.6%), and quarterly (2.4%).

FORMS OF SECURITY/COLLATERAL PROVIDED ON LOAN.

The findings suggest that respondents have used a number of stems (both material and non-material) as security/collateral on loan include business stock (27.8%), trust (24.1%), land (5.6%), group savings/guarantee by friend (5.6%), stock (animals) (3.7%), house, household items, savings with bank, and verbal agreement (1.9% respectively); while others (25.9%) did not specify security/collateral on loan.

INTEREST ON LOAN

Respondents were asked on loan ever taken, how much interest did they pay on every ₦1, 000? Most (90.2%) of the respondents claimed that they have not had to pay any interest on loan taken in the past, while others claimed that they paid ₦200 (4.9%), ₦50 (3.3%), and ₦100 (1.6%) on every ₦1, 000 taken as loan in the past. This implies that most of the traders in the markets sampled were used to interest free-loan. This is an indication that interest based credit products may not be accepted in this market.

Any problem experienced in repaying loan? Most (76.3%) of respondents indicated that they had no problem in repaying loan taken in the past, while others (23.8%) said they had problems.

SOURCES OF LOAN REPAYMENT

Various sources of loan repayment mentioned included own savings, income from the loan investment, income from other businesses and sales of



assets such as hide in the picture affixed.

Table 16: Distribution of respondents by the need to borrow now

Do you need to borrow now?	No	%
Yes	126	69.6
No	54	29.8
Not sure	01	.6
Total	181	100.0

The survey also sought to access the financial needs of the study population. When asked of they have any need to borrow money now, majority (69.6%) were willing need to borrow money now, while others (29.8%) claimed they have no reason to borrow now others were not quite sure on this issue. Average amount of money willing to borrow now varies among respondents. However, majority (44.1%) would like to borrow over N200,000, 20.5% wanted between N100,000-N200,000, 13.14% would like to borrow between N50,000 and N100,000, 11.8% wanted between N20,000-N50,000, while 4.7% were willing to borrow between N10,000 and N20,000, others (5.5%) needed less than N10,000= (5.5%) needed less than N10,000.

Respondents also indicated various items which they will be willing to use as security/collateral for loan, which include land (45.8%), house (20.6%), business stock (13.1%), guarantor (10.3%), household items (4.7%), savings (2.8%), shop (1.9%) and trust (less than one percent- .9).

LIKELY SOURCES OF LOAN

Respondents mentioned a number of avenues from which they could seek for loan which include friend/relative (31.7%), commercial bank (30.2%), cooperative society (18.3%), trusted trader/supplier 1.9%, saving collector (.8%), anywhere (1.6%) and others (5.6%) not specified. Similarly, the survey finding reveals preferred frequency of loan repayment among respondents. The preferred frequency of repayment was monthly (55.1%) annually (15.0%), bi-annually (11.8%), self-determined/optional (9.4%), weekly (7.1%) and quarterly (1.6%).

CASHLESS TRADING

The survey findings reveal a significant prevalence of cashless trading among respondents, particularly those in the leather cluster. The Survey shows that trading in leathers in Kano requires a minimum initial capital of N10000= or less, but with the cashless trading opportunities which operate basically on mutual trust and understanding, a significant number of leather traders in Kano Leather Market, whom today, their businesses have been estimated to worth more than half a million (₦), started business with little or no initial capital. Thanks to cashless trading.

Mode of operation

The Cashless Trading operates within the processing networks of the leather industry in Kano. In the Market there are various groups of operators, whose works and activities were although independent but closely intertwined. The leather trade/ market operates a mechanical- like model, whose component parts are interconnected and interrelated. The functioning and activities of each of the component parts directly or

indirectly affects the activities of the others, just as in the mechanical model. The leather industry consists of the under-listed component parts:

- ❖ The tannery operators whose major activity in the industry is to tan the skin into semi- finished product using basically the traditional methods of processing, making the skins (leather) ready for use to the manufacturers of various end products.
- ❖ The manufacturing group whose work involved using the processed leathers for the production of finished goods, ready for the retailers and end users.
- ❖ The next group in the network is the trading group which comprises of traders who deal in finished leather goods of various types- shoes, bags, wallets, bets, decorators among others. He is the contact person between the industry and the retailers and end users.

The cashless trading activities revolve among these three major component groups in the leather industry in Kano.

How Does It Operate?

A **tannery operator** gets a cashless supply of skin from hunters and other suppliers of raw skin on credit, he processed such raw skin in to semi- finished leather ready to be used for the production of finished goods and he supplies same to the manufacturers who must have requested for the supply.

The **manufacturer** designs and produces finished goods with the leather supplied to him on credit. After production, he also supplies a trader who must have made request for the supply of finished leather goods. This supply is also made on credit.

The **trader** supplies the goods to end users or retailers within and from outside Kano. As soon as the trader receives payment from the retailers or end user of the finished goods, he takes his own profit from the payment and forward the balance the manufacturer, who also make similar deduction and forward the balance to the tannery operator.

Among a significant number of traders in the leather market in Kano, day-to-day business activities are run on this arrangement. However, there are transactions/supplies done which involved immediate payment. The existence of cashless trading does not imply that all business activities do not involved the exchange of physical. Even in cashless trading exchange of physical cash is only delay till when the finished products get to the retailers and the end users.

Security on goods supplied

This arrangement is carried out basically on inter-personal relationship among the different groups involved. The close knitted relationship among the groups of people and the fact that people that are closely related run the leather industry in Kano, are used as security on supplies.

Benefits Derivable from the arrangement

The benefits of this arrangement include the fact that it provide the people an opportunity to start a business that would have ordinarily required as much as N10, 000= as minimum initial capital with little above N1000=. It has also provided employment opportunities for a good number of the people, while providing them a means to livelihood. This is an innovative capitalist system peculiar to the leather market in Kano, which has made a number of significant leather traders in the Kano leather market today.

It is pertinent to note that cashless trading is not peculiar to starters and small-scale traders in the leather trade; it is also a common practice that cut-across all classes of leather traders in Kano.

REASONS FOR NON-WILLINGNESS TO TAKE LOAN

Those who claimed that they were not willing to take any loan now gave a number of reasons for not willing to take any loan. Reasons given included having sufficient working capital, fear of borrowing, nowhere to borrow, risk involved in borrowing, requires interest and the need to be independents before borrowing.

BUSINESS SERVICES DEVELOPMENT

Although most (57.8%) of the respondents have not received any form of business service in the past but others have received business services ranging from technical training (13.3%), financial management (7.5%), business planning (6.4%), marketing (5.8%), customer care (4.0%), product development and book keeping/accounting (1.2%). This finding, is however a strong indication that a lot of the traders have not received any form of business services in the past.

Sources of business services received in the past. Major sources of business services, as indicated were parents (34.4%), association (28.1%), relative (12.5%), Leather Company in Kano (7.8%), friends (6.3%), Kano Ministry of commerce (4.7%), self-experience (3.1%), first bank (1.6%) and market cooperative society (1.6%). Apart from indicating various sources business services received in the past among traders, it also indicates government involvement in providing business services to the MSMEs.

Sources of payment for business services received in the past were mostly self (12.7%), donor (8.5%), cost shared (1.4%), while majority (77.5%) claimed such services were rendered free off charge to them

Choice of business services willing to receive among respondents included technical training, marketing, product development, and business planning, financial management, bookkeeping and customer care.

Major challenges presently being encountered by traders as indicated in this survey were competition, inadequate working capital, insecurity, regulatory constraints, bad location of



business, lack of access to financial services, government, high rise of raw material, lack of necessary technical skills, low patronage, inadequate business space, irregular supply of raw material, poor marketing, and lack of government support. The study also reveals some of the hazard that business activities posed to the healthy existence of the communities of operation as shown in the picture above, where a pit containing acidic solution for processing hide was located close to a well residents draw water for domestic uses and this could easily have been contaminated by water from the acid-solution pit closely located. This finding suggests a need for enlightenment of the tanneries and the communities on the need

to ensure that business activities does not pose a health threat to the communities and other hazards that could occur in the course of business operation.

MEMBERSHIP OF ASSOCIATION

Table 17: Distribution of respondents by membership of association

Membership of association	No	%
Yes	115	63.9
No	65	36.1
Total	180	100.0

As shown in the table above, most (63.9%) of the respondents claimed they belonged to one association or the other, while 36.1% did not belong to any association. Associations that some of the respondents belonged to include: Dukawa Leather Works (DLW), Kungiyar Kurmi market association, and cooperative societies.

A number of services and assistance received from their different associations and clubs include financial assistance, protection of members' interest, security and provision of social amenities within business environment, ensuring unity among members, development of business plan and technical advices to members. Various recommendations were made on how to further improve their associations/clubs. Some of their recommendations include fostering unity among members, improving services to attract government attention, protect members interest organize associations activities with sincerity and honesty and that NAPEB should increase services to members.

Conclusion and Recommendations

Conclusion

The findings of this survey mostly points to the fact that significant sources of financial supports for the MSMEs is the informal financial services sector, which included family members, relatives, friends, ASCA/ ROSCA, daily contribution collectors, and cooperative societies. It also revealed that there is a wide margin between financial needs (demand for financial services among MSMEs as the present supply financial services fell short of financial services fell short of the value of the volume of demand. Another revelation points to the desire for business development services (BDS) among MSMEs, in financial and non-financial services.

Major markets drawbacks included lack of access to financial and technical

supports. Lack of adequate credit facilities, particularly from the formal financial service institutions insignificantly affects the level of performance of the MSMEs. The lack



support from financial institutions constitutes a major hindrance to business activities among MSMEs.

Recommendations

Based on the findings of the research, the following recommendations are made for the improvement of MSMEs:

- There is the need to increase access to credit facilities. Particularly, credit facilities provided by the formal financial institutions, with low interest rate, easy to access and has in-built technical support services.
- Government should also create enabling environment for MSMEs to triumph. This can be inform of policy initiation to discourage the importation of products that can be locally produced and tax reduction on goods and services that enhances local production.
- There is also the need to give incentives to local MSME/producers of products that enjoys tremendous local consumption. Such support should include embargo on the importation of such locally produced goods, while import duties on imported raw materials should be discounted.
- Product development services and support programmes should also take into cognizance the need of the MSMEs in order to significantly meet most their financial services and non-financial needs.
- There is need for enlightenment on some of the business related hazard, which might occur as a result of certain activities and the implications of such for the health of individuals and the community as a whole.
- There is also the need to foster and improve existing collaborative works among the traders and the tanneries, in order to enhance product development that will meet the demand of the end-users of the finished products.

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