Development Finance Institutions and the Effectiveness of Development Finance for African Countries

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ABSTRACT

Unlocking the potential for growth at African Development Finance Institutions has become imperative, with the financial crisis of 2007/2009 having generated new discussions on the role of the state in the economy, most especially in the financial sphere (Calice, 2013). This raises new interests among decision-makers involved in development finance institutions (DFIs), according to the World Bank (2013). It is noteworthy that DFIs played a very important role in avoiding a drastic credit crisis in many developing economics, by intensifying their activities, in terms of deleveraging and increased risk avoidance by private agents (Calice, 2013).

The challenge at present, is the manner in which adequate use of DFIs can be guaranteed, to safeguard against the deployment of some costly policy instruments, while ensuring they play a dynamic role in providing access to finance (Gutierrez, Rudolph, Homa and Blanco, 2011). With prevalent market failures in the provision of finance for infrastructure, agriculture, and housing, as well as small and medium enterprise (SME) finance, this is specifically relevant for Africa, and provides a strong rationale for DFIs to play an active developmental role.

The study findings will help countries in Africa and finance professionals in investment and development banking, to improve their application of policies and procedures, in order to achieve the mission and vision of the proposed developmental projects. In addition, the research findings will serve as good reference material for scholars studying development finance, while the long-term benefit will result in assisting Investment bankers, DFIs, Donors, and individuals, as well as governmental institutions, to operate optimally in providing services to their customers more effectively.

Although much has been done towards improving knowledge about African DFIs, to provide evidence on key areas to target., more research is, however,

still needed (Calice, 2013). The aim of this study, therefore, is the analysis and evaluation of the perceived or real problem(s) associated with the effectiveness of development banks for African countries. In other words, to explore a comprehensive assessment of the development effectiveness of African DFIs to measure public policy performance and how it can enhance development financing.

Both qualitative and quantitative methods of data collection were employed, to critically evaluate the development effectiveness of African Development Financial Institutions. Primary data, collected using online questionnaires, came from selected DFIs in the headquartered, corporate business environment in Johannesburg, South Africa and Lagos, Nigeria.

A well-functioning, efficient and effective, international development financing system is essential for: global poverty reduction; improving living standards in developing countries; reducing worldwide inequalities; and for achieving the Millennium Development Goals (MDG), with feedback from respondents of this study indicating that much has been done by DFIs in Africa. The findings, indicate potential problem areas, with regards to environmental issues and their handling, as well as there being no proper stakeholders' needs alignment, which could be due to collaboration issues, and/ or lack of training and experience.

DECLARATION

I declare that this research report is my own, unaided work, except where due reference is made. It is being submitted for the Master's Degree of Management in Finance and Investments, at the University of Witwatersrand Business School, Johannesburg. It has not been submitted before for any degree or examination in any other University or Business School.

(Signature of candidate)

……03…… Day of …………August……………………………. 2016

DEDICATION

To God, the Almighty for his faithfulness, love and care throughout my endeavour and to My Love, Esther and our beloved angels Deborah and Enoch.

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LIST OF ACRONYMS AND ABBREVIATIONS

ACA	Associate Chartered Accountant
ACIB	Associates of the Chartered Institute of Bankers
ACIT	Associate of Chartered Institute of Taxation
ANC	Africa National Congress
ASgiSA	Accelerated and Shared Growth Initiative for South Africa
ANDFI	Association of Nigerian Development Finance Institutions
AU	African Union
AFC	Africa Finance Corporation
AfDB	African Development Bank
BRICS	Brazil, Russia, India, China and South Africa
BSc	Bachelor of Science
CBN	Central Bank of Nigeria
CEO	Chief Executive Officer
DBSA	Development Bank of Southern Africa
DFI	Development Finance Institutions
DOTS	Development Outcome Tracking System
EBRD	European development bank for reconstruction
EIB	European Investment Bank
EPI	Evaluation Performance Indicators
FMBN	Federal Mortgage Bank of Nigeria
GDP	Gross Domestic Product
GERA	Growth, Empowerment and Redistribution Agency
HND	Higher National Diploma
ICON	Investment Corporation of Nigeria
ICT	Information and Communication Technology
IDC	Industrial Development Corporation
MBA	Master of Business Administration
MDG	Millennium Development Goals
MFI	Microfinance Institutions
MIS	Management Information System

MSc	Master of Science
NACB	Nigerian Agricultural and cooperative bank
NBCI	Nigeria bank for commerce and industry
NBS	Nigerian Building Society
NEPAD	New Partnership for Africa's Development
NIDB	Nigerian Industrial Development Bank
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PhD	Doctor of Philosophy
PIDA	Programme for Infrastructure Development in Africa
PPIAF	Public-Private Infrastructure Advisory Facility
PPI	Private Participation in Infrastructure
PSGRS	Prudent Standards Guidance Rating System
RDP	Reconstruction and Development Programme
SADC	South African development Countries
SME	Small Medium Enterprise
SSA	Sub Sahara Africa
TA	Technical Assistance
TIMS	Transition Impact Monitoring System
WBG	World Bank Group

CHAPTER ONE
PURPOSE and PROBLEM STATEMENT

1.1 INTRODUCTION TO THE STUDY

In a paper presented by Calice (2013) in Tunis, Tunisia, on unlocking the potential for growth at African Development Finance Institutions; it was highlighted that the financial crisis of 2007/2009 has generated new discussions on the role of the state in the economy, most especially in the financial sphere. This raises new interests among decision-makers involved in development finance institutions (DFIs), (World Bank, 2013). Calice further states that, DFIs played a very important role in many developing economics by intensifying their activities to avoid a drastic credit crisis, in terms of deleveraging and increased risk avoidance by private agents.

Gutierrez et al. (2011) point out that the challenge presently being experienced, is how to guarantee that DFIs are adequately used to ensure they prevent deployment of some costly policy instruments, while at the same time, ensuring they play a dynamic role in providing access to finance. This specifically relevant for Africa because of the prevalent market failures in the provision of finance for infrastructure, agriculture, and housing, along with SME finance. This condition, however, provides a strong rationale for an active developmental role to be played by DFIs.

In Africa there are more than 140 DFIs, which includes a wide range of institutions, for example: government-owned banks, development banks, insurance companies, Investment banks, guarantee funds, and others. What they all have in common is an implicit policy mandate or expectation, to foster economic development in the jurisdictions in which they operate. African DFIs can make an important contribution to grow developments in the financial sector and muster resources for underserved sectors of the economy. Based on these, they can play a useful, corresponding role to that played by international financial institutions, such as the African Development Bank (AfDB), and commercial banks. A review of literature shows that much has been done on cross-country perspective and case studies but not on the review of African DFIs' mandates to assess the continued relevance of their strategic focus, their terms of engagement with commercial financial institutions, and the sustainability of their efficiency objectives (Calice, 2013).

1.2 BACKGROUND

A well-functioning, efficient and effective international development financing system is essential for global poverty reduction, improving living standards in developing countries, reducing worldwide inequalities, and achieving the Millennium Development Goals (MDG).

Current institutional arrangements and instruments needed, to mobilise external financing for development, are woefully inadequate and require major restructuring. The international development financing system could evolve along quite different paths during the next ten to 15 years. Whether the inertia or the transformation scenario prevails will depend on how the international community and its leadership face the new realities of global interdependence and respond to the demands of development finance.

In the past, a series of crises strengthened the resolve of political leaders to act boldly and to introduce structural reforms in the conduct of international affairs. The tragedies of World War I, the Great Depression, World War II, among many others that characterised the 20th century, spurred a series of major institutional innovations in the 1940s. These, however, led to the creation of the United Nations (2011), the Bretton Woods Institutions and the launching of what may be called the 'international development experiment'. Sixty years later, when global interdependence had increased to previously unthinkable levels — "and when poverty, destitution, exclusion and violence are continuously but fleetingly brought to our attention under the harsh light and the magnifying glass of global mass media" — the whole array of international institutions needed to preserve peace and promote development, are under severe stress. This requires a fundamental shift in the way international economic, social and political relations are managed and, in particular, it poses the challenge of creating a new and more effective international development financing system.

1.3 PURPOSE AND PROBLEM STATEMENT

There are huge developmental needs of the African countries, in addition to strong reasons for government and policymakers to strengthen and modernise their DFIs, by providing them with the necessary tools to better fulfil their policy mandates. Calice (2013) shows that much has been done towards improving knowledge about African DFIs, to provide evidence on key areas to target. However, more research is still needed on comprehensive assessment of the development effectiveness of African DFIs, to measure public policy performance.

As indicated in the April 2014 issue of the Africa Progress Report, Programme for Infrastructure Development in Africa (PIDA), led by the African Union (AU), the New Partnership for Africa's Development (NEPAD) and the African Development Bank, PIDA has identified 51 core projects aimed at transforming Africa's infrastructure. Costs are estimated at around US$360 billion, between 2011 and 2040, with investments of US$68 billion by 2020. Critical efforts are required from the Africa DFIs, in order to achieve this. Hence, this research will focus on analysing and evaluating the perceived or real problem(s) associated with the effectives of development banks for African countries.

1.4 OVERALL AIM

The overall aim of this research is to explore a comprehensive assessment of the development effectiveness of African Development Financial Institutions (DFIs), in order to measure public policy performance and how it can enhance development financing.

1.5 OBJECTIVES

To achieve this general aim, the following sub-objectives will be pursued:

Sub-objective 1: To ascertain factors that will assist in preventing conflicts of interest among clients, staff, managements and boards involved in the development finance process.

Sub-objective 2: To evaluate the factors that will contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions.

Sub-objective 3: To identify problems confronting the sourcing of fund for developmental purpose.

1.6 RESEARCH QUESTIONS

How can conflicts of interest be prevented among clients, staff, management, and boards involved in the development finance process?

What are the important factors that contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions?

What are the various problems confronting DFIs, regarding the sourcing of funds for developmental purposes?

1.7 OVERVIEW OF RESEARCH METHOD

The researcher has chosen to adopt a mixed method approach, utilising both quantitative and qualitative methodologies to conduct the enquiry required to answer the research questions and achieve the objectives of the research. This includes the research design, questionnaire design, population of study, and sample size, as well as the research instrument and its administration, and data analysis techniques. In addition, the validity and reliability of the instrument to be used will be tested.

The quantitative analysis will be conducted using primary data from an online survey, after which qualitative analysis will be applied, using official data analysis tools, such as Microsoft Excel spreadsheets, and any other tool, as recommended.

The researcher considered the use of an online survey as it is one way to easily gather sufficient data in a short time, as well as being able to maintain the confidentiality of the respondent.

1.8 SIGNIFICANCE OF THE STUDY

The rationale for carrying out this research is to come up with a clear understanding of the issues hindering the effectiveness of development banks in African countries and possibly, identify ways of overcoming the identified issues/ problems.

This study will help countries in Africa and finance professionals in investment and development banking, to improve their application of policies and procedures, in order to achieve the mission and vision of the proposed developmental projects.

In addition, the research findings will serve as good reference material for scholars studying development finance and how to develop a model that will enhance good governance and effective project delivery.

The long-term benefit of this study will result in assisting Investment bankers, DFI, Donors, and individuals, as well as governmental institutions, to operate optimally in providing services to their customers more effectively.

1.9 STRUCTURE OF THE CHAPTERS

Chapter One

This entails the problem under investigation, background, preliminary literature review to help identify the research problem, and research questions, as well as the aims and objectives

Chapter Two

A comprehensive review of relevant literatures on the study is covered, as well as the theoretical framework that informed the study, along with key concepts on DFI models, underlying theories and empirical findings.

Chapter Three

Details a description of the quantitative research methodology to be used for this study. In addition, the research design is specified, with thedata collection methods and analysis outlined, along with the population of the study and sampling procedures.

Chapter Four

This chapter will cover data analysis and interpretation of the research findings. Data obtained by means of questionnaires will be statistically presented and analysed. A full description will cover how data collected will be processed to obtain results that will be interpreted.

Chapter 5

Interpretation of the result will be done, in line with the findings from the literature review, on DFIs funding models.

Chapter 6

The final chapter for this study will offer recommendations and conclusions drawn from the data analysis and interpretation set out in chapters 4 and 5 and also make suggestions for future research.

1.10 SUMMARY

Considering the potential for growth at African Development Finance Institutions, this chapter discussed the background of the research problem, outlining the research questions, methodology to be employed and details of further chapters.

A comprehensive review of relevant literature and the theoretical framework that underpins this study, as well as fundamental concepts on DFI models, empirical findings and underlying theories are discussed in the next chapter.

CHAPTER TWO
LITERATURE REVIEW

2.1 INTRODUCTION

Over the years, economists have been advocating for the use of local saving/ funding to sponsor projects in less developed countries, most especially African countries. Several reasons are behind this, such as; the fact that local saving/ funding is more reliable than external finance and does not expose countries to external stress that may result in financial crisis. Politically, it is better to depend on local resources because of its ability of assisting countries to take ownership of their policies and be accountable to their citizens, instead of outside investors and fund mobilisers (Culpeper and Bhushan, 2010). According to Adam and O'Connell (1977), apart from the numerous advantages of Developmental Finance Institutions (DFIs), it is confirmed that African countries most of the time depend more on external means of finance, than internal sourcing of funds. The reason could be because of the attitude to savings, thereby affecting levels of savings and also matters of a political nature, resulting in an increase in tax returns (Fjeldstand and Rankner, 2003) and underdeveloped local capital markets (Aryeetey and Senbet, 2004). The major problem arising from the dependence of most African countries on external funding, usually results in huge debt being experienced by most governments in less developed countries.

According to NEPAD-OECD (2010), debt being owed by African countries is estimated at about US $300 billion, as at 2009, resulting in about 16 percent of their earnings being used to pay back debt. DFIs came into existence to rectify market failures and also to supplement government funding's and market financing. DFIs have a dual role; developmental project financing and large industrialisation financing, in addition to contributing to the economic development strategies of various countries. Over and above the foregoing, DFIs assist to increase already existing, poor infrastructure and help to accelerate industrial advancement, as well as improved economic and human capital development.

Calice (2013) highlights that the financial crisis of 2007/2009 has generated new discussions on the role of the state in the economy, most especially in the financial sphere, and that DFIs played a very important role in many developing economics, by intensifying their activities to avoid a drastic credit crisis, in terms of deleveraging and increased risk avoidance by private agents. This raises new interests among decision-makers involved in DFIs (World Bank, 2013).

Gutierrez et al. (2011) highlight that the present challenge being experienced, is how to guarantee that DFIs are adequately used to safeguard against deployment of some costly policy instruments, while at the same time, ensuring that they play a dynamic role in providing access to finance. This is specifically relevant for Africa because of the prevalent market failures in the provision of infrastructure, agriculture, housing and SME finance. This condition, however, provides a strong rationale for an active developmental role to be played by DFIs.

In Africa, there are more than 140 DFIs, which includes a wide range of institutions, for example: government-owned banks, development banks, insurance companies, Investment banks, guarantee funds, and others. What they all have in common, is an implicit policy mandate or expectation to foster economic development in their countries. African DFIs can make an important contribution to grow developments in the financial sector and muster resources for underserved sectors of the economy. Based on these, they can play a useful corresponding role to that played by international financial institutions, such as the African Development Bank (AfDB), and commercial banks.

2.2 DEFINITION OF DEVELOPMENTAL FINANCE INSTITUTION

An attempt has been made to define DFIs, as described by different authors in the past. DFIs are bilateral financial institutions or multilateral development agencies, involved in the provision of funds, in the form of equity participation, loans or guarantees to both local and external investors, for the purpose of project initiations or development in areas where normal banks are not willing to invest, without some assurance of financial participation (PIG, 2010).

It is also a multilateral, regional or bilateral financial institution aimed at servicing investment inadequacies of developing countries because they render assistance in providing loans, guaranties and equity, to both private or public sectors of the economy, so as to encourage collective and justifiable developments and, at the same time, continue to maintain their financial stability over a long period of time (Dalberg, 2010). The major focus of DFIs is to provide funds for developmental purposes, while also assisting clients in capacity building and providing expat advise, in addition to helping improve their social responsibility and good governance. Dalberg (2010) further mentions that DFIs operate in tripartite modalities; Additionality, Catalytic, and Sustainability.

Additionality, according to Dalberg (2010), means the ability to assist in funding and local investments, as DFIs help to facilitate funding from other investors, either directly or indirectly, without much problem, encouraging viable developments through less dependence on aids and promoting good governance, good business practice and sensitivity to the environment.

As defined by Scharf and Shetty (1972), different financial institutions, such as microfinance institutions, community development financial institutions and rotating funding, are encouraged by governments to provide funds for developmental purposes and to assist in funding different sectors of the economy. The authors further mention that DFIs differ from private financial organisations because of their ability to differentiate themselves from the usual commercial operations adopted by the normal banks and focus on their developmental purpose. DFIs lay more emphasis on projects, instead of normal banking operations, where a collateral approach is practised, while also assisting in the management functions that will assist in good project delivery, to enhance compliance and time to deliver. One of the distinguishing roles of DFIs is that they partner with organisations to deliver viable projects, as against being a financier (Scharf and Shetty, 1972)

DFIs serve as a link between the public aid and private investment and also assist in obtaining funds for developmental purposes; they are different from aids organisations because of their involvement in viable investments, while encouraging economic growth and sustainable development, they serve as an aid to bridge the gap of developing countries, between commercial investment and state development aid.

While all the above authors have defined DFIs one way or the other, the more recent definition, by the World Bank Group (2015), states DFI as:

> "…encompasses not only government development banks, but also nongovernmental micro-finance organizations, that match grants to attempt to promote community development, decentralization of power, and local empowerment. Measures of the social cost of DFIs that receive public funds, help to check whether DFIs are good uses of public funds, i.e., if the social benefit of a DFI exceeds the social cost, then public funds are indeed well-spent, further improving social welfare".

2.3 THE GOALS AND OBJECTIVES OF DFIS

Some of the objectives of DFIs are: investing in viable private sector projects, having an impact on developmental projects, being financially strong and stable over a long period of time and also sourcing for funds from the private sector. There are two types of DFIs, namely; those owned by the public sector and those owned by both the public and private organisations, while those that are multilateral and regional, have different shareholders across many countries.

The goal of DFIs is to provide funds in such areas or countries, where access to funds for developmental purposes from the private sector become difficult or impossible; it is believed that both finance and development possibilities exist simultaneously and as such, see to the advancement of the private sector, as part of the catalyst to sustainable development (World Business Council, 2007).

Accordingly, the emphasis placed on different areas of development varies from DFI to DFI, while some concentrate on challenges facing development, some focus on the development of the private sector and job creation, and others concentrate on poverty reduction and alleviation, good health, education and a sustainable environment.

2.4 IMPORTANCE OF DEVELOPMENTAL FINANCE INSTITUTIONS

DFIs are very important to any economy because they stand as an intermediary between public aid and private investment, providing funds for development purposes. This acts as a foundation to investors and thereby assists in the growth and successful take-off of development projects, which is usually a challenge for many upcoming, financing markets. They boost the confidence of many intending investors because of expert advice provided to investors. DFIs take high risks in investments, unlike the traditional commercial banks, through their expertise, as well as their ability to collaborate with other investors.

2.5 THE ROLE OF DFIS IN DEVELOPMENT

Over the years, literature has shown that adequate finance will have a positive impact on development and this could be achieved through various means, such as; payment services, exchange of goods in an efficient way and aid specialisation, raising funds from various sources to assist people to overcome financial difficulties, as well as increasing overall investment, and resource allocation improvement. Monitoring and providing expert advice to organisations, thereby helping them to improve management and allocation of their resources, while assisting in reducing risk associated with liquidity, to foster long term investment (Diamond and Dybving, 1983).

According to King and Levine (1993), the advancement of financial development started due to financial recession in many countries and has grown to the extent that it is now a necessity in assisting development growth, even in developed countries. Financial expansion is a very important part of the overall development of any country (Levine, 2005; Beck, 2009), with the Netherlands at the forefront among European countries, in creating a successful financial system, comprised of government bonds and money markets.

According to the United Nations (UN, 2005: 14), DFIs play at least five crucial roles in terms of addressing market failures. Their roles are as follows:

- Appraise the economic and social development impact of projects seeking financing;
- Accompany investors in the long run, through long-term loans;
- Offer technical assistance to sectors essential to growth;
- Attract investors by facilitating financing operations; and
- Alleviate the negative impact of financial crises through counter-cyclical financing by offering loans, even during downturns, and pooling efforts with regional financing institutions.

Hicks (1969) highlights that the economic turnaround in Britain was as a result of the development of the British financial system and laying the foundation of the bank of England, which serves as lender of last option, stock market development, linking of London and regional banks via the money market and sound government finance, through government bond. Allen, Qian and Qian (2005); Allen, Capie, Fohlin, Mayajima, Sylla, Wood and Yafeh (2012a) and Allen, Qian, Zhang and Zhao (2013) point out that, in the experience of developing countries, such as China and India, finance was based on informal sources of funding, instead of formal sources and that this has been instrumental to success, most especially in SME finance. Rather than relying on legally constituted institutions, the methodology was based on trust, reputation and long-term relationships.

Kim and Lee (2010) state that recent Korean development was not as a result of a formal financial system but rather due to the fact that financial regulations were only achieved due to this, in the 1980's. Literature confirms that the connection between growth and finance differs from country to country, at various levels of economic development. Rioja and Valey (2004b) identified that the effect of financial growth is felt more in middle-income countries, which is also in line with the findings of Rousseau and D'Onofrio (2013), who mention that development can be achieved in Sub-Saharan Africa, through financial intermediation, rather than monetisation.

Aghion, Howitt and Mayer-Foulkes (2005) iterate that the effect of development finance is high among low-medium income countries that are trying to meet up with developed countries, at various levels of productivity, which is not noticeable as they approach global productivity limit. It was pointed out by Arcand, Berkes and Panizza (2012) that these effects have negatively impacted finance growth at various levels of development. This could be due to the fact that the financial sector has been extended beyond traditional activities, from provisioning of credit to household instead of enterprises alone, to the extension of financial systems to the disadvantage of the real sector, and informational rents of financial security, which have impacted financial growth negatively (Beck, 2012).

Beck, Levine and Loayza (2000) and Wurgler (2000) mention that finance has a positive impact on economic growth, by promoting productivity growth and resource allocation, instead of capital accrual. Accessibility to external funding will have a positive impact on entrepreneurship and encourage new entrants to the market, while also enhancing firm enthusiasm and improvement. In addition, accessibility will also serve as a source of encouragement to existing firms to investiagte ways to grow and explore more investment opportunities.

DFIs are not only important for enhancing economic growth but will also assist in reducing the instability of the development growth process. Assistance by DFIs, in reducing pressure due to unavailability of funds being experienced by firms, will enhance long-term investment and therefore, reduce or eliminate instability of investment and growth (Aghion, Angeletos, Banerjee and Manova, 2010). Furthermore, this will also help to reduce any negative impact that the exchange rate may have on the firm's capital base and therefore, investment capacity (Aghion, Bacchetta, Rancière and Rogoff, 2009).

According to literature, it has been revealed that developmental finance is not about growth alone but also has to do with poverty alleviation. It is further confirmed that unclear predictions, about the association between financial improvement and income disparity have, of recent, been proved in literature to result in long-term, negative relationships. Beck, Demirguc-Knut and Levine (2007) iterate that countries, with a high level of experience in financial development, will experience speedy reduction in income disparity and poverty levels.

2.6 GOVERNANCE STRUCTURE ADOPTED BY DFI'S

Good management is very important for DFIs because it will help in the improvement of their performance and the way the organisation is being managed, to meet set goals and objectives. Because of the role played by DFIs in the economy of a country, it is important to have a good structure and framework that will enhance the way they carry out their mandate, to be able to meet their objectives.

Corporate governance, as defined by the Organisation for Economic Cooperation and Development (OECD) (2006), is the way organisation management, the board, shareholders and stakeholders relate together, in the management and direction of the organisation, while it is also the way the organisation is structured, in addition to being a guide, through which the objectives, as well as monitoring metrics, are determined. When corporate governance is good enough, it should be a catalyst that will enable the board and management to follow-up with all the activities of the organisation to ensure the objectives are in alignment with the interests of the organisation and its shareholders. It is important to note that bad corporate governance has led to poor performance of most DFIs. Findings indicate that this could be due to political instruction and inadequate managerial skills (Dink, 2005; Chapiro et al. 2004; La Porta et al. 2002), with which to put good corporate governance in place, which is usually not an easy venture.

According to Scott (2007), DFIs must consider the different, conflicting issues between trying to achieve the objectives of fulfilling their policy mandate and the quest to be financially stable. Therefore, to put up a sound corporate governance structure involves great investment on the part of all the stakeholders. The Prudent Standards Guidance Rating System (PSGRS) conducted a peer review of African Development Banks and financial institutions, as well as different aspects of corporate governance frameworks; part of their review was on state ownership policy of DFI, they confirmed that how the state coordinates and manages its intervention with DFIs contributes to the foundation for general corporate governance.

Essentially, legal and regulatory stipulations for DFI operations should be such that it will create opportunities for equal participation with commercial financial institutions, for the avoidance of market misrepresentation. Most importantly, the DFI legal framework, under which it operates, should ensure that creditors' rights are properly protected, without any exemption from formal application of the various laws and regulations. Flexibility of the DFI capital structure should be encouraged and should be dependent on the needs and objectives of the DFI. To achieve this, DFIs should be incorporated under the Companies Act or Banking Act, with a clear separation of responsibilities between ownership, and regulatory and supervision as being applicable to governments; this is most applicable to the DFIs who source for funds from the public.

Government, as a shareholder, is always concerned and strives for the fulfilment of the DFIs policy mandate and financial stability, based on operational objectives and financial performance targets; anything short of this could lead to political involvement, undue management autonomy and challenges in accessing and evaluating board performance, as well as that of the DFI. Therefore, to attain this in reality, there must be a written agreement between the government and the DFI, clearly stating the performance agreement based on their mandate, objectives, strategy and financial, as well as non-financial targets. In appointing the board of directors, it is the task of the owners, as such, when there is a properly constituted empowered and qualified board. This will form solid corporate governance of the organisation; the process of nominating the board must be clear and open to all the stakeholders, which will ensure that all the capacity needed, for the board to perform its role, is in place or available.

The government has adequate power to appoint members of the board, being the most powerful owner of the business, it is however, important that most of the board members should not be appointed from the civil service, so that conflict of interest can be minimised, no matter the level of experience and qualifications. A DFI board should carry out their roles and responsibilities according to a performance agreement between the government and the DFI. Members of the Board are charged with the responsibilities of appointing and firing the Chief Executive Officer (CEO), thus, when the board is not properly constituted and adequately empowered, it becomes difficult to exercise authority and power to exert the board's oversight function over the CEO and executive management and hold them accountable.

Another important aspect of DFI corporate governance is the sharing of information, and the reporting and disclosure systems. Proper disclosure of information must be ensured internally and externally, to the government and the public. Some of the information includes; management information systems (MIS), management reporting to the board of directors, reports to shareholders' representatives, other stakeholders, including the public, through published accounts. To achieve these, there must be adequate investment in accounting information systems, policies and procedures.

2.7 GLOBAL DFI AND INFRASTRUCTURE DEVELOPMENT

Infrastructure is key to development in any country, yet, part of the problem confronting developmental growth in most countries is infrastructure, according to the OECD, approximately 1 billion people in developing countries do not have access to good roads, 1.2 billion lack potable water, 2.3 billion have no reliable source of power, there is no access to good sanitation for 2.3 billion people and four billion do not have the privilege of accessing good communication systems (OECD, 2006). The World Bank, in their assessment, confirm that spending on infrastructure in Africa is not enough and it is in deficit of about $48 billion annually; even with the urge to improve savings there is still a short-fall of about $31 billion annually (Foster and Briceño-Garcia, 2010).

Over the years, there has been an improvement in infrastructure through proactive investments, however, the gap is still very wide in terms of developmental finance needs. The World Bank and Public-Private Infrastructure Advisory Facility (PPIAF) (2010a) define infrastructure as "transport, energy, information and communication technology (ICT), water and sanitation, industrial infrastructure and agribusiness related infrastructure". Literature has identified the existence of various relationships between infrastructure and development outcomes and that there is a clear difference between direct poverty prevention reduction outcomes, due to infrastructure development, and indirect poverty reduction, as a result of economic growth through infrastructure provision.

According to the OECD (2006); Jahan and McCleery (2005) and Prud'Homme (2005), channels for direct and indirect infrastructure development impact as:

Improved infrastructure or additional infrastructure services can directly improve household income by:

- Increasing access for the poor to factory and product markets;
- Risk reduction and vulnerability;

- Enhancing asset mobilisation and usage;
- Creating employment in construction operations.

1 Directly improve the non-income aspects of poverty by;

- Providing household access to improved sources of water, electricity and communication systems;
- Improving access to basic social services, for example, health and education;
- Empowering the poor.

2 Infrastructure provision will bring about economic growth and therefore, have an indirect impact on poverty reduction through;

- Reduced production and transportation costs;
- Increasing private investment;
- Improved agricultural and industrial production;
- Removal of obstacles that can slow down industrial and economic growth.

The rate at which infrastructure investment/ development could enhance economic growth and poverty reduction, is hinged on a good institutional environment (Jahan and McCleery, 2005; DFID, 2007); it is important to note that facilities of construction works and maintenance of the various facilities, as well as the coordination of all the partners who contribute to the project, will have an effect on the output, while the institutional environment will have a significant effect on both. Econometrics strategy has been confirmed in literature to aid in reducing problems associated with overestimates in projects, while costing and demand on the infrastructure may not be totally eliminated (Estache and Fay, 2006). The authors further iterate that infrastructure policy reveals that infrastructure will enhance development and production cost and that the effect is seen more on development income countries. Prud'Homme (2005: 161), in a review of the association between development and infrastructure, confirms infrastructure will bring about a high rate of return, to the tune of about 15 percent, when compared to the return that can be achieved from private “Productive Capital”. In addition, Straub (2008b: 19) in his study, confirms that 63 percent of developmental specifications has a positive effect on and high association between infrastructure and development outcome.

2.8 CHALLENGES TO MOBILISING PRIVATE FINANCE

Some of the challenges facing fund mobilising in the private sector are:

2.8.1 Enabling Environment

It is predicted in many reviews that environmental challenges have been a source of challenges facing private sector investment in most developing countries, if not all, and these challenges could be due to high exchange rates, political and regulation risks that seem to be on the increase, resistance from the citizens of those countries that has made development difficult and pose a challenge to business. Literature confirms that approximately 40 percent of contracts involving private partnership was cancelled or have to be re-discussed and re-agreed on because of poor estimation of financial gain or underestimation, political risk and resistance from citizens (DFID, 2007). It is further stated that these challenges are common in developing countries and has led to the flow of financial activities of private sector findings concentrating more on the developed countries/ regions. As example; between 1990 and 2008, Latin America and the Caribbean attracted roughly 38 percent of private participation and funding of infrastructure projects, as compared to almost six percent received by Sub-Saharan Africa and about 12 percent by South Asia (World Bank and PPIAF, 2010a).

According to the World Bank (1994), in their report on infrastructure for development and private sector involvement, it is confirmed that the marketability of infrastructure development is largely dependent on the following convictions:

- The possibility of completing such projects;
- Ability to recover back the cost fully from charges;

- Equity problem as it relates to service consideration;
- External environmental factors.

The above principles differ from one sector of the economy to the other, for example; people could embrace and buy into the telecommunication and energy sectors because;

- Their service requires that fees are charged per user, based on consumption;
- They are different because in order to have access to the service, a network connection is required;
- Unbundling of services is possible; thereby creating competition in the sector.

When the proceeds from the above are compared to that of a rural road there is a clear difference, in terms of charging and accrued revenue and, at times, charging becomes nearly impossible for road users on some roads. Therefore, it is visible that telecoms and the power sector are the most attractive sectors investors are willing to finance. There are some sectors that have sub-sectors that seem to be attractive, for example; rail- and airways, however rail infrastructure seems to be less attractive, likewise in agriculture, irrigation infrastructure seems to be attractive, while its sub-sector, such as irrigation networks that serve as a feed into the maim system, is less attractive.

From 1994 to 2008, it was confirmed that telecommunication infrastructure investment made up approximately 42 percent of total investment, energy 31 percent, transportation 22 percent, while water took the least at six percent (World Bank and PPIAF, 2010a).

2.8.2 Impact on the Poor

Numerous arguments have been put forward on the impact Private Participation in Infrastructure (PPI) investment has on the poor. While some are not in agreement with the fact that private partnership will positively impact efficiency and quality of service, many contend that the private sector has little concern for the poor. This is the perception, as a result of high prices being charged for services or facilities (Harris, 2003), since the motive of private organisations is to make profit, without concern for those who cannot pay for such service. Subsequently, when infrastructure projects are designed to consider only those who can afford this by private operators, only those who can afford the service tend to benefit from this (Foster and Briceño-Garcia, 2010). The effect of this will be severe in areas with high risk and as a result, investors require a high rate of return on investment, to compensate for these risks, resulting in charges on services in poor developing countries being higher than other countries, due to the high cost of capital (Estache, 2006: 4).

According to Estache and Fay (2010), to achieve alleviation of these challenges facing the poor developing countries, it is suggested that the following, three basic instruments should be considered:

- A mechanism mandating providers/ operators to provide access without excluding any income group;
- Mechanisms that will encourage cost reduction, such as connection cost, through the introduction of a tariff subsidy that will favour all income groups;
- Policy that will encourage a wide variety of providers that will force prices to come down and offer services that will consider every income group and price affordability.

2.9 THE NIGERIAN DFI

The Nigerian financial system is one of the biggest in Sub-Saharan Africa and has gone through many changes in policies, number of institutions, ownership arrangement/ constitution, market coverage, as well as the regulatory framework. Despite all the transformations that have taken place over the years, the Nigerian financial markets have not lived up to expectations, in terms of economic growth and development; this could be contributed to different types of financial institutions or as a result of market domination by the commercial banks (Afangideh, 2007).

The country's financial institutions are made up of many organisations, instruments and regulators, with a financial system, as defined by the Central Bank of Nigeria (1993), stated as a set of rules and regulations and the combination of financial activities, institutions, and agents that relate with each other and the rest of the world, to enable economic growth and national development.

Nzotta (2004) iterates that a financial system acts as a facilitator to economic development, by collaborating with different organisations that continuously strive to attract a pool of funds through savings and unused funds, and lend this to entrepreneurs, businesses, households and governments for development projects and other business needs, in anticipation of receiving returns in the future. The collaborative effort of these different organisations further serves as a link to various sectors of the economy and fosters a high level of expertise, through specialisation and economics of scale.

In addition, the author argues that these organisations also enable provision of required avenues for the implementation of government's economic policies, bearing inflation growth, exchange rate constancy, balance of payments and provision of employment opportunities in mind (Nzotta, 2004).

The Nigerian financial sector can be divided into two major sectors, namely formal and informal. The formal sector comprises a structured framework, clearly divided into the money and capital markets, with the money markets serving as the short-term end of the market, while the capital markets handle long-term funds and securities. The informal sector does not have a structured framework; rates are not structured, with activities that include local money lenders, thrift loans and savings. This sector is not adequately developed, has a poor presence and is not unified within the formal financial sector, with its effect on the economy rarely felt (Olofin and Afangideh, 2008).

DFIs role is to provide financial services for the proposed development and can also act as a source of fund provision for microfinance institutions (MFI) through lending and therefore, avoiding having to deal directly with micro enterprises for financial assistance. Anyanwu (2004) mentions it will be more efficient to use MFIs as a source of reaching out to micro enterprises because of their large point of presence and ability in providing funds to small enterprises.

Different DFIs were established between 1964 and 1977 at various levels of government in Nigeria; these include the Nigerian Industrial Development Bank (NIDB), Nigeria Bank for Commerce and Industry (NBCI), Nigerian Agricultural and Cooperative Bank (NACB) and Federal Mortgage Bank of Nigeria (FMBN). With all of these being national DFIs, each of these banks were given the mandate to promote the developmental initiatives of a specific sector of the economy or sub-sector (CBN, 2000).

The NIDB came into existence in 1964, as a result of restructuring activities conducted at the Investment Corporation of Nigeria (ICON), with a mandate of promoting and developing of new industrial enterprises and also to act as motivator in expanding existing institutions, through the provision of funds on medium- to long-term loans and equity participation. The motive of establishing the NBCI in 1973 was to provide funds to both small and medium enterprises, while the NACB was established the same year, with a mandate to promote developmental initiatives in the agricultural sector of the economy, which comprises mostly micro enterprises.

The FMBN came into existence by taking over ownership of the Nigerian Building Society (NBS) in 1977, with a focus on promoting and provision of residential development, for both individuals and corporate organisations requiring funds for residential and other housing needs (CBN, 2000). All the above DFIs made substantial contributions to the various sectors and sub-sectors of their area of responsibilities, by providing funds for various projects and enterprises. Due to a sharp reduction in government funding of the institutions in the 1990’s, their activities were severely impacted and were therefore, unable to meet their mandate, which resulted in most leaving the market, since their major source of funding was from the government.

For some time now, the financial sector has been experiencing distress and an issue of non-performing loans, which has made the dependence of internally generated funds difficult, while political instability and external debt have impacted on the country's image and creditworthiness that has reduced sourcing externally for funds for developmental purposes. The poor performance of the DFIs and the means of providing funds to a more viable sector have remained major challenges to the various authorities, including the government and other financial institutions. Consequently, this has led to the re-organisation of the DFIs to enable them to focus more on commercial activities and be more sustainable, which in turn, has led to the establishment of the Association of Nigerian Development Finance Institutions (ANDFI), in 1982. The ANDFI was charged with the coordination of all DFIs in Nigeria, in addition to creating an enabling environment for all DFIs to collaborate on investment initiatives, finance, and human resources, in such a way that will enable the operations of DFIs to focus more on the sustainability of real sector development.

The objectives of the ANDFI are to:

- Foster investment cooperation and adequate assistance among DFIs;
- Present matters of common interest jointly;
- Influence policy decisions to create an enabling environment for effective operation of the DFIs;
- Promote and protect the collective interest of the practice of development banking in Nigeria;
- Conduct studies on issues of national economic growth, with a view to promoting development in Nigeria;
- Promote cooperation and exchange of experience among DFIs members and other smaller institutions.

2.10 THE SOUTH AFRICAN DFI

According to a publication by Minister Ebrahim Patel (2010) on South Africa's growth path, it was highlighted that state-owned DFIs have an important role to play in job creation, assisting in economic growth improvement and infrastructure expansion/ development. After the financial crisis, the contribution of DFIs has been monitored very closely, having played a part in slow economic growth, loss of jobs and eventual closure of some factories. Recently, there have been increased agitations for effective service delivery and the urgent need to fast-track reasonable economic development. As a result, there is an urgent need for South Africa to scale up its industrial and economic growth rates and improve human capacity and economic growth rates. This is important, not only to take care of dwindling economic and human development issues, but to help in making sure that the country develops at almost the same pace as its partners in Brazil, Russia, India, China (and South Africa) (BRICS).

In a report by the ANC (2007) and National Treasury (2008) it was iterated that South Africa is yet to identify its full potential and that, without doing so, it may not be possible for the country to bring about the desired change needed for industrialisation, capacity development and the growth required to lift the country's growth initiative.

South Africa has numerous types of DFIs, made up of varied organisational setups and mandates of operations; these DFIs have a key distinction in their financial capability and the types of projects they finance. In spite of this, they have common similarities; starting from 1994, all have contributed to continuous development objectives.

These DFIs have been key instruments, put in place in support of various governmental strategies, based on developmental priorities and also contribute positively to development in the various South African Development Countries (SADC). The government sees DFIs as key to its achievement of different objectives, aimed at improving the quality of life of its citizens, improving public service delivery, increasing economic growth, and enhancing infrastructure development, as well as job creation.

2.10.1 The Development Bank of Southern Africa

The National Treasury (2008) mentions that the role of the Development Bank of Southern Africa (DBSA) is the promotion of socio-economic development and growth initiatives in South Africa and the Southern African Region. The DBSA is charged with the role of contributing to economic sustainability and growth, capacity development (human resource) and industrial capacity building, by taking advantage of available opportunities in public and private sector resources, locally and globally. It also has the responsibility to assist in supporting the deficiency in investments and projects, untill August 2013 its activities covered 15 SADC member states, financing various projects.

2.10.1 Industrial Development Corporation (IDC)

At inception, the motive behind the establishment of the IDC was to assist in industrial establishment across the country; over the years it has assisted to develop synthetic fuels and chemical industries in the country. The scope of responsibilities changed, based on the Industrial Development act of 1997, which brought many changes to the bank. As a result of the Act, the IDC was able to establish a presence in other Southern African countries, thereby enabling it to assist in the finance of cross-border industrial development initiatives and also assist South African companies to have offices in these countries; the reason for this is to help in fostering regional economic integration and new market entry for South Africa products.

In 2001, the Act was modified and this gave more of a mandate to the IDC to extend its presence to the entire African continent. The IDC has, consequently, been instrumental in numerous industrial developments and also has the responsibility of carrying the dual role of financial and development agency; this amongst its functions, which includes both finance and non-finance mechanisms. Furthermore, the IDC has the responsibility to provide development finance in the following ways; general debt, quasi-equity and export-import finance.

Between 2001 and 2010, the IDC has supported 41 projects in approximately 17 African countries, amounting to roughly $2 billion, in the areas of mining and tourism.

2.10.2 The role of South Africa DFIs in successful developmental states

For DFIs to be successful, they must: Conduct their activities as development financial institutions by delivering effective development project finance and; act as facilitators, arrangers, ideas bank or financiers in wider industrialisation and economic development strategies, DFIs will do well in areas of development project finance and are likely to be less effective in assisting to produce the design of national development strategies and objectives.

The model of South African DFIs is a diversified mix of specialised and niche-market national, provincial and municipal institutions. Many provincial and municipal DFIs have performed below expectation in the areas of enterprise finance and have not been able to obtain finance from private financial institutions they were supposed to use in developing rural and under-developed, regional economies.

Many of the South Africa DFIs are not properly aligned with wider, national economic policies, in particular, national, sectorial and developmental programmes. It has been noted that, since 1991, there have not been any clearly defined roles of DFIs. In economic policy, most of the available policy framework, such as the Reconstruction and Development Programme (RDP), the Growth, Empowerment and Redistribution (GERA) strategy, and the Accelerated and Shared Growth Initiative for South Africa (ASgiSA), are not clear on their policy and there have been contradictory policies, as regards the role of DFIs. Much effort and duplication exist among the institutions, such as the DBSA and National Housing Finance Council, in the area of low-cost housing finance; they also report to different, national departments.

2.11 DFI PERFORMANCE MEASUREMENT

A variety of assessment frameworks have been used by DFIs and the various stakeholders, to conduct evaluations and performance of their investments, unfortunately this is not effective at the micro level.

The International Finance Corporation (IFC) developed a system in 2005, called the Development Outcome Tracking System (DOTS), used to measure the effectiveness of their operations against a specified criteria or baseline; this is divided into the following:

- Financial performance
- Economic performance
- Environmental and social performance
- Private sector development

According to the European Development Bank for Reconstruction (EBRD), on their part, it developed a system called a Transition Impact Monitoring System (TIMS) in 2003, as well as Evaluation Performance Indicators (EPI), both are used to measure the performance of their operations.

The EPI considers the following as catalysts to the measurement of operations performance:

- Transaction Impact: This has to do with the various markets, their organisations, institutional policies that support them and business behaviour;
- Banks' additionality;
- Effective banking principles;
- Investment performance of the various banks;

- Operations handling by the banks: due diligence, project monitoring and structuring.

On the other hand, in 2005, the European Investment Bank (EIB) developed a performance framework, used to measure the impact of their investment and classified the variables into seven categories (EIB, 2005):

- Performance of their finance;
- Economic performance, in terms of job creation, human resource development, and technology transfer;
- Socio-cultural performance, participation of local communities in various projects, and infrastructural building, such as schools and hospitals;
- Environmental performance: Health, safety and environmental considerations;
- Governance, in terms of accountability of roles and responsibilities/ transparency;
- Strategy support and facilitation;
- Contribution to millennium goals (MDGs).

In a publication by the African Development Bank (AfDB, 2009) on the performance of their various portfolios, it was stated that nine percent of their investment achieved their various development objectives in 2008, of which the most successful ones, carried out in North and West African countries, were infrastructure projects, with an approximate 93 percent success rate, while agriculture achieved a 92 percent success rate.

Over the years, several bilateral DFIs have developed various tools, used to evaluate the success rates of their projects and operations. According to a report by the Association of the European Financial Initiation in 2010, it was confirmed that there is a positive correlation between financial performance and development outcomes. Yaron (2005) iterates that, based on various evaluations conducted by different multilateral and bilateral DFIs to measure their performance, it was confirmed that state-owned DFIs did not meet with their expectations.

Te Velde and Warner (2007), in their study on the use of subsidies in the private infrastructure sector by DFIs, confirm the inability of risk taking by DFIs, in terms of liquidity, as well as the lack of transparency in their operations in the area of technical assistance. Karani and Gautsho (2007) argue that DFIs are very important, when it comes to promoting alien development mechanisms in Africa through investment, partnership and technical assistance.

2.11 FACTORS ENABLING THE ESTABLISHMENT OF DEVELOPMENT FINANCE INSTITUTIONS

The emergence of DFIs resulted from the inability of private financial institutions to meet the demand of their various clients, for developmental purposes. DFIs are to assist in providing long-term financing of projects and SME, due to the commercial banks' inability to meet their needs. According to the World Bank (1994), the primary intention was to provide credits to priority sectors and in anticipation of poverty, recently, it has now been extended to a wider society.

They are also charged with the responsibility to invest in sustainable private sector projects, to maximise impact on development, while maintaining the ability to remain viable in the long term and mobilise private sector capital.

While the main motive of establishing DFIs is to invest financial resources, they also provide project-specific and general technical assistance (TA), in addition to promoting standards in the funds or companies where they have investments. Whenever market failures arise, private sector DFIs are usually involved to help rescue the economy by: providing the necessary support when there is a lack of capital and where the private sector can be leveraged in; where technological and environmental market failures are greatest; and when their effect, in terms of intervention, are greatest in sectors that are vital for development, through the application of the most appropriate instrument.

DFIs help to take care of both market and coordination failures in capital markets. According to Dixit and Pindycik (1994), uncertainty will a have high negative effect on investment, especially when dealing with investment of high value, as well as when the likelihood of delays in the decision-making process, due to non-availability of information on how to proceed. Infrastructure and other activities of high economic value, in terms of returns, are very important to development, nonetheless, these needs are, in reality, not usually being fulfilled. This is as a result of projects of this nature being associated with a public goods aspect, which will impact on the incentive for the private sector to provide an optimal level.

The risk associated with infrastructure development is very high and may, as a result, be influenced by government policy and procedures; this may discourage the private sector from further investment, until more information becomes available, indicating a less risky environment.

DFIs act as a catalyst in correcting these risk perceptions, by promoting a conducive environment where private investments take place; and by encouraging the provision of a socially optimal amount of infrastructure, and other activities with economic returns.

Apart from providing loans for development, with longer maturities and other resources that are right for the financing of long-term infrastructure projects, DFIs also help organisations to implement investment plans. They assist with the provision of risk reduction measures that will boost the confidence of investors, encouraging them to proceed with development plans that may have been abandoned, while also providing finance related to the design and implementation of reforms and capacity-building programmes adopted by government.

2.12 SUMMARY

The focus of this chapter was on DFIs in South Africa and Nigeria, detailing the definition and history of DFIs, their goals and objectives, and their importance, as well as the roles of DFIs in development. In addition, the governance structure adopted by DFIs, global DFI and infrastructure development, challenges to mobilising private finance, and an enabling environment for DFIs were also discussed, as were the Nigerian and South African DFIs, DFI performance measurement, and factors enabling the establishment of DFIs.

The following chapter will discuss the methodology adopted for this study in detail.

CHAPTER THREE
METHODOLOGY

3.1 INTRODUCTION

The methodology adopted to conduct the enquiry required to answer the research questions and achieve the objectives of this research are covered in this chapter. A quantitative research paradigm and design was described for this study of DFIs and the effectiveness of development finance for African Countries.

In addition, the methodology for choosing the participants is described, along with an explanation of the data collection instrument, how data were collected and analysed, as well as the validity and reliability of data, and limitations of the study. Michael (2009) states that research methodology refers to the overall method employed by the researcher in the assembling of data, to arrive at a scientific conclusion.

3.2 RESEARCH DESIGN

This study is exploratory in nature, with data collected once, and used to establish an association between the variables, which includes a sample of the population, in order to have a valid estimate of a generalised relationship between the variables. Descriptive research is about measuring or size estimate, and qualities or frequencies of a unit (Kent, 2007: 18). It has to do with the characteristics of people, groups, organisations or objects, by taking care of the what, where, who, when and how questions about a study. In descriptive research, the importance of questions in conducting the research cannot be overemphasised (Zikmund, Babin, Carr and Griffin, 2010: 66). The motive behind research design is to help ensure that the evidence obtained by the researcher will assist in addressing the objectives of the study (Kent, 2007: 252).

Research design is further described as a laid down plan, to be followed by the researcher, in order to achieve the objectives of the study (Cooper and Schindler, 2003: 81), and is defined as the main plan that entails the methods/procedures for data collection and analysis. According to Saunders, Lewis and Thornhill (2009: 280), research design is the master plan of how the study will answer the research questions.

Yilmaz (2013: 311) explains that, "…the quantitative research approach is able to explain phenomenon according to numerical data which is analysed by means of mathematically based methods especially statistics", while Babbie (2010) highlights that, "…quantitative methods lay emphasis on objective measurements and numerical analysis of data through pools, questionnaires or survey and also focuses on gathering numerical data and generalising it across group of people".

Therefore, in formulating the questionnaire for this study, adequate consideration was given to the research objectives and relevant literature surveyed, which was used as a guide in the development of employing a quantitative method of data collection.

3.3 POPULATION OF THE STUDY

The population was drawn from the following financial institutions: The Industrial Development Corporation (IDC), the Development Bank of South Africa (DBSA), the Africa Finance Corporation (AFC), and the International Finance Corporation (IFC), as well as the African Development Bank (AfDB) in Lagos, Nigeria and Johannesburg, South Africa. This covered respondents from the following categories of staff: junior staff, manager, senior manager, principal and executives/ directors.

3.4 SAMPLING FRAME / SIZE

Based on the target population, the choice of sampling was informed by the fact that the target population will be drawn from the five companies mentioned above. The sample size for this study was determined as 75, and selected from their head offices in Lagos and Johannesburg. The sample consists of respondents from the following categories of staff departments: junior staff, manager, senior manager, principal and executives/ directors.

Sekaran (2010: 295) and Diamantopoulos and Schlegmilch (1997: 16) state that a sample size, ranging from 20 to 50 respondents, is adjudged to be a good sample for most research, hence the sample size of 75 is considered adequate for this study.

3.5 SAMPLING METHOD

Adequate data must be collected by the researcher to answer the questions, notwithstanding the nature of the research questions and objectives in a particular study (Saunders et al. 2009). There are two types of sampling methods namely, probability and non-probability sampling. In probability sampling, every individual in the population is known and each has a certain probability of being selected, a random process decides the sample based on each individual's probability. The following are the various types of probability sampling: simple random sampling, systematic sampling, stratified sampling and cluster sampling (Cant, 2005).

On the other hand, in non-probability sampling, the population is not entirely known, thus individual probabilities are not known, and common sense or ease is used to choose the sample, while efforts are made to avoid bias and keep the sample representative. This includes, convenience sampling, judgmental sampling, purposive sampling, and quota sampling, as well as snowball sampling and internet sampling (Tustin et al. 2005: 82).

According to Teddlie and Tashakkori (2009), census is the process where data are collected from the total population and due to unavailability of time and finance, which could be a limiting factor preventing data from being collected from the entire population of the relevant organisations; in view of this, sampling will assist in reducing the amount of data to be collected, by selecting data from subgroups, called strata, instead of the entire population.

For this study, stratified random sampling was used for respondent selection, with designation as the stratification factor and thereafter, selecting respondents randomly, based on the information obtained from the various categories involved. Sekaran (2010) mentions that this is one of the most efficient sampling methods, making it possible for the researcher to reduce the amount of data collected, by dividing the population into sub-groups, where each stratum is predetermined, rather than collecting data from all the available or possible cases.

3.6 DATA COLLECTION INSTRUMENT

A quantitative research method, using a closed-ended survey/questionnaire, was used for the design of the data collection instrument.

This is to avoid the incidence of poor decoding, which may lead to a bias of the study. Also, the method allows for easy administration of the instrument, with the probability of a higher response rate. Babbie (2010) defines a questionnaire as a document containing questions and other types of items, designed to solicit information appropriate for analysis, and believes that one of the best methods available to describe a population, without having to observe them individually, is a questionnaire.

3.7 QUESTIONNAIRE DEVELOPMENT

In formulating the questionnaire for this research; the research objectives and relevant literature were reviewed, which served as a source of input and guide to achieve this.

A questionnaire was used as the measuring instrument for this study, due to its ability to provide a quick, inexpensive and accurate means of gathering information from the respondents (Zikmund et al. 2010). It also saves time, as it can be administered simultaneously, contains standardised wording, with each respondents exposed to exactly the same sets of questions.

The questions were designed in Likert scale form, which presents a series of attitudes towards a variable or object, with numerical values assigned, ranging from strongly disagree to strongly agree (McDaniel and Gates, 2001). The questionnaire was designed specifically to ensure that respondents are not frustrated because of misunderstandings, due to incorrect wording (Cooper and Schindler, 2003). Unnecessarily long wording that could lead to any complexity was avoided (Kent, 2007).

Objective 1: To ascertain factors that will help to prevent conflicts of interest among clients, staff, managements and boards involved in the development finance process.

Objective 2: To evaluate the factors that will contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions.

Objective 3: To identify problems confronting the sourcing of funding for developmental purposes.

3.8 PILOT STUDY/PRE-TEST OF INSTRUMENT

In order to establish the validity and reliability of the survey instrument, a pilot test can be conducted to establish the suitability of the questionnaires, before same can be administered to all respondents (Fink, 2010). For this study, in validating reliability, the questionnaire was initially pre-tested on eight respondents, out of which only three respondents returned the completed questionnaires after one week. This was analysed using Cronbach's Alpha. A Cronbach's Alpha score of 0.828 was obtained and from this parameter, the reliability of the instrument was established. Test instruments are adjudged to be reliable when they provide consistent and reliable results over time, when the test is conducted repeatedly. For reliability, a Cronbach's Alpha average of the coefficient should vary between 0.0 and 1.0, with a value of 0.6 and below suggesting unsatisfactory, internal consistency reliability (Sekaran, 2010).

3.9 DATA COLLECTION

The questionnaire is quantitative in nature and was designed in Likert scale format, ranging from 1 to 5 options. The questions were designed and structured into two sections, “A” and “B”. Section “A” contains questions on personal data of the respondents, with Section “B” made up of questions on development finance.

An online questionnaire method was adopted and follow-up with respondents was achieved through email and phone calls. Saunders et al. (2009) state there are five ways of administering a questionnaire: Postal, Personal delivery, Telephone, Internet/Intranet and Structured interviews.

For this study, a total of 75 questionnaires were administered online, due to time constraints and also the possibility of not being able to reach the respondents physically. The process was carried out simultaneously in the various organisations, with 15 questionnaires administered to each, out of which a total of 45 questionnaires were returned from all the organisations, taking approximately two weeks to complete the data gathering. This time was allowed to avoid putting respondents under pressure and, in the process, create bias for the entire study.

Of the 45 returned questionnaires, three were found to be incomplete and were therefore, rejected and not included in the sets of data used for analysis. Hence, 42 of the returned questionnaires were confirmed to be valid and used for the analysis in this study.

3.10 DATA ANALYSIS

Yilmaz (2013) mentions that researchers make use of mathematical models and statistics for quantitative data analysis and report findings. Data analysis entails the reduction of the field data in such a manner that it is understandable and processed through statistical means (Zikmund et al. 2010). It involves the reduction of data set into a reasonable size, to enable drawing of summaries and patterns, through the application of statistical process (Cooper and Schindler, 2003: 87).

Application of statistical means to analyse data usually results in drawing of frequencies to advanced variance analysis, which may include regression analysis (Zikmund et al. 2010: 70). Data was entered into Microsoft Excel, based on the questions' respective codes and was analysed. This was done with the assistance of a professional statistician, who helped to analyse the data, to ensure consistency and accuracy of the results. Descriptive statistical analysis was carried out, such as tables, charts, graphs, and frequencies, while bi-variate analysis and chi-square tests were generated, to further guide and inform the analysis.

3.11 RELIABILITY AND VALIDITY TEST OF THE INSTRUMENT

Reliability can be defined as the extent to which a measuring instrument produces the same result each time it is carried out (Pellissier, 2007), while validity is the degree to which an instrument produces the same answer (Cooper and Schindler, 2003). Asika (2006) defines validity as a phrase used in describing the ability of measuring instruments in research, "to measure accurately what it is designed to measure".

There are three types of validity test: Criterion, Content and Construct validity Asika (2006). In ensuring validity of the test instrument for this study, a pre-test was conducted with the first six respondents, to whom questionnaires were administered. This was done to assist in developing the questionnaire in such a way that respondents will face little or no problem when answering the questions and also in recording the data.

The questionnaire was also checked by a professional statistician, and experienced academic researchers in the field of development finance, to ensure that it is easy for the respondents to understand, while helping to rectify identified errors before administration, to ensure the instrument covers all the characteristics of the problem for the study. After the pre-test analysis was carried out, the questionnaire corrected, based on the outcome of the analysis, before administering to all the respondents within the five organisations.

Test instruments are adjudged to be reliable when they provide consistent and reliable results over time, when the test is conducted repeatedly. For reliability, Cronbach’s Alpha could be used to test for this, where the average of the coefficient should vary between 0.0 and 1.0; a value of 0.6 and below suggests unsatisfactory, internal consistency reliability (Sekaran, 2010); a Cronbach’s Alpha of 0.828 was used for this study.

3.12 DELIMITATIONS

The population of this study covered the development finance institutions in Johannesburg and Lagos, specifically the Industrial Development Corporation (IDC), the Development Bank of South Africa (DBSA), Africa Finance Corporation (AFC), International Finance Corporation (IFC) and African Development Bank (AfDB), and does not cover other financial institutions that do not fall under this category.

3.13 LIMITATIONS OF STUDY

The research is limited due to the sample size being small (75), therefore, variables identified cannot be generalised to be representative of all Nigerian and South African Development Finance Institutions, in addition, since the study is quantitative in nature, generalisation of the results should be done with care and further research, with a large sample, is recommended.

3.14 SUMMARY

The focus of this chapter was on the research methodology used for this study, how data were collected and analysed, as well as the reason for choosing the method adopted. In addition, the sampling method and the rationale behind the method used, the data collection instrument, reliability and validity and how these were determined, as well as the analysis, and how the pilot study was conducted, were also set out.

The next chapter will cover the data analysis and interpretation of the research findings. Data obtained by means of questionnaires will be statistically presented and analysed. This will entail a full description of how the data collected will be processed, to obtain results that will be interpreted.

CHAPTER FOUR
ANALYSIS AND INTERPRETATION OF RESULTS

4.1 INTRODUCTION

This chapter summarises the results of the survey conducted, based on the research questions, analysis and research findings and the interpretation of results on DFIs and the Effectiveness of Development Finance for African countries. Analysis and interpretation were done using descriptive and inferential statistics, such as frequencies and percentages, while hypotheses were tested using Spearman's Rank Order Correlation. This assisted in providing an overview of the results, with Chi-square used to test the validity of the research hypotheses to provide further insight into the research objectives

4.2 RELIABILITY

Cronbach's Coefficient Alpha was used to establish Inter-item Consistency Reliability (Table 4.1).

Table 4.1: Reliability

Objectives	Cronbach's Alpha	No. of Items
Factors	0.828	42

The scale relating to the objective is above 0.60 (Sekaran, 2010: 311), accordingly, the questionnaire has acceptable Inter-item Consistency Reliability (Table 4.1).

4.3 DESCRIPTIVE STATISTICS

Frequencies and percentages were used to ascertain the profile of the sample and the responses to the questions.

Table 4.2: Frequency distribution of biographical variables

		n	%
Gender	Male	32	76.2%
	Female	10	23.8%
	Total	42	100.0%
Age	18-25	1	2.4%
	26-30	4	9.5%
	31-35	4	9.5%
	36-40	17	40.5%
	41- Above	16	38.1%
	Total	**42**	**100.0%**
Marital Status	Single	16	38.1%
	Married	24	57.1%
	Divorced	1	2.4%
	Separated	0	0.0%
	Widowed	0	0.0%
	Other	1	2.4%
	Total	**42**	**100.0%**
Educational Qualification	School Leaving	0	0.0%
	Diploma	1	2.4%
	Degree	33	78.6%
	Professional	6	14.3%
	Other	2	4.8%
	Total	**42**	**100.0%**
Years of Experience	1-3	3	7.1%
	4-8	4	9.5%
	9-13	14	33.3%
	14 - Above	21	50.0%
	Total	**42**	**100.0%**
Designation	Junior Staff	4	9.5%
	Manager	10	23.8%
	Senior Manager	14	33.3%
	Principal	4	9.5%
	Executive/ Director	10	23.8%
	Total	**42**	**100.0%**

4.3.1 Profile of the Sample

A summary of the biographical variables of the sample is set out to reflect the gender, age, marital status and educational qualifications, as well as years of experience (Table 4.2).

Of the 42 respondents, the majority (76.2 percent) were male, while less than a quarter (23.8 percent) represents females. Most (40.5 percent) of the sample was comprised of respondents between the ages of 36 and 40 years, with slightly fewer (38.10 percent) respondents between the ages of 40 and above 35 , less than one tenth (9.5 percent) were between the ages of 31 and 35 and aged between 26 and 30, with a limited number (2.4 percent) of respondents between 18 and 25 years old.

The marital status of the majority of the sample (57.1 percent) was shown as married, a little bit above a third (38.1 percent) was single, with a small number (2.4 percent) indicating they were divorced, and the minority of the sample (2.4 percent) indicated the category 'other'. Regarding education/qualification levels, the least number of respondents (2.4 percent) have diploma qualifications, while slightly more (4.8 percent) possessed other qualifications, with the majority (78.6 percent) holding a minimum of HND, BSC, MSC, MBA or PhD, and a small number (14.3 percent) indicated having professional qualifications, such as ACA, ACIB or ACIT.

As to length of service, the smallest number of respondents (7.1 percent) have been working in the organisation between one and three years, almost one tenth (9.5 percent) between four and eight years, more than a third (33.3 percent) had work experience in the company of between nine and 13 years and half (50 percent) have been working for the company for 14 years or more.

4.3.2 Gender

The results for the gender groups are shown in Figure 4.1 below

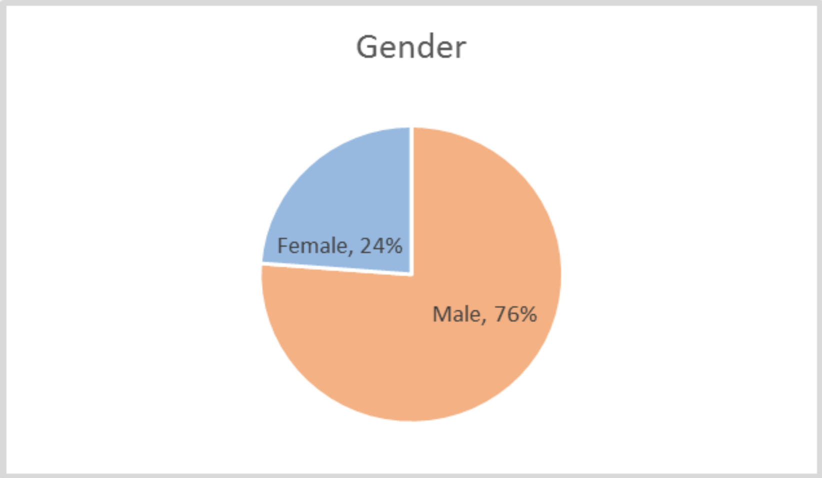

Figure 4.1: Gender distribution

The majority of the respondents are shown in the findings to be male (76 percent), while females accounted for less than a quarter of the respondents (24 percent) (Figure 4.1).

4.3.3 Age

The respondents' age groups illustrate the breakdown of the respondents' different ages (Figure 4.2).

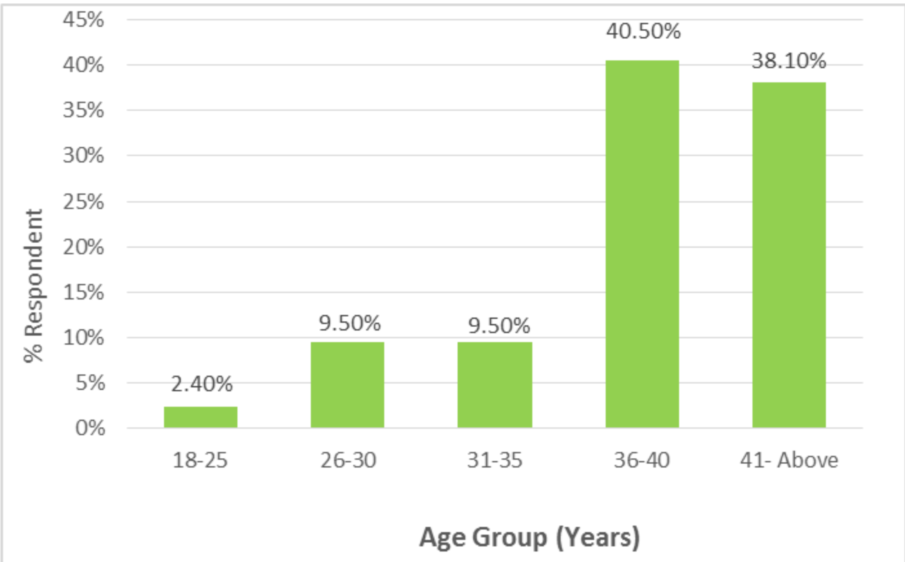

Figure 4.2: Age distribution

Findings illustrate that the majority of the respondents are from the age group 36 – 40 years (40.5 percent), closely followed by the age group of 41 years and above (38.1 percent), then the age group 31 – 35 years (9.5 percent), with the age group 26 – 30 years the same (9.5 percent), while lastly, the age group of 18 – 25 years represents the minority (2.4 percent) (Figure 4.2).

4.3.4 Marital Status

The respondents' Marital Status is broken down into married, single, divorced, widowed, separated and other (Figure 4.3).

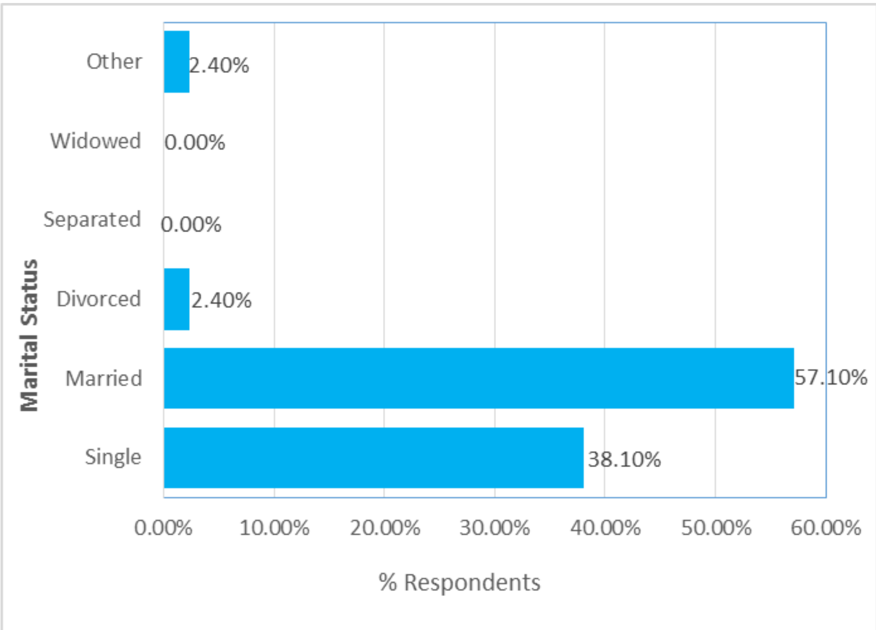

Figure 4.3: Marital Status

The findings indicate that the majority of the respondents were married (57.1 percent), followed by more than a third (38.1 percent)of the respondents who were single, with a small number (2.4 percent)of the respondents that indicated they were divorced, and the least number of respondents (2.4 percent) indicated other (Figure 4.3).

4.3.5 Educational Qualifications

The results for the Educational Qualifications responses (Figure 4.4) indicate a wide range of qualifications held by the respondents: HND, BSc, MSc, MBA or PhD, or ACA, ACIB or ACIT.

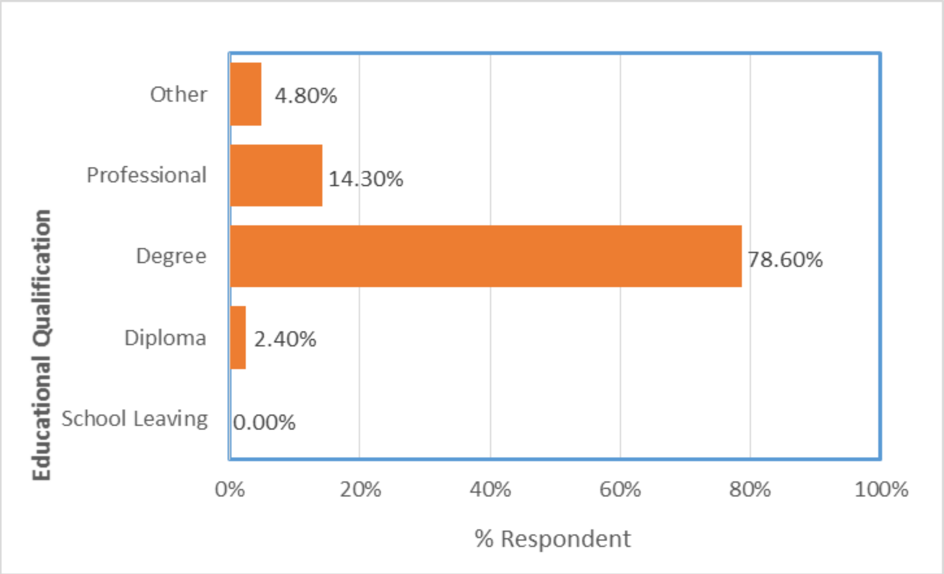

Figure 4.4: Educational Qualification

The results of the findings show that the majority (78.6 percent) of the respondents are graduates, with either HND, BSc, MSc, MBA or PhD, followed by a far lesser number (14.3 percent) of the respondents having a professional qualification, after which the least number (2.4 percent) of respondents hold a diploma, while a limited number (4.8 percent) had ‘other’ qualifications.

4.3.6 Years of Experience

The findings, for the respondents’ length of service with the company, ranged from a year to more than 14 years (Figure 4.5).

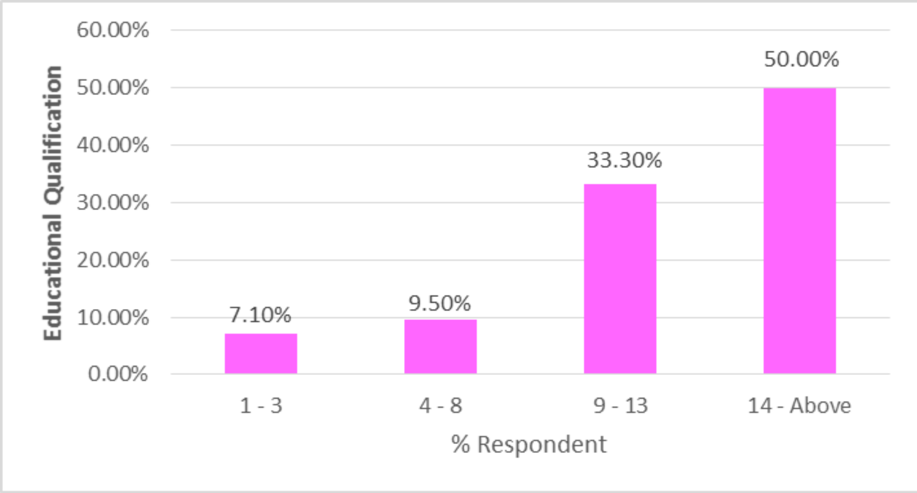

Figure 4.5: Years of experience

It was found that the majority (50 percent) of the respondents had working experience of 14 years and above in the company, followed by almost a third (33.3 percent) with between 9 and 13 years, after which less that one tenth (9.5 percent) of the respondents indicated four to eight years' experience, with the minority (7.1 percent) of the respondents specifying one to three years of working experience (Figure 4.5).

4.3.7 Designation

The findings for the respondents' designation within the company ranged from junior staff to executive management (Figure 4.5).

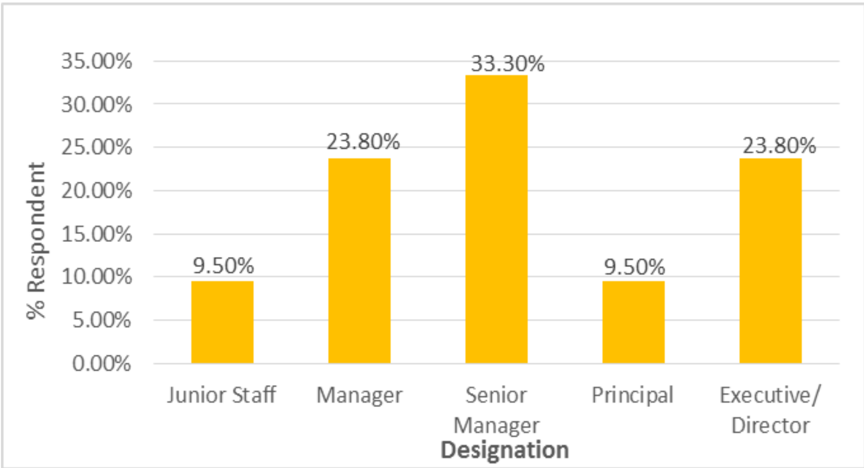

Figure 4.6: Designation

It was found that the majority (33.3 percent) of the respondents are senior managers in the company, followed by less than a quarter who are executives/ Directors (23.8 percent), with almost a quarter (23.8 percent) of the respondents indicating they were managers, and the minority (9.5 percent) of the respondents specifying they were principal and junior staff (9.5 percent) (Figure 4.6).

4.4 RESPONSE TO THE QUESTIONS/ STATEMENTS

The responses to the questions/ statements are presented in terms of the objectives:

Table 4.3: Frequency distribution of questions relating to the objectives

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	n	%	n	%	n	%	n	%	n	%	N	%
1	0	0.0%	2	4.8%	3	7.1%	33	78.6%	4	9.5%	42	100.0%
2	0	0.0%	2	7.1%	6	14.3%	31	73.8%	2	4.8%	42	100.0%
3	0	0.0%	1	2.4%	4	9.5%	30	71.4%	7	16.7%	42	100.0%
4	1	2.4%	0	0.0%	0	0.0%	34	81.0%	7	16.7%	42	100.0%
5	0	0.0%	3	7.1%	7	16.7%	32	76.2%	0	0.0%	42	100.0%
6	1	2.4%	6	14.3%	8	19.0%	26	61.0%	1	2.4%	42	100.0%
7	0	0.0%	0	0.0%	4	9.5%	38	90.5%	0	0.0%	42	100.0%
8	0	0.0%	3	7.1%	2	4.8%	34	81.0%	3	7.1%	42	100.0%
9	0	0.0%	0	0.0%	0	0.0%	29	69.0%	13	31.0%	42	100.0%
10	3	7.3%	0	0.0%	2	4.9%	35	84.5%	3	7.3%	42	100.0%
11	1	2.4%	0	0.0%	1	2.4%	34	81.0%	6	14.3%	42	100.0%
12	0	0.0%	1	2.4%	3	7.1%	36	85.7%	2	4.8%	42	100.0%
13	1	2.4%	0	0.0%	2	4.8%	35	83.3%	4	9.5%	42	100.0%
14	0	0.0%	3	7.1%	0	0.0%	22	52.4%	17	40.5%	42	100.0%
15	0	0.0%	1	2.4%	1	2.4%	31	73.8%	9	21.4%	42	100.0%
16	0	0.0%	0	0.0%	5	11.9%	36	85.7%	5	11.9%	42	100.0%
17	0	0.0%	2	4.8%	13	31.0%	26	61.9%	1	2.4%	42	100.0%
18	0	0.0%	0	0.0%	5	11.9%	34	81.0%	3	7.1%	42	100.0%
19	1	2.4%	3	7.1%	16	38.1%	20	47.6%	2	4.8%	42	100.0%
20	0	0.0%	0	0.0%	1	2.4%	37	88.1%	4	9.5%	42	100.0%
21	0	0.0%	2	4.8%	1	2.4%	34	81.0%	5	11.9%	42	100.0%
22	0	0.0%	0	0.0%	1	2.4%	30	71.4%	11	26.2%	42	100.0%
23	0	0.0%	0	0.0%	3	7.1%	37	88.1%	2	4.8%	42	100.0%
24	0	0.0%	1	2.4%	21	50.0%	17	40.5%	3	7.1%	42	100.0%
25	1	2.4%	0	0.0%	10	23.8%	26	61.9%	5	11.9%	42	100.0%
26	0	0.0%	2	4.8%	1	2.4%	21	50.0%	18	42.9%	42	100.0%
27	0	0.0%	0	0.0%	2	4.8%	22	52.4%	18	42.9%	42	100.0%
28	0	0.0%	0	0.0%	2	4.8%	20	47.6%	20	47.6%	42	100.0%
29	0	0.0%	0	0.0%	0	0.0%	23	54.8%	19	45.2%	42	100.0%
30	0	0.0%	0	0.0%	3	7.1%	31	73.8%	8	19%	42	100.0%
31	0	0.0%	1	2.4%	6	14.3%	31	73.8%	4	9.5%	42	100.0%

4.4.1 Question 1 – Regulatory and Supervisory Structure

The regulatory and supervisory structure to separate ownership from control is clear to everyone and it is being followed

The results of the findings show that the majority (78.6 percent) of the participants agreed that regulatory and supervisory structure to separate ownership from control is clear to everyone and is being followed in their organisation, with 9.5 percent who strongly agreed, 7.1 percent being neutral, while a small percentage (4.8 percent) disagreed (Table 4.3). From the result, it could be concluded that respondents are aware that regulatory and supervisory structures are in place, to support the development finance performance in their organisation. (Appendix D).

4.4.2 Question 2 – Appointment of Board of Directors

The process of selection and appointment of the board of directors and their roles is transparent to all.

The results of the findings show that the majority (73.8 percent) of the participants agreed that the appointment of board members is clear to everyone and is transparent enough, 14.3 percent are neutral, which could be contributed to not being aware of the process of appointing board member, followed by 7.1 percent who disagreed and lastly, 4.8 percent of the respondents strongly agreed. (Table 4.3). From the result, it could be concluded that respondents are aware of the process being followed to appoint a board of directors and that it is transparent. (Appendix D).

4.4.3 Question 3 – Policy Mandate and Sustainability

Conflicting objectives between fulfilling policy mandate and financial sustainability when properly balanced help us to achieve our goals effectively

The findings illustrate a substantial number (88.1 percent) of the respondents agreeing/ strongly agreeing that, when policy mandate and sustainability are properly balanced, it will help their organisation to achieve their goals and objectives, followed by 9.5 percent, who indicated neutral; while the minority of the respondents (2.4 percent) disagreed (Table 4.3). (Appendix D).

4.4.4 Question 4 – Staff Development and Corporate Governance

Investment in human resources and, most importantly, continued commitment by the shareholders will help us to enforce a sound corporate governance system

A substantial number (97.6 percent) of the respondents are shown by the findings to have agreed/ strongly agreed that, when staff are adequately trained and all stakeholders are committed to the goals and objectives of the organisation, this will enhance corporate responsibilities; while the minority of the respondents (2.4 percent) strongly disagreed (Table 4.3). (Appendix D).

4.4.5 Question 5 – Separation of Responsibilities

State ownership policy exhibits clearly state separation of responsibility between exercising ownership, regulation and supervision

Agreement by more than three quarters (76.2 percent) of the respondents is illustrated by the findings, in that there is clear separation of responsibilities between ownership, regulation and supervision, followed by 16.7 percent that indicated neutral, while a small group (7.1 percent) disagreed (Table 4.3). (Appendix D).

4.4.6 Question 6 – Government Involvement as an Active Shareholder

Government involvement as an active shareholder will assist us to fulfil our policy mandate in a financially sustainable manner and according to an explicit set of operational objectives and financial performance targets.

The findings illustrate that more than half (61.9 percent) of the respondents agreed that, when government is involved as an active stakeholder, this will help them fulfil their poly mandate effectively, followed by 19 percent of the respondents who indicated neutral, while 14.3 percent disagreed and 2.4 percent agreed and strongly disagreed, respectively (Table 4.3). (Appendix D).

4.4.7 Question 7 – Board of Directors ensures Strategic Guidance and Management Monitoring

The board of directors ensures strategic guidance and management monitoring, within the performance agreement between the government and our organisation.

It is illustrated by the findings that the majority (90.5 percent) of the respondents agreed that the board of directors ensures there is strategic guidance between the government and their organisation, followed by 9.5 percent of the respondents who indicated neutral. (Table 4.3). (Appendix D).

4.4.8 Question 8 – Roles and responsibilities

Roles and responsibilities are clearly defined and understood by everyone, this has improved our corporate governance and accountability of individuals.

The findings illustrate that the majority (81 percent) of the respondents agreed that roles and responsibilities, when clearly defined, have assisted their organisation to improve accountability and corporate governance, with a small group (7.1 percent) of the respondents that agreed, followed by the same number (7.1 percent) that disagreed and lastly, the minority (4.8 percent) of the respondents indicated their response as neutral. (Table 4.3). (Appendix D).

4.4.9 Question 9 – Early engagement of stakeholders

When all stakeholders are engaged early in the strategy formulation and fund sourcing process, the level of commitment will be higher.

The majority (69 percent) of the respondents are shown by the findings, as having agreed that early engagement of the various stakeholders in strategy formulation will help their fund sourcing, which proves and thereby boosts the level of their commitment, while almost a third (31 percent) of the respondents strongly agreed (Table 4.3). (Appendix D).

4.4.10 Question 10 – Clear definition of framework

The frameworks that support and strengthen the mandate, objectives, strategy and the targets of DFIs are clearly defined in your Organisation.

It is shown by the findings that a large number (84.5 percent) of the respondents agreed there is a framework in place that will help their organisation to strengthen their objectives and strategies and the targets of DFIs in their organisation, followed by 7.3 percent who agreed and strongly disagreed, respectively, with lastly, the minority (4.9 percent) of the respondents indicating neutral (Table 4.3). (Appendix D).

4.4.11 Question 11 – Assessment of developmental impact

Development impact of our operations are properly assessed regularly.

It is indicated by the results of the findings that the majority (81 percent) of the respondents agreed that assessment of development impact is done regularly in their organisation; followed by a lesser number (14.3 percent) that strongly agreed; a small number (2.4 percent) indicated neutral; while the same number (2.4 percent) strongly disagreed (Table 4.3). (Appendix D).

4.4.12 Question 12 – Liquidity management

Liquidity management frameworks is good and will support the overall mission of our Organisation.

The results of the findings indicate that the majority (84.5 percent) of the respondents agreed that, when the liquidity management framework of the DFIs are properly setup, this will help to support the overall mission of the organisation; followed by less than one tenth (7.1 percent) who indicated neutral; a small number (4.8 percent) agreed; while the minority (2.4 percent) disagreed (Table 4.3) (Appendix D).

4.4.13 Question 13 – Corporate Governance

Good corporate governance is put in place in our Organisation and this has contributed to our improved performance.

The results show that a large number (83.3 percent) of the respondents agreed that early good corporate governance will assist their organisation to perform better; followed by almost a tenth (9.5 percent) who strongly agreed, with a lesser number (4.8 percent) who were neutral and the minority (2.4 percent) strongly disagreed. None of the respondents indicated that they disagreed (Table 4.3) (Appendix D).

4.4.14 Question 14 – Political interference and poor managerial skills

Political interference and poor managerial skills will have an impact on good governance in our Organisation.

The results show that a little more than half (52.4 percent) of the respondents agreed that political interference and inadequate training of managers to acquire the relevant skills, will have great impact on the corporate responsibility of their organisation and this is closely followed by almost half (40.5 percent) of the respondents who strongly agreed; with a lesser number (7.1 percent) who disagreed. None of the respondents indicated that they strongly disagreed or were neutral (Table 4.3) (Appendix D).

4.4.15 Question 15 – internal audit procedure

Internal audit procedures are established and efficient, this is monitored and reported.

The results show that most (73.8 percent) of the respondents agreed their internal audit is good and is monitored adequately and reported; followed by less than a quarter (21.4 percent) of the respondents who strongly agreed; with a much lesser number (2.4 percent) who disagreed and indicated neutral, respectively (Table 4.3) (Appendix D).

4.4.16 Question 16 – capacity building and accountability policies

We have in place policies guiding capacity building, accountability, governance and this is communicated to all.

The findings illustrate that a substantial number (85.7 percent) of the respondents agreed good policy has been put in place to guide capacity building, accountability, and governance and it is adequately communicated and clear to everyone in their organisation that will help improve the DFIs; this is followed by a small number (11.9) who both strongly agreed and indicated neutral, respectively; none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.17 Question 17 – Environmental impact

Environmental and Social Management System to identify and manage environmental and social risks and impacts associated financing activities is properly established.

More than half (61.9 percent) of the respondents are shown by the research findings to have agreed that the environment is taken into consideration, assisting their organisation to identify and manage risk and impacts associated with financing activities and this is properly established; this is followed by almost a third (31 percent) of the respondents indicating neutral, which could be due to them not being aware whether this is in existence in their organisation or they do not understand the impact of the policy on their operation; a small number (4.8 percent) disagreed, with the minority (2.4 percent) who strongly agreed; none of the respondents indicated that they strongly disagreed (Table 4.3) (Appendix D).

4.4.18 Question 18 – Credit administration and monitoring process

Our overall credit administration and monitoring process, including the workout function is compliant with required standard.

The results show that the majority (81 percent) of the respondents agreed there is an adequate credit administration and monitoring process, compliant with the required standard in the DFIs; followed by more than a tenth (11.9 percent) that indicated neutral; with a minority (7.1 percent) that strongly agreed; none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.19 Question 19 – State ownership policy

State ownership policy is flexible enough and we can to adjust our capital structure based on the needs and the objectives.

As illustrated by the results, less than half (47.6 percent) of the respondents agreed that the state ownership policy is flexible enough to assist DFIs to adjust, based on their needs and objectives; this is closely followed by more than a third (38.1 percent) that stated neutral, which could be contributed to not wanting to comment on state ownership structures in place or do not understand the statement; less that one tenth (7.1 percent) disagreed, with a small number (4.8 percent) that strongly agreed and lastly, a negligible number (2.4 percent) strongly disagreed (Table 4.3) (Appendix D).

4.4.20 Question 20 – Accounting and information system investment

We have properly invested in accounting and information systems, and procedures, and this has helped us in information, reporting and disclosure regime.

It was agreed by the majority (88.1 percent) of the respondents, as illustrated by the findings, that suitable accounting and information management systems have been properly implemented in the DFIs. This is followed by a small number (9.5 percent) that strongly agreed; with the minority (2.4 percent) that remained neutral; none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.21 Question 21 – credit and risk administration

We have a sound policy and good credit risk environment, credit granting process, credit administration and ensure controls over credit risk.

The findings illustrate that the majority (81 percent) of the respondents agreed they have established a good credit and risk management policy and that the credit granting process and administration are properly guided by this policy in their organisations; this is followed by a small number (11.9 percent) who strongly agreed; with less (4.8 percent) of the respondents that disagreed and the minority (2.4 percent) that indicated neutral; none of the respondents indicated that they strongly disagreed (Table 4.3) (Appendix D).

4.4.22 Question 22 – classification and reporting process of problem loans

When proper monitoring system is implemented, we will have clear criteria for classifying and reporting problem loans as well as possible corrective action.

The results of the study show that the majority (71.4 percent) of the respondents agreed that when proper monitoring of credit facilities is implemented, it will be easy to classify and be able to report those loans that are problematic and corrective action can be applied adequately in the DFIs; this is followed by more than a quarter (26.2 percent) who strongly agreed; with a minority (2.4 percent) of the respondents indicting neutral; none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.23 Question 23 – Loan valuation policies and practices

Our staff understand and practice sound loan valuation policies and practices.

It is illustrated by the fndings that the majority (88.1 percent) of the respondents agreed their staff understand and practice sound loan valuation policies and practices in their organisation; followed by a small number (7.1 percent) that indicated neutral; and the minority (4.8 percent) of the respondents strongly agreed; none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.24 Question 24 – Organisational membership

Membership of business or trade affect financing and how they contribute to industrial development.

Half (50 percent) of the respondents indicated neutral, according to the results, with regard to whether organisational membership could impact on industrial development, which could be because they do not understand how membership relates to their organisational practices; while less than half (40.5 percent) agreed; with a lesser number (7.1 percent) that strongly agreed; and the minority (2.4 percent) of the respondents disagreed; none of the respondents indicated that they strongly disagree (Table 4.3) (Appendix D).

4.4.25 Question 25 – Government support

With adequate government support, it will be easier to obtain loans from various sectors for developmental purpose.

The findings illustrate agreement by more than half (61.9 percent) of the respondents with the statement that, when government provides adequate support to the DFIs, it will be easier to obtain loans for developmental purpose; almost a quarter (23.8 percent) remained neutral about whether government support will make it easier to access loans; while more than one tenth (11.9 percent) strongly agreed, and a minority (2.4 percent) of the respondents strongly disagreed; none of the respondents indicated that they disagreed (Table 4.3) (Appendix D).

4.4.26 Question 26 – Legal system

Ineffective legal system in the host country hampers the effectiveness of our organisation.

The results show exactly half (50 percent) of the respondents agreed that an ineffective legal system in host countries will have negative impact on the effectiveness of DFIs; this is closely followed by almost half (42.9 percent) who strongly agreed; with a much lesser number (4.8 percent) that disagreed and the minority (2.4 percent) remainedd neutral; none of the respondents indicated that they strongly disagree (Table 4.3) (Appendix D).

4.4.27 Question 27 – Supporting infrastructure

Lack of adequate supporting infrastructure limits the implementation processes of developmental initiatives.

More than half (52.4 percent) of the respondents are shown by the results to have agreed that a lack of infrastructure will limit the process of developmental initiatives in their organisation; this is closely followed by almost half (42.9 percent) that strongly agreed; with a reduced number (4.8 percent) that disagreed; none of the respondents indicated that they strongly disagreed (Table 4.3) (Appendix D).

4.4.28 Question 28 – Government regulations

Unfavourable regulatory changes, when not properly handled, is a main deterrent to developmental effectiveness.

The results show that the majority (95 percent) of the respondents agreed/ strongly agreed with the statement that, when government regulation changes are not properly handled, it could have adverse effect on developmental effectiveness of the finance institutions; a lesser number (4.8 percent) of the respondents remained neutral; while none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.29 Question 29 – Partner bureaucracy

Bureaucratic red tape, on the part of partners, could have a negative effect on project financing and sometimes leads to waste of project resources, thereby having an adverse effect on development.

The research findings show that all (100 percent) of the respondents agreed/ strongly agreed that partner bureaucracy would have a great adverse effect on project financing and could lead to a lot of waste in project resources; none of the respondents indicated neutral, neither did they disagree or strongly disagree (Table 4.3) (Appendix D).

4.4.30 Question 30 – Transaction time and simplified application process

Our organisation strives to reduce transaction time, costs and pricing as much as possible, as part of simplifying the application processes.

The results show that the majority (73.8 percent) of the respondents agreed/ strongly agreed that, when transaction time is reduced and the application processing simplified, DFIs are assisted to be more effective; with a reduced number (19 percent) of respondents that strongly disagreed; and a lesser number (7.1 percent) that remained neutral; none of the respondents indicated that they disagreed or strongly disagreed (Table 4.3) (Appendix D).

4.4.31 Question 31 – Inter-agency cooperation

Our organisation receives very good inter-agency cooperation across the countries.

As shown by the results, it was agreed by the majority (73.8 percent) of the respondents that their organisation receives good inter-agency cooperation from other DFIs across countries; followed by a smaller portion (14.3 percent) of the respondents that was neutral; while a lesser number (9.5 percent) strongly agreed; and the minority (2.4 percent) disagreed; none of the respondents indicated that they strongly disagreed (Table 4.3) (Appendix D).

4.5 KEY FINDINGS

This section highlights the key findings of this study:

- Regulatory and supervisory structure to separate ownership from control is clear to everyone and is being followed in respondents' organisations.
- Policy mandate and sustainability are properly balanced and will help DFIs to achieve their goals and objectives.
- When staff are adequately trained and all stakeholders are committed to the goals and objectives of the organisation, this will enhance corporate responsibilities.
- The board of directors ensures there is strategic guidance between the government and DFIs and this will foster developmental initiatives.
- As a result of clearly defined roles and responsibilities in DFIs, respondents' organisations have been assisted to improve accountability and corporate governance.
- Assessment of development impact is carried out regularly in DFIs.
- When the liquidity management framework of the DFIs is properly setup, it will aid in supporting the overall mission of the organisation.
- Good policy has been put in place to guide capacity building, accountability, and governance and it is adequately communicated and clear to everyone in respondents' organisations, which will help improve the DFIs their organisation.
- State ownership policy is at present not flexible enough to assist DFIs to adjust based on their needs and objectives.

- Government regulation changes, when not properly handled, could have an adverse effect on developmental effectiveness of the finance institutions.
- When transaction time is reduced and the application processing simplified, this will assist DFIs to be more effective.

4.6 SUMMARY

The focus of this chapter was on the data analysis and interpretation of results, which were presented graphically and in tabular form. Computation of Cronbach's Coefficient Alpha was done to establish Inter-item Consistency Reliability, as well as frequencies and percentages, to ascertain the profile of the sample and the responses to the questions. In addition, analysis of the results was shown using frequencies, graphs and tables.

The next chapter will cover the discussion and interpretation of the results, with the findings from the literature review.

CHAPTER FIVE

DISCUSSION AND INTERPRETATION OF RESULTS

5.1 INTRODUCTION

The previous chapter focused on the analysis and interpretation of results, based on the data collected from respondents, presented graphically and in tabular form. This chapter will focus on the discussion and interpretation of the main findings' results, in line with the objectives of the study, following the literature review.

The overall aim of this research is to explore a comprehensive assessment of the development effectiveness of African Development Financial Institutions (DFIs) to measure public policy performance and how it can enhance development financing.

To achieve this general aim, the following sub-objectives will be pursued:

Sub-objective 1: To ascertain factors that will help to prevent conflicts of interest among clients, staff, managements and boards involved in the development finance process.

Sub-objective 2: To evaluate the factors that will contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions.

Sub-objective 3: To identify problems confronting the sourcing of funding for developmental purposes.

5.2 DISCUSSION OF FINDINGS IN TERMS OF RESEARCH OBJECTIVES OF THE STUDY

The study's findings are discussed, based on the research objectives, in line with the relevant questions.

5.2.1 Respondents' understanding of factors that will help to prevent conflicts of interest

The understanding by the respondents, regarding the effectiveness of African DFIs to measure public policy performance and how it can enhance development financing, is herewith addressed:

In order to gain a holistic understanding of the factors that will assist in preventing conflicts of interest among clients, staff, managements and boards involved in the development finance process, the factors are discussed below.

5.2.1.1 Conflict of objectives

According to Scott (2007), DFIs must consider the different conflicting issues, between trying to achieve the objectives of fulfilling their policy mandate and the quest to be financially stable.

The results of this study support that, when policy mandate and sustainability a properly balanced, this will assist DFIs to achieve their goals and objectives.

5.2.2 Factors that will contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions

5.2.2.1 Corporate Governance

Good management is vital for DFIs as it will aid in the improvement of their performance and the way the organisation is being run to meet their set goals and objectives. It is important to note that bad corporate governance has led to poor performance of most DFIs, which could be due to political instruction and inadequate managerial skills (Dink, 2005; Chapiro et al. 2004; La Porta et al. 2002), with which to put in place good corporate governance. This is usually not an easy venture, and governance could prove a difficult task. The results of this study support that good corporate governance will assist DFIs to perform better.

5.2.3 Problems confronting the sourcing of funding for developmental purposes

5.2.3.1 Environmental issues

The rate at which infrastructure investment/ development could enhance economic growth and poverty reduction, is hinged on a good institutional environment (Jahan and McCleery, 2005; DFID, 2007, the importance of facilities for construction works and maintenance of the various facilities, as well as the coordination of all the partners who contribute to the project, will have an effect on the output, while the institutional environment will have a significant effect on both. In literature it is confirmed that an econometrics strategy, while in an attempt to help reduce problems associated with overestimates in project costing and demand on the infrastructure, may not be totally eliminated (Estache and Fay, 2006). The results of this study support that, issues arise when environmental matters are not adequately taken into consideration, which can help DFIs to identify and manage risk and impacts associated with financing activities, this could pose a serious problem, preventing them from attaining their goals and objectives.

5.3 SUMMARY

This chapter discussed the findings and interpretation of results, focused on some variables, such as factors that will help to prevent conflicts of interest among clients, staff, managements and boards involved in the development finance process; conflicting objectives; factors that will contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions; and corporate governance; as well as problems confronting the sourcing of funding for developmental purposes and environmental issues.

The next chapter will conclude and offer recommendations from the study.

CHAPTER SIX
CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

Literature shows that, in many developing economics, DFIs played a very important role in avoiding a drastic credit crisis, by intensifying their activities, in terms of deleveraging and increased risk avoidance by private agents (Calice, 2013).

Tthe present challenge being experienced, according to Gutierrez et al. (2011), concerns how to guarantee adequate use of DFIs, as a precaution against implementation of some costly policy instruments, while at the same time, ensuring they play a dynamic role in providing access to finance. This is specifically relevant for Africa because of the prevalent market failures in the provision of infrastructure finance, agriculture finance, housing finance and (SME finance. This condition however, provides a strong rationale for an active developmental role to be played by DFIs.

The focus of this chapter will be on the summary of findings, conclusions about the objectives, implications, summary of theoretical and practical contributions of the study, implications of DFIs, limitations, recommendations arising from the results of the study, as well as recommendation for further research.

6.2 SUMMARY OF FINDINGS

The following conclusions were drawn, based on the results of the study:

6.2.1 Demographics

The results indicate that almost three quarters (76.2 percent) of the respondents are male;

A large number of the respondents are between the ages of 36 – 40 years, which constitutes almost a quarter (40.5 percent) of the total respondents. This study found that the majority (57.1 percent) of the respondents indicated they were married, with more than three quarters (78.6 percent) of the respondents shown to be graduates; while it was further determined that half (50 percent) of the respondents have between nine to 13 years of service. A further finding indicates that one third (33.3 percent) of the respondents are senior managers.

6.2.2 Factors identified - negative

- The study findings show that, it is not clear in the DFI, whether organisational membership could have an impact on industrial development;
- The study revealed that, although state ownership policy is flexible enough to assist development financial institutions to adjust, based on their needs and objectives, a substantial number of the respondents indicated their neutrality about this, which may be indicative of their not being in agreement with the existing structure;
- Results from the study indicate that environmental issues are taken into consideration and properly established, which can help respondents' organisations to identify and manage risk and impacts associated with financing activities. However, a substantial number indicated that they are neutral, which could mean there are problems associated with the way environmental issues are being handled. This study further confirmed that there is no proper stakeholders' needs alignment, which could be due to collaboration issues, and/ or lack of training and experience;

6.2.3 Factors identified - positive

- Regulatory and supervisory structures to separate ownership from control are clear to everyone and being followed in their organisation.
- Policy mandate and sustainability are properly balanced and will help DFIs to achieve their goals and objectives.

- When staff are adequately trained and all stakeholders are committed to the goals and objectives of the organisation, this will enhance corporate responsibilities.
- The Board of directors ensures strategic guidance between the government and developmental finance institutions, which will foster developmental initiatives.
- As a result of clearly defined roles and responsibilities in DFIs, respondents' organisations have been assisted with improving accountability and corporate governance.
- Assessment of development impact is carried out regularly in DFIs.
- When the liquidity management framework of the DFIs are properly setup, this will help to support the overall mission of the organisation.
- Good policy has been put in place to guide capacity building, accountability, and governance and it is adequately communicated and clear to everyone in their organisation, which will help improve the DFIs in their organisation.
- State ownership policy is not flexible enough to assist DFIs to adjust, based on their needs and objectives.
- Government regulation changes, when not properly handled, could have an adverse effect on developmental effectiveness of the finance institutions.
- When transaction time is reduced and application processing is simplified, this will assist DFIs to be more effective.

6.3 CONCLUSIONS ABOUT OBJECTIVES

In this section, conclusions that have been reached for each of the objectives in section 5.1 are presented.

6.3.1 Sub-objective 1

Regarding the factors that will help to prevent conflicts of interest among clients, staff, managements and boards involved in the development finance process, it is concluded that, even though understanding the factors that will contribute to the prevention of conflicts of interest in DFIs is not a problem, the board of directors ensures strategic guidance between the government and their organisation.

6.3.2 Sub- objective 2

With respect to the factors that will contribute to the implementation of mission and strategy of development finance by investors, individuals and institutions, the results of the study show a framework in place that will help respondents' organisations to strengthen their objectives and strategies and the targets of DFIs, in their organisation

6.3.3 Sub-objective 3

Relating to problems confronting the sourcing of funding for developmental purposes, it is concluded that early engagement of the various stakeholders in strategy formulation, will assist their fund sourcing process and thereby boost the level of their commitment. State ownership policy is flexible enough to assist DFIs to adjust, based on their needs and objectives; there could, however, be an issue with state ownership structure in place.

6.4 IMPLICATIONS

The implications of this study include consequences for developmental finance practice.

6.4.1 Implication for developmental finance practice

Practically, the results of this study indicate that, although state ownership policy is flexible enough to assist DFIs to adjust, based on their needs and objectives, a substantial number of the respondents indicated neutrality concerning this, which may be indicative of their not being in agreement with the existing structure.

When stakeholders are not engaged early in strategy formulation, it could have an adverse effect on the fund sourcing process and thereby reduce the level of their commitment, in addition to which, un-flexible state ownership policy will not assist DFIs to adjust, based on their needs and objectives.

From this study, it was found that environmental issues are taken into consideration and this is properly established, which can aid respondents' organisations in identifying and managing risk, as well as impacts associated with financing activities. Nonetheless, a substantial number indicated they were neutral and could indicate problems associated with the way environmental issues are being handled. This study further confirmed that there is no proper stakeholders' needs alignment, which could be due to collaboration issues, along with a lack of training and experience.

6.5 RECOMMENDATIONS BASED ON THE RESULTS OF THE STUDY

Recommendations, based on the findings of this study to assist DFIs processes are herewith discussed:

A well-functioning, efficient and effective, international development financing system is essential for: global poverty reduction; improving living standards in developing countries; reducing worldwide inequalities; and for achieving the Millennium Development Goals (MDG). However, feedback from respondents of this study indicated that much has been done by DFIs in Africa. There are, nonetheless, pockets of issues impacting the process of measuring public policy performance and how it can enhance development financing.

This study recommends that DFIs should ensure that state ownership policy is flexible enough to assist DFIs to adjust, based on their needs and objectives. Findings further confirmed that environmental issues should be taken into consideration and once this is properly established, respondents' organisations can be assisted to identify and manage risk and impacts associated with financing activities; problems associated with the way environmental issues are being handled should be properly addressed.

6.6 LIMITATIONS

The limitations of this research need to be acknowledged and taken into account prior to any recommendations being made. Some limitations were identified during the course of this study:

The sample size that was used was very small (n = 75), therefore, variables identified cannot be generalised to be representative of all DFIs in Nigeria and South Africa. Due to the study being exploratory and quantitative in nature, while also making use of a small sample, generalisation of the results should be done with care and further research, with a large sample, is encouraged.

The use of a standardised questionnaire could be a limiting factor, as respondents do not have the opportunity to express their personal opinion, either in writing or verbally.

This study focused on DFIs; therefore, findings are limited to this aspect alone and other financial institutions were not considered. It is therefore, anticipated that generalisation should be done with care and further research in this area is recommended.

6.7 RECOMMENDATIONS FOR FURTHER RESEARCH

The overall aim of this research is to explore a comprehensive assessment of the development effectiveness of African DFIs to measure public policy performance and how it can enhance development financing. The following are recommended for future research:

Qualitative research should be conducted on the development effectiveness of African DFIs to measure public policy performance and how it can enhance development financing. It is suggested that the sample should be large enough and extend to more DFIs.

A mixed method of conducting research, using a combination of Qualitative and Quantitative approaches, should be conducted on the effectiveness of African DFIs to measure public policy performance; a non-probability sampling method should be applied as sampling selection for this recommended study.

6.8 CONCLUSION

It is hoped that the summary of the research findings, relating to the literature, the conclusions regarding the objectives and implications, as well as recommendations, based on the research findings and limitations, will be of use to DFIs in Nigeria and South Africa and that further research is stimulated.

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APPENDIX A

INFORMED CONSENT LETTER

UNIVERSITY OF WITWATERSRAND, JOHANNESBURG

Dear Respondent,

I am a Master Degree student pursuing a degree in the Management of Finance and Investment at the University of Witwatersrand, Business School, Johannesburg, South Africa. My Dissertation is titled "*Development Finance Institutions and the Effectiveness of Development Finance for African Countries*". The research seeks to explore a comprehensive assessment of the development effectiveness of African Development Financial Institutions (DFIs) to measure public policy performance and how it can enhance development financing.

For the purpose of this research, it is required that data is collected through the administration of a questionnaire. You are required to select only one answer, by ticking the appropriate box in each question. Please note that your participation is voluntary and there is no benefit or remuneration for your participation.

This should not take much of your time as it will take approximately 20 minutes to complete the questionnaire.

Please be assured that the information obtained herein will be treated as confidential and will be safely stored at the University of Witwatersrand, Johannesburg, South Africa.

Thanking you for your participation. For further clarification, please do not hesitate to contact me or my supervisor:

Emmanuel Bassey Essien (Student)

Email: emmanuel@debnoch.com

Mobile: +27 83 311 1163

Prof. Kalu Ojah (Supervisor)

Email: kalu.ojah@wits.ac.za

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APPENDIX B

DECLARATION BY RESPONDENT

I, ………………………………………………………… declare that I am mindful of the contents herein and that it is intended for the purpose of research work, and I am in agreement to participate in completing the questionnaire.

----------------------------   ----------------------

Signature: Date:

APPENDIX C: QUESTIONNAIRE

SECTION A

PERSONAL INFORMATION ABOUT RESPONDENTS

Please tick the appropriate box

1. Gender:

Male	1
Female	2

2. Age:

18 – 25	1
26 – 30	2
31 – 35	3
36 – 40	4
41 – above	5

3. Marital Status:

Married	1
Single	2
Divorced	3
Separated	4
Widow	5

4. Educational Qualification:

Below OND	1
OND, NCE, HSC	2
HND, BSC, MSC,MBA, PhD	3
ACA, ACIB, ACIT	4
OTHERS	5

5. Years of Experience

1 - 3	1
4 - 8	2
9 - 13	3
14 - Above	4

6. Designation

Junior Staff	1
Manager	2
Senior Manager	3
Executive Director	4
Principal	5

SECTION B

DEVELOPMENT FINANCE

Please indicate the statement you agree or disagree with

Statement		Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	The regulatory and supervisory structure to separate ownership from control is clear to everyone and it is being followed					
2	The process of selection and appointment of the board of directors and their roles is transparent to all					
3	Conflicting objectives, between fulfilling policy mandate and financial sustainability, when properly balanced help us to achieve our goals effectively					

4	Investment in human resources and, most importantly, continued commitment by the shareholders will help us to enforce a sound corporate governance system					
5	State ownership policy exhibits clearly state separation of responsibility between exercising ownership, regulation and supervision					
6	Government involvement as an active shareholder will assist us to fulfil our policy mandate in a financially sustainable manner and according to an explicit set of operational objectives and financial performance targets					
7	The board of directors ensures strategic guidance and management					

	monitoring within the performance agreement between the government and our organization					
8	Roles and responsibilities is clearly defined and understood by everyone, this has improved our corporate governance and accountability of individuals.					
9	When all stakeholders are engaged early in the strategy formulation and fund sourcing process, the level of commitment will be higher.					
10	The framework that support and strengthen the mandate, objectives, strategy and the targets of DFIs are clearly defined in your Organisation					

11	Development impact of our operations are properly assessed regularly					
12	Liquidity management frameworks is good and will support the overall mission of our Organisation					
13	Good corporate governance is put in place in our Organisation and this has contributed to our improved performance					
14	Political interference and poor managerial skills will have an impact on good governance in our Organisation					
15	Internal audit procedures are established and efficient, this is monitored and reported					

16	We have in place policies guiding capacity building, accountability, governance and this is communicated to all					
17	Environmental and Social Management System to identify and manage environmental and social risks and impacts associated financing activities is properly established					
18	Our overall credit administration and monitoring process, including the workout function is compliant with required standard					

19	State ownership policy is flexible enough and we can to adjust our capital structure based on the needs and the objectives					
20	We have properly invested in accounting and information systems, and procedures, and this has helped us in information, reporting and disclosure regime					
21	We have a sound policy and good credit risk environment, credit granting process, credit administration and ensure controls over credit risk					
22	When proper monitoring system is implemented, we will have clear criteria for classifying and reporting problem loans as well as possible corrective action					

23	Our staff understand and practice sound loan valuation policies and practices					
24	Membership of business or trade affect financing and how they contribute to industrial development					
25	With adequate government support, it will be easier to obtain loans from various sectors for developmental purpose					
26	Ineffective legal system in the host country hampers the effectiveness of our organization					
27	Lack of adequate supporting infrastructure limits the implementation processes of developmental initiatives					
28	Unfavourable regulatory changes when not properly handled is a main deterrent to					

	developmental effectiveness					
29	Bureaucratic red tapes, on the part of partners could have effect on project financing and sometimes lead to waste of project resources thereby having adverse effect on development					
30	Our organization strives to reduce transaction time, costs and pricing as much as possible, as part of simplifying the application processes					
31	Our organization receives very good inter-agency cooperation across the countries					

APPENDIX C: Frequency distribution of questions relating to the objectives

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree		Total	
	n	%	n	%	n	%	n	%	n	%	N	%
1	0	0.0%	2	4.8%	3	7.1%	33	78.6%	4	9.5%	42	100.0%
2	0	0.0%	2	7.1%	6	14.3%	31	73.8%	2	4.8%	42	100.0%
3	0	0.0%	1	2.4%	4	9.5%	30	71.4%	7	16.7%	42	100.0%
4	1	2.4%	0	0.0%	0	0.0%	34	81.0%	7	16.7%	42	100.0%
5	0	0.0%	3	7.1%	7	16.7%	32	76.2%	0	0.0%	42	100.0%
6	1	2.4%	6	14.3%	8	19.0%	26	61.0%	1	2.4%	42	100.0%
7	0	0.0%	0	0.0%	4	9.5%	38	90.5%	0	0.0%	42	100.0%
8	0	0.0%	3	7.1%	2	4.8%	34	81.0%	3	7.1%	42	100.0%
9	0	0.0%	0	0.0%	0	0.0%	29	69.0%	13	31.0%	42	100.0%
10	3	7.3%	0	0.0%	2	4.9%	35	84.5%	3	7.3%	42	100.0%
11	1	2.4%	0	0.0%	1	2.4%	34	81.0%	6	14.3%	42	100.0%
12	0	0.0%	1	2.4%	3	7.1%	36	85.7%	2	4.8%	42	100.0%
13	1	2.4%	0	0.0%	2	4.8%	35	83.3%	4	9.5%	42	100.0%
14	0	0.0%	3	7.1%	0	0.0%	22	52.4%	17	40.5%	42	100.0%
15	0	0.0%	1	2.4%	1	2.4%	31	73.8%	9	21.4%	42	100.0%
16	0	0.0%	0	0.0%	5	11.9%	36	85.7%	5	11.9%	42	100.0%
17	0	0.0%	2	4.8%	13	31.0%	26	61.9%	1	2.4%	42	100.0%
18	0	0.0%	0	0.0%	5	11.9%	34	81.0%	3	7.1%	42	100.0%
19	1	2.4%	3	7.1%	16	38.1%	20	47.6%	2	4.8%	42	100.0%
20	0	0.0%	0	0.0%	1	2.4%	37	88.1%	4	9.5%	42	100.0%
21	0	0.0%	2	4.8%	1	2.4%	34	81.0%	5	11.9%	42	100.0%
22	0	0.0%	0	0.0%	1	2.4%	30	71.4%	11	26.2%	42	100.0%
23	0	0.0%	0	0.0%	3	7.1%	37	88.1%	2	4.8%	42	100.0%
24	0	0.0%	1	2.4%	21	50.0%	17	40.5%	3	7.1%	42	100.0%
25	1	2.4%	0	0.0%	10	23.8%	26	61.9%	5	11.9%	42	100.0%
26	0	0.0%	2	4.8%	1	2.4%	21	50.0%	18	42.9%	42	100.0%
27	0	0.0%	0	0.0%	2	4.8%	22	52.4%	18	42.9%	42	100.0%
28	0	0.0%	0	0.0%	2	4.8%	20	47.6%	20	47.6%	42	100.0%
29	0	0.0%	0	0.0%	0	0.0%	23	54.8%	19	45.2%	42	100.0%
30	0	0.0%	0	0.0%	3	7.1%	31	73.8%	8	19%	42	100.0%
31	0	0.0%	1	2.4%	6	14.3%	31	73.8%	4	9.5%	42	100.0%