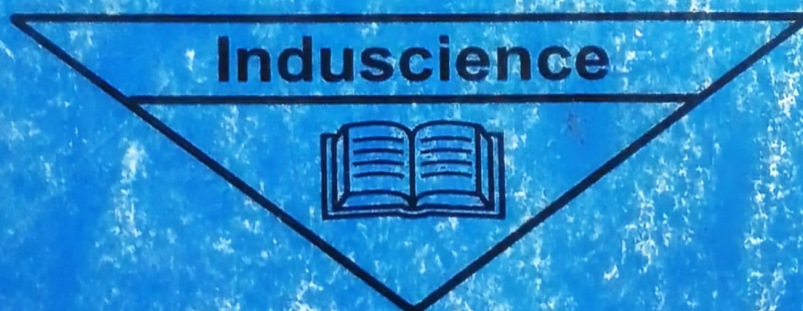


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Table of Contents

Transformational Strategies For Achieving And Sustaining Development Goals In Nigeria. Muyiwa Sanda & IB.A Tijani-Alawe	1
Global Competition And Corporate Responsibility: A Practice In Nigerian Textiles Sub-Sector Murtala S. Sagagi	14
A Structural Review Of The Global Trends In Import Logistics And Documentations Best Practice In Trade Facilitation. Obed B. Ndikom	25
The Impact Of Deregulation Of Petroleum Product On Nigerian Financial System. Adeyemo K.A	43
Stock Analysis And Valuation: The Nigerian Experience Nwidobie Barine Michael	56
Students' Self Management Strategies Against Loneliness In Selected Secondary Schools In Ogun State, Nigeria. D. A. Odeleye & J. T.B Oluwatimilehin	63
Budgeting As A Panacea For Organizational Effectiveness Oyetade, J. A.	70
Settling Pension And Gratuity Through Government Bonds—Any Virtue To Recommend It? Aiyegbusi, Ayodele Olabisi & Aiyegbusi, Oladele 'Sola	81
Inflation And Its Effects On Stock Prices In A Developing Economy Adebayo E. Olufemi	88
The Impact Of Organizational Change On Employees' Performance In The Nigerian Cement Manufacturing Industry Ewurum, U.J.F.& Olowe, O.F	98
Application Of Capital Budgeting In A Manufacturing Concern Oyetade, J. A	112
Determinants And Prospects Of Foreign Direct Investment In Nigeria	125

Strategies For Better Funding Of The Universal Basic Education (UBE) Programme In Nigeria. F. A. Fan, Arop, F.O & Etta, G.O.	135
A Critical Analysis of the Implications Of Nigerian Science And Technology Policy On National Economic Development. Olusegun Richard Daisi	143
Firing With Kerosine. Uzzi, Festus O.	152
The Effect Of Strategic Planning On Organizational Performance: A Cross Sectional View Of Nigerian Small And Medium Enterprises (SMEs) Adebayo, O.I.	157
An Overview Of Home Video, Cyber Culture And Reading Habits Of Senior Secondary School Students In Ibadan City. Samson Olusola Olatunji	173
Comparative Analysis Of Sources Of Finance Of Commercial Motor Cycle Operation In Urban Nigeria: A Case Study Of Ogbomoso And Ago-Iwoye Ajiboye Araoye Olarinkoye, Adebajo Adeola Adebajji.& Ayilara Mobolaji Akeem	183
Feasibility of Using Fuel Ethanol as an Alternative Source of Energy in Nigeria Sanni, H.A	190
Human Resources Capacity Building: Developing Executives through On-the-Job Technique (OJT) For Sustainable Development Lawal, A.A. & Tijani-Alawe, B.A.	196

COMPARATIVE ANALYSIS OF SOURCES OF FINANCE OF COMMERCIAL MOTOR CYCLE OPERATION IN URBAN NIGERIA: A CASE STUDY OF OGBOMOSO AND AGO- IWOYE

AJIBOYE ARAOYE OLARINKOYE
 ADEBANJO ADEOLA ADEBANJI.
 AYILARA MOBOLAJI AKEEM

This paper examines the various sources of financing commercial motorcycle operation in Nigeria, using Oghomoso in Oyo State and Ago-Iwoye in Ogun-state as a case study. The analysis of the sources of funding was made to identify how best commercial motorcycle operation can be financed and ways of assisting the operators. A total of four hundred questionnaires were administered randomly to the operators and secondary data were also sourced from articles and journals while the data generated was analyzed using descriptive methods such as simple statistics. The findings showed that co-operative societies are the easiest means of accessing fund by commercial motorcycle operators in the study areas, while funds through bank loans still ranked low. Therefore, the researchers recommend that government should provide additional equity to meet the fund requirements of operators.

Keywords: Finance, Commercial motorcycle, Operation, Comparative Analysis.

Introduction

One major problem that keeps on resurfacing in our day-to-day lives is how to get an adequate fund for our daily activities. It is fact that no individual, organization, public or private, small or medium even government can function satisfactory and effectively without adequate funds. Not only the source alone but also, the flow must be constant and at the right time. The problem of inadequacy of funds cuts across the whole world, though much more compounded in developing economy, including Nigeria as a result of general low level of income, with its resultant effect on savings culture, which is almost at the zero point (Osoba, 1987).

No business can strive no matter how standard its business plan and feasibility study are without good source of finance. Finance is the most important factor that would make or break a business. Of all the resources that a business would need, be it human, technology or money itself, having various human or technological resources would depend on money resources, according to Adekanye (1990).

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Furthermore, Adekanye (1990) observed that to attract best employees in an industry, retain them and to an extent motivate them will on the short run depend so much on money. So also to get the best in respect of technological advancement lies so much on issue of finance. This portrays how important issues of finance is to a business. Several factors have been associated with the difficulties businesses face in securing finance from established sources. These may include lack of information on the part of lenders to evaluate loan proposal, the lots of transactions and risk associated with business concerns and small businesses inability to deal with deficiencies in the business environment.

Attempts were made by the Central Bank of resources Nigeria to develop policy measures to bridge the resources gap in financing small scale enterprises. Despite all these efforts, the problem of inadequate funding continues and this led to recent programmes. Such as NERFUND, NEXIM scheme, people community banks and lately Micro Finance Bank. It is a common knowledge that an average potential entrepreneur in Nigeria upon asking the question - what major problems he faces concerning his business the answer would point to inadequate capital either to start or expand the business as his major problem. Furthermore, problem constitutes a major set back to transportation in Nigeria. Most commercial vehicle operators, who might wish to contribute positively, to the economy to reach unforeseeable height could not due to their capacity-under-utilization. If not for personal savings, unpleasant interest-rated loans etc. most other favourable sources are not all that readily available. In view of this in it is imperative to search into the very sources of fund of commercial motorcycle operators in Nigeria in general, and in Ogbomosho and Ago- Iwoye in particular.

Conceptual Clarification

Financing is the process of sourcing and deployment of financial resources to achieve a particular investment line to meet set objectives (Ajiboye and Dosunmu, 2007). Two major elements of financing commercial/public transport are common which are the acquisition of the vehicles, as well as the operation and maintenance of the vehicles.

The former is a capital investment, which requires long term funds while the latter is recurrent investment, which require short-term funds. In other words, the operators of the commercial/public transport require the two forms of finances, that is, the long term and short term, like overdraft. However, it has been noticed according to Abosede (1993) that most operators of commercial/public transport, including commercial motorcyclists always ask for loan without specifying the type of credit they want. Even though it is very prudent to use long term funds to finance both long-term and short-term investments, it is dangerous imprudent to use short term funds to finance long term project.

Furthermore, it was observed by Abosede (1993) that, these are four possible ways by which commercial/public transport business including the commercial motorcyclists can be financed. These are outright loans, overdraft, leasing and

direct purchase. From the above stated elements of finance. It becomes imperative that the commercial motorcyclists will have to choose between these modes of financing the purchase of their motorcycles, either through outright loans, leasing and direct purchase of the motorcycles. The first two modes constitute debt investment which will make the entrepreneurs to look up to financial institutions or cooperative societies for financial credits

Commercial Motorcycle as a Mean of Public Transportation in Nigeria

According to Adeniji (1987), motorcycles have been developed since 1900 to meet personal travel needs in industrialized countries. Although it is quite difficult to trace the time the use of motor-cycles spread to the developing nations, motorcycles have become very popular today as a mean of personal and family mobility in rural and urban areas of Nigeria.

Available evidence has shown that the use of motorcycles for public transport in Nigeria is dated back to the mid 1970s and early 1980s in different urban areas particularly in Akure, Bauchi, Calabar, Ibadan, Lafia, Markurdi, Port Harcourt, Uyo and Vola among a handful urban settlements (Adeniji 1987; Udo 1988; Ogunsanya and Galtima 1993; Okoko 1998 and Adeyemo 1998). The use of motorcycles as a public transport has come to stay in both urban and rural areas in Nigeria as a result of its high flexibility, as well as the high cost of acquiring a taxi car or bus which can be used for effective movement of people from one geographical location to another within a stipulated time.

The motorcycle as a mode of public transport was introduced in Nigeria to complement the few taxis and buses available to the increasing number of people migrating to the urban areas as a result of their location, advantages, employment opportunities and other few functions. There is also the development of specialized traffic generating and traffic attracting land-use and consequent increased separation of origins of intra-urban trips from destination coupled with the new functions of the town which implies greater demand for movement.

In Nigeria, the dwindling economy has affected virtually every sector of the economy, including the urban public transport sector which has been severely devastated. Thus, many of the private sector operators are finding it increasingly difficult to maintain and as well manage their fleets of minibuses and taxis. Expansion of such fleets is hampered by the exorbitant prices of vehicles spare parts and high vehicle operating expenses.

In addition, the bulk of the available public transport vehicles usually concentrate their service on remunerative and motorable routes. To fill the growing gap in public transport vehicle supply, there is either a spontaneous appearance or proliferation of commercial or public motorcycles in many towns and cities in Nigeria such as Ibadan, Abeokuta, Lagos, Enugu, etc. beginning from the late 1980s. Such appearances or proliferation of commercial motorcycles was witnessed in both Ago-Iwoye and Ogbomoso to absorb the

every-increasing students population in recent times. This marked the new trend of using motorcycles as a means of public transport in Nigerian Urban Centres.

Methodology

This study focus on the major towns in Nigeria Ogbomoso in Oyo State is the headquarters of Ogbomosoland with five local Government Areas Namely: Ogbomoso North, Ogbomoso South, Ogo-Oluwa, Orire and Surulere. It is the second largest town in the state and host Ladoke Akintola University of Technology (LAUTECH). Ago-Iwoye on the other hand is a university town located in Ijebu North Local Government Area, Ogun state including Ijebu-Igbo (Headquarters) Oru-Ijebu, Awa, Ilaporu, Agunboye to mention a few.

The research employed both primary and secondary sources of data. Primary data were collected using questionnaire and in-depth interview. Both structured and unstructured questions were used to elicit information. The questionnaire was administered to operators of motorcycles at their major terminals in Ogbomoso and Ago- Iwoye respectively. These include LAUTECH gates, General Hospital, Orita Naira, Stadium, Takie, Baptist, hospital, Randa Junction, Sabo, Stadium Junction, in Ogbomoso and Oru Station, Ita Merin, Olopomerin, Garage as well as mini campus gate of Olabisi Onabanjo University in Ago-Iwoye.

A total of four hundred questionnaires were administered to the operators of the motorcycles in Ogbomoso and Ago-Iwoye with each town having two hundred respondents representing 10% and 12% of the registered motorcycles operators in Ogbomoso and Ago-Iwoye. The questionnaires were administered using a random sampling procedure while participatory and observation methods were also applied in getting enough information from operators and union officials while the data generated was analyzed using descriptive measures such as simple statistics supported by series of tables showing percentage distribution of the variables.

Result and Discussion

From the analysis of the various financial options opened to commercial motorcycle operators in Ogbomoso and Ago-Iwoye respectively as shown in Table 1. Two hundred questionnaires were administered each to the commercial motorcyclists in these towns at their various terminals including the gates of Ladoke Akintola University of Technology (LAUTECH) Ogbomoso and Olabisi Onabanjo University (OOU) Ago-Iwoye. This analysis of sources of finance for the purchase of motorcycles by the commercial motorcyclists in the towns revealed that 60% and 46% of the respondents in Ogbomoso and Ago-Iwoye have an outright purchase of their vehicles from their personal saving, assistance from family members and from their daily weekly or monthly contribution. Furthermore, 37% and 50% of the respondents in Ogbomoso and Ago-Iwoye were able to purchase their motorcycles through loan from cooperative societies and banks while the remaining 3% and 4% from

respondents got their motorcycles through loaning from cooperative societies, micro finance banks and Non-Governmental Organizations as well as religious and cultural organization.

It was also discovered that sourcing from fund through the cooperative societies was the easiest mean of accessing fund the commercial motorcyclists due to a very low interest rate of cultural was ranked first with 40% of the respondents in Ago-Iwoye and ranked second in Ogbomoso with 25% of the respondents attesting to it. From the analysis of the questionnaires, it was observed that 130 of the respondents with 80 in Ago-Iwoye and 50 in Ogbomoso belong to one cooperative society or the other. This number represents 65% of the entire respondents in the two towns.

This source of fund was followed closely by personal savings with 30% and 23% of the respondents in Ogbomoso and Ago-Iwoye agreed that their main source of fund in financing their motorcycle operation business was through personal savings from their previous job while it ranked second in Ago-Iwoye and first in Ogbomoso.

Contribution and assistance by family members ranked third in both towns with 15% from Ago-Iwoye and 21 % from Ogbomoso. This demonstrates the family unity in Africa in general and Nigeria in particular that we are our brother's keeper. Furthermore, the loan from commercial, community and micro finance banks to commercial motorcyclists ranked fifth in both towns with 10% and 12% of the respondents respectively.

Some of the respondents were able to finance the purchase of their motorcycles through the daily, weekly or monthly contribution otherwise known as 'Ajo' in Yoruba land or 'Esusu' in Ibo land with 8% and 4% from Ago-Iwoye and Ogbomoso respectively while assistance from governments Non-Governmental Organizations (NGO) was the least in both towns with 4% and 3% in Ago-Iwoye and Ogbomoso respectively. However, from the analysis of the various ways of obtaining financial assistance, the bank loan seem to be the most difficult of all sources of fund for the commercial motorcyclists in the towns as 68% of the total respondents attested to this, followed by Government and Non-Governmental Organization (NGO) with 13%, family member 9%, cooperative societies 5%, daily/weekly/monthly contribution 3% and personal saving 2%. The reason why bank and institutional loans are difficult to obtain is because of the stringent conditions a borrower must satisfy before obtaining a loan such as provision of collateral security and guarantor while the disbursement of government institutional and Non-Government Organization loans are often done through banks which also have condition to be met.

Table 1: Sources of Finance for Commercial Motorcycles Operators in Ago-Iwoye and Ogbomoso

Source of Finance	Ago-Iwoye		Ogbomoso	
	Frequency	Percentage	Frequency	Percentage
Personal saving	46	23	60	30
Family member	30	15	42	21
Daily Contribution	16	8	18	9
Cooperative society	80	40	50	25
Bank loan	20	10	24	12
Institutional	8	4	6	3
Total	200	100	200	100

From the analysis of the responses of the respondents in the two towns on whether they have an account or book of record, it was discovered that only 124 respondents representing 62% in Ago-Iwoye and 75% Ogbomoso have financial records of their operation which were not kept accurately and adequately. Also, 48% and 54% of the respondents in Ago-Iwoye and Ogbomoso operate savings or current account which are for personal or commercial usage.

Conclusion and Recommendation

The contribution of commercial motorcycle operators to economic self reliance of the nation is indisputable and deserve more support than what they are currently receiving from the governments, corporate bodies and Non-Government Organizations.

This study has shown that the key problem facing the public/commercial motorcycle operators in Nigeria is inadequate capital. The government should therefore provide additional equity to meet the increasing funding requirement for the commercial motorcyclists. The commercial motorcycle operators must create a conducive atmosphere that will guarantee the necessary confidence and integrity required before credit facilities can be extended to them by the financial institutions and co-operative societies while the financial institutions are in the better position to monitor the activities of the lease programme such that when the positions have been jeopardized, they can invoke the sanctions contained in the lease agreement. In addition, there is need for proper financial record keeping to monitor their profit or otherwise. Monitoring of such gains can help to predict accurately when borrowed funds can be repaid and the profit can be ploughed back into business in acquiring another motorcycle.

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