AN EVALUATION OF DEVELOPMENT FINANCE AND EMPLOYMENT CREATION SINCE 2004 TO 2014: A CASE STUDY OF THE DEVELOPMENT BANK OF NAMIBIA (DBN).

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DECLARATION

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List of Acronyms

DBN	(Development Bank of Namibia)
DFIs	(Development Finance Institutions)
HPP	(Harambee Prosperity Plan)
SAP	(Systems Applications Products)
SPSS	(Statistical Package for the Social Services)
MFIs	(Micro Finance Institutions)
NAMFISA	(Namibia Financial Institutions Supervisory Authority)

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Abstract

The existing studies on the relationship between development finance and employment creation provide conclusive empirical evidence. This study was conducted to evaluate the development finance and employment creation since 2004 to 2014 at Development Bank of Namibia. This study used a sample of 17 credit and lending employees from the Development Bank of Namibia head office. Seventeen Questionnaires were distributed using a simple random sampling technique and all questionnaires were received back. This study employed SPSS (Statistical Package for the Social Services) and Microsoft excel to test the relationship between loans approval and employment creation. The study found that the variables (loans approval and employment creation) had a significant positive relationship. Regression model supports the alternative hypothesis that there is a relationship between loans approval and employment creation. The tests further indicated that various enterprises benefited from DBN loans over years especially the construction industry and that loans and employment per annum were N$ 521.59 million and 6016 jobs respectively. These findings were similar to what other researchers have discovered in similar studies for example a study by Massa (2013) which examined the linkages between development finance institutions (DFIs), employment, and productivity change and found a positive relationship between these variables. Implications, limitations and suggestions for future research are also discussed. This study suggested a sectoral or regional study to overcome aggregation of employment and loan approval in general. This study recommends that aggregation implications should be taken with necessary caution.

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CHAPTER ONE: INTRODUCTION

1.1 Orientation of the proposed study

The impact of development finance on the level of employment has been one of the subjects of long standing macro-economic debates, although it is one of the most studied subjects in the field of economics and public finance. Even though the relationship between development finance and employment is well established in the literature, the direction of causality of this relationship in at Development Bank of Namibia remains unknown. Therefore, it is behind this background, that an extensive research was undertaken in an attempt to determine the extent to which development finance affects employment creation at the Development Bank of Namibia.

According to Massa (2013), a development finance institution (DFI) is an alternative financial institution which includes microfinance institutions, community development financial institution and revolving loan funds. These institutions provide a crucial role in providing credit in the form of higher risk loans, equity positions and risk guarantee instruments to private sector investments in developing countries. Many other factors like education and training can also influence unemployment. This study observed at how development finance influences employment. According to Jouanjean, Massa and Velde (2013), employment is defined as a condition of having paid work. Credit is one of the foundations of many economies. The Development Bank of Namibia (DBN) was launched on 29 April 2004, in terms of the Development Bank Act, Act No. 8 of 2002, to contribute to Namibia's development by sourcing and administering funds from institutional and commercial sources for financing public and private sector enterprise which serve the interest of Namibia's developmental goals.

Furthermore, the core goals of development are long term employment and income generation, diversification, decentralisation and a far higher degree of economic participation on the part of formerly disadvantaged Namibians. (Development Bank of Namibia, 2006). Evidently DBN forms part of financial institution.

According to Development Bank of Namibia (2007), DBN provides finance for Private sector start-ups and expansions, equity deals, bridging finance, enterprise development finance, black economic empowerment enterprises, franchise facilities and small and medium enterprises. However, DBN ceased finance provision to small and medium enterprises in 2016. The Development Bank of Namibia provides finance for viable enterprises and sustainable initiative that contribute measurable to the development of Namibia (Development Bank of Namibia, 2015).

According to Levere, Schweke, and Woo (2006), development finance institution (DFI) is an alternative financial institution which includes microfinance institutions, community development financial institution and revolving loan funds. These institutions provide a crucial role in providing credit in the form of higher risk loans, equity positions and risk guarantee instruments to private sector investments in developing countries. DFIs are backed by states with developed economies. In 2005, total commitments as loans, equity, guarantees and debt securities of the major regional, multilateral and bilateral DFIs totalled US$45 billion (US$21.3 billion of which went to support the private sector) (Levere, Schweke & Woo, 2006). DFIs provide finance to the private sector for investments that promote development and to help companies to invest, especially in countries with various restrictions on the market.

According to Development Bank of Namibia (2008), the hallmarks of DBN's approach are business logic first, acceptance of innovation, risk mitigation, custom financing, financial principles and robust governance. According to Development Bank of Namibia (2009), The Bank is governed by a board of six directors composed of business leaders from the private sector, including representatives of the financial sector. Its policies and practices are exercised in a transparent manner. Activities are conducted with due consideration for the requirements of public accountability, while taking account of projects' sensitive aspects.

Increasing attention is being paid to measuring the macro impact of development finance institutions (DFIs) on employment and structural change. DFIs have long examined the direct employment creation impact of their operations, but there have been challenges in estimating their indirect, induced, second round and dynamic effects (Jouanjean & Velde, 2013). It is against this background that this paper addressed how development in a form of loan approvals impacted unemployment in Namibia. The researcher believes loans approved were reliable variables to assess the impact on unemployment. However the beneficiaries were not interviewed as the records of aggregate loan approvals and employment that were created as a result are contained in the annual reports issued on the bank's official website.

Development finance boosts economic growth which subsequently elevates employment opportunities. This is supported by the Keynesian macroeconomic framework, the standard effective demand theory which is based on the proposition that an increase in government spending bring about an increase on aggregate demand 'which inspire economic growth (Keynes, 1936). However, Post-Keynesian economists argue that, increasing government spending is a primary source of business-cycle instability which is the most important cause of recessions in the long run.

Long term funds can be raised in the form of debt which is exactly DBN specialisation. Jouanjean and Velde (2013), states that long term funds in the form of long to medium term loans can be obtained from specialised long term financing institutions, other companies under the same management (inter corporate loans), banks and high net worth individuals. Long term loans mostly are secured. The company gives some of its assets as collateral, which though used by the company remain under the charge of the financier till the whole loan is repaid. In long term loans floatation costs are less as compared to issue of debentures and bonds. Unsecured loans can be raised by reputed companies. However, the rate of interest on unsecured loans is higher than secured loans.

Furthermore, investment decision is one of the three important decisions in financial management, the other two being financing decision and dividend (cash flow) decisions. Normally, decisions involving large investment are taken at a higher level in management. Investment decisions are generally complex and require consideration of a large number of aspects.

The scope of investment decisions includes both new investment decisions and decisions about new assets, replacement of existing assets, expansion programmes, investment in infrastructure, research and development, etc. The funds for investment may be sourced either internally from own resources or externally.

Development finance has gained popularity over years. In 1950, there were 49 countries with stock exchanges, 24 were in Europe and 14 in former British colonies such as the United States, Canada and Australia. Their usefulness was seen as limited to only the wealthier countries in which they resided. Developing countries had low levels of savings and limited means to attract foreign capital; stock markets played an insignificant role in their economic growth before the 1980s. Funding for economic capital came primarily from foreign aid, state-to-state from advanced industrial countries to developing economies during the 50's and 60's (Weber, Davis & Lounsbury, 2009).

During the 1970s there was an increase in private bank long-term lending to foreign states that nearly equalled state aid, and as Keynesian ideas came into disrepute due to stagflation. In 1982 when Mexico suspended its external debt service, it marked the beginning of the debt crisis throughout the developing world; banks severely limited lending to developing nations (Weber, Davis & Lounsbury, 2009).

In response to the perceived failures of the development project and to the 1980s debt crisis, a market-based strategy of economic development was seen as the solution. Instead of bank-to-state lending or foreign aid, this model would use private investment in the private sector of developing countries. The International Monetary Fund (IMF) and the World Bank spread this idea through its imposition of Structural Adjustment Programs during 1980's (Weber, Davis & Lounsbury, 2009).

According to Weber, Davis and Lounsbury (2009), the IMF and the World Bank supported stock market development not solely on the grounds of ideology but rather that the stock market is a natural outgrowth of a developing financial sector as long-term economic growth proceeds and also as a criticism of early development efforts through Development Finance Institutes (DFI). These DFI's had difficulties during the 1970s economic crisis of the third world.

The study by Allen, Carletti, Cull, Qian & Senbet (2010), has addressed key issues at the heart of African financial development. The aim was to assess whether African financial development is slower than it ought to be, and if so why. First analysis were the determinants of financial development in other developing countries (low- and middle-income countries) via regression models based on prior research. The study used the regression coefficients to generate predicted levels of financial development, as measured by the ratios of liquid liabilities and private credit over GDP, for sub-Saharan African countries (excluding South Africa). Then the study compared those predicted levels with the actual levels of financial development in the African countries. Results were that most African countries tend to have lower levels of financial development than would be predicted based on their fundamentals. The average country falls 13 percentage points short of its predicted level for liquid liabilities over GDP and 12 percentage points for private credit over GDP (Allen, Carletti, Cull, Qian & Senbet, 2010).

Employment creation and earnings growth are critical to poverty reduction, the mission of the World Bank. The Bank has identified five policy areas that affect employment: macroeconomic conditions, investment climate, labor regulations, education, and social protection. This MILES framework, as it is known, is useful for evaluating employment creation and earnings growth performance. This study uses it to assess the Bank's assistance to three middle-income countries (MICs)—Colombia, Tunisia, and Turkey—during 1998-2007. The three countries faced major employment challenges during the past decade, received significant overall Bank support, had sufficient data available, and provided cross-regional representation. The assessment considers the impact of the Bank on policies, and the impact of these policies on employment and earnings. The comparative analysis of a set of country programs is an approach to drawing lessons that may be useful in other situations, such as the current global financial crisis, where numerous MICs face similar employment creation and earnings growth challenges (Carrizosa, 2009).

Consequently, the benefits to investors are rooted in prospective growth rates unattainable in advanced economies and high returns matching the risks involved. This is known as the financial market theory of development. There is an assumption that accompanies this theory, it implies that stock markets will improve economic growth to the degree based on how integrated they are into an "institutional matrix" that sends signals to decisions makers who would look for growth opportunities (Weber, Davis & Lounsbury, 2009). Hence, development finance and economic growth have been explored by many scholars therefore inspire employment.

According to Bakker (1996), all international financial institutions adhere to at least basic principles. They aim at freedom of international trade and capital movements, try to assist countries in maintaining monetary and economic stability, both domestic and external and member states of all institutions must take account of other countries' interests in their policies.

1.2 Statement of the problem

According to Nhongo (2014), the Namibia Labour Force Survey 2013 presented showed that the unemployment rate had increased by 2.2 percent while 41 percent of the youth remain unemployed. It was evident that there was serious lack of jobs in the country despite Government efforts to address unemployment in the country. With effect from 1 November 2015, the Development Bank of Namibia Limited was not going to consider loan applications from enterprises or business projects with a turnover of less than N$10 million per annum or a staff complement of between 31 and 100 employees. The Bank would focus on larger enterprises particularly in the key sectors and strategic intervention areas which are aligned to the Fourth National Development Plan (NDP4) and Growth at Home Strategy (DBN website, 2015).

In the light of development finance in terms of loans approvals and employment creation, it is not clear whether DBN should grow its loan book as high as possible or should set ceiling on loan approval amounts. There is no study done before with the aim to establish the relationship between loans approval and employment creation in Namibia. Thus, the question whether loan approvals lead to employment creation significantly or not quite significant in Namibia is yet to be answered. Therefore this study addressed development finance and employment creation by the Development Bank of Namibia and analysed any significant relationship between loans approved and employment creation.

1.3 Objectives of the study

Thus the aim of this research was to critically evaluate the development finance and employment creation since 2004 to 2014 at Development Bank of Namibia. To achieve this, the following three specific objectives were addressed.

1. To investigate the relationship between new jobs created and loans approved.

2. To identify the various Enterprises that benefited from DBN loans over years.

3. To assess the discrepancies in amounts of loan approvals and employment creation.

Null hypothesis: There is no relationship between new jobs created and loans approved.

Alternative hypothesis: There is a relationship between new jobs created and loans approved.

1.4 Significance of the study

This study could enhance understanding and knowledge with regards to development finance. Furthermore, this study will shed light Namibian fiscal policy measures as a result of examining the relationship between loans approved and employment creation. Therefore, the study will make it possible for Namibians to find out the impact of loans approved and employment creation. Furthermore, the study will be very important to the Namibian policy makers by helping them to determine which policies to adopt, to improve the development and employment opportunities on the Namibian economy. It could add value to the Development Bank of Namibia in terms of realisation of sustainable project funding. Academically it is needed for reference point. Lastly, this study could contribute to socio-economic development across the country in general.

1.5 Limitation of the study

The overall limitations of this research project was that the sample is small as the study only obtained data from the inception of Development Bank of Namibia to date and this has limited this study to certain analysis tools. However, in order to meet the requirements of more than thirty observations of data, the researcher had shifted from yearly data to quarterly data instead of the years 2004 to 2014. Furthermore, the author relied mostly on data available on annual reports published on the official website of the Development Bank of Namibia. The relationship between employment creation and other economic variables such as Government transfers, inflation, and budget deficit amongst others can be established, but this study did not focus at all on the above mentioned variables. Although there were a number of potential limitations inherent in this research, the findings are sufficient and produced concrete results. This study was only concerned with the relationship between loans approved and employment creation.

CHAPTER TWO: LITERATURE REVIEW AND THE THEORETICAL FRAMEWORK

2.1 Introduction

Development finance and employment creation are an important area of study in a field of economic policy and public finance. This has been also an attractive area of research, theoretically as well as applied. This chapter reviewed both theories and some of the empirical studies on this topic.

2.2 Theoretical literature

According to Tjirongo (2015), theoretically, the process of investment decisions involves: identification of potential investment opportunities, appraisal of proposed investment, preparation of capital budget and its appraisal, appropriation of funds for investment, implementation of project and performance review. Investment appraisal techniques are used for examining various aspects and implications of investment. Information useful for decision making is generated through the process of investment appraisal. Moreover, investment appraisal methods include Non-Discounting Methods (Payback Period and Average Accounting Rate of Return (AARR)) and Discounting Based Methods (Present Value (PV) and Net Present Value (NPV), Internal Rate of Return (IRR), Profitability Index (PI) and Discounted Payback Period).

In a similar study done by Massa (2013), it examined the linkages between development finance institutions (DFIs), employment, and productivity change. In particular, it shows that DFIs may

enhance job opportunities and productivity change through a number of channels such as additionality, demonstration effects, technical change, and forward and backward linkages.
The evidence emerging from the existing literature shows that DFIs have generated a significant amount of direct, indirect and induced jobs, as well as promoted innovation and eventually productivity in several different sectors ranging from health to education, environment, ICT, insurance, and infrastructure.

Although there is no consensus in the academic literature, recent DFI studies find that productivity increases may lead to additional employment creation, thus highlighting DFIs' potential to promote high-productivity jobs. Moreover, it appears that DFIs are most likely to generate jobs and benefit the poor through interventions directed at improving access to finance, infrastructure, investment climate and training. However, notwithstanding recent improvements, there are still gaps in the existing methodologies used to assess the economy-wide employment effects and the impact of DFIs' investments on productivity change, which need to be addressed in the future (Massa, 2013).

In addition, the proposed IDA credit of US$3.5 million would cover the import component of DBM's investments in the two-year period up to mid-1974. Of this amount, US$3 million would be for investments in industrial and tourism enterprises, US$400,000 would be for a continuation of DBM's current rate of investment in industrial estates for about one year and US$100,000 would meet the cost of a feasibility study for a larger industrial estate program to be undertaken in 1973. The proposed credit will help DBM, and as the main source of long-term finance for tourism and industry, which are the sectors expected to be the major providers of new jobs, to further the two prime national objectives, diversification of the economy and promotion of employment. Moreover, most of the projects financed by DBM are expected to be directed foreign exchange earners (World Bank website, 2016).

According to Balkenhol and Guézennec (2014, p.1) stated that microcredit takes an increasingly important part of active labour market policies in Europe. Indeed, the effectiveness of microcredit for jobs creation has been demonstrated by numerous studies, in France and in other high income countries. In high income countries research on the impact of microcredit is still in its infancy. Although the majority of operators now strive to measure the impact of their programmes, these assessments are rarely made public, remain fragmentary and rarely use a systematic methodology. These assessments are nearly always carried out internally, and, with each operator using its own indicators, the results obtained are difficult to compare from one institution to another and the samples used are in general too small for a quantitative analysis. Lastly, an individual might benefit from several mechanisms simultaneously, making it difficult to attribute outcomes. (Balkenhol & Guézennec, 2014, p.8).

Concerning the impact of access to microcredit on beneficiaries' employment situation, MFIs in high income countries most often take into account three dimensions which are; the number of jobs created to indicate impact on employment (the term "job created" can cover both net new jobs and jobs maintained, direct or indirect jobs, full-time and part-time jobs), the cost per job created to show loans approval values and the "quality" of jobs created that beneficiaries obtain which is becoming an increasingly important benchmark for measuring the social impact of MFIs (Balkenhol & Guézennec, 2014, p.9).

According to Rigouzzo (2010, p.5), Development Finance Institutions (DFIs) are government-controlled institutions that invest in sustainable private sector projects with the twofold objective of spurring development in developing countries while themselves remaining financially viable. Development of the private sector generates private income, but also contributes to general economic and social development in a number of ways such as employment – new jobs, wage increases, non-salary benefits and labour mobility through training. When development finance institutions, business leaders, and policymakers estimate job-creation effects of their activities, it is important to look beyond direct jobs generated. Indirect jobs, induced jobs, and net job creation are factors to consider too. If an analysis fails to consider indirect jobs created in suppliers and distributors, it likely will underestimate the poverty-reduction effects.

According to Toporowski (2005), Aristotle's view reached the highest point of sophistication Marx's analysis of circuits of capital, showing how the application of money capital (or what Marx termed 'fictitious capital') to production releases from labour surplus that is the real basis of interest and gain from money. To explain how the financial system may destabilise an economy, it is necessary to provide a comprehensive view of how finance works in the real economy. In An Inquiry into the Nature and Causes of the Wealth of Nations, Adam Smith put forward the elements of a critical finance view of the economy (that is, an explanation of how the monetary or financial system can disturb the economy) more as a possibility than a reality in his own time.

Toporowski (2005) further argues that to unstable money are to be traced nearly all our economic troubles since 1918: the unemployment of the inter-war period; the over-employment and scarcity of labour since the Second World War; the labour unrest incidental to perpetual wage demands; the hardships and dislocation caused by the declining value of small savings, annuities and endowments, the vexation of continual price rises even for those whose incomes on the whole keep pace with them; the collapse of the prices of Government securities through distrust of the unit in which they are valued.

According to Basnett and Sen (2013, pp.5- 17), economic growth is positively associated with job creation. The level and quality of impact is determined by country context, factors that transmit the impact of growth, as well as complementary policies. The strong employment growth in market-related services is broadly attributable to a very strong value-added growth.

Howells and Bain (2008) define a financial system as a set of financial instruments, and the individuals and institutions that trade in those markets, together with the regulators and supervisors of the system. The users of the system are people, firms and other organisations who wish to make use of the facilities offered by a financial system. The users of financial system in this study are therefore Development Bank of Namibia, Ministry of Finance, various borrowers, Namibia Financial Institutions Supervisory Authority (NAMFISA) and other players in the economy.

According to International Finance Corporation (IFC) jobs study (2013, p.4), the private sector, which provides nine out of 10 jobs in developing countries, offers the best solution to the challenge of unemployment. The nature of the jobs challenge varies by region, due to different demographic, institutional, and socioeconomic factors. Many development finance institutions, policymakers, and business leaders are interested in being able to estimate the job-creation effects of their activities. While data on direct jobs created may be available, it gives an incomplete and possibly misleading story. To properly estimate economy-wide job creation effects, it is important to consider the total job effects, that go beyond estimating the direct jobs created, and include (a) indirect jobs (jobs created in suppliers and distributors); (b) induced jobs (jobs resulting from direct and indirect employees spending more); (c) second-order “growth” effects such as, more reliable power, allowing enterprises to produce more, and more efficiently; and (d) net job creation (accounting for job losses in competitors) (IFC, 2013, p.8).

The facilities offered by may be summarised as intermediation between surplus and deficit units, financial services such as insurance and pensions, a payments mechanism and portfolio adjustment facilities. Therefore the role of Development Bank of Namibia is to source and administer funds from institutional and commercial sources for financing public and private sector enterprise which serve the interest of Namibia’s developmental goals. The bank specialises in acting as an intermediary between surplus and deficit units of the economy.

Howells and Bain (2008) further argue that in the existing literature, financial systems are widely interpreted as lying somewhere along a continuum with “market-based” systems at the other. However, the position on this continuum tends to be associated with other, important, characteristics so an effective classification system requires additional dimensions. For example, if financial markets play a large part in corporate financing and those markets are particularly active, then takeovers, often hostile, will likely be common place in disciplining firms (and management) which underachieve. It has even been argued that market-based systems tend to encourage a degree of 'short-termism' in the decisions of managers who are conscious of the need continuously to maximise shareholder returns. There are implications, in other words, for corporate governance. Conversely, if markets play a small role, firms will be more dependent upon banks for finance.

According to Denfeld (2012, p.20), financial sector is significant for the creation and preservation of jobs in developing and industrialised countries. A financial system which functions well is one of the cornerstones of economic growth. Financial institutions mobilise resources for private and public investment and ensure that cashless payments can be processed quickly and safely. The financial sector's significance is particularly perceptible during crises. If the financial sector is unstable and does not provide adequate financing and if the framework conditions for investment and economic decisions are uncertain, this considerably restricts the real economy. The result is a lack of investment, low or no growth, unemployment and underemployment. The 1997 Asian crisis, the 1998 Russian crisis and the current financial and economic crisis show that weak and under-regulated financial systems trigger or intensify economic crises and can cause high unemployment and poverty.

Denfeld (2012) further elaborates that Micro and small enterprises in developing countries can be divided into various types of enterprise: subsistence enterprises is founded by an entrepreneur to safeguard his or her own livelihood (self-employment). Usually these entrepreneurs have few alternatives, so it is essentially a question of social security for the poor. In the majority of cases, these are enterprises in the informal sector, frequently with a seamless transition to private house-holds. These households survive through various activities including micro-entrepreneurialism, day work and some-times money sent home from family members working abroad (remittances).

Transformation enterprises is where the entrepreneurs strive for more than subsistence and manage their enterprise with a view to growth and creating additional jobs within that enterprise (third-party employment). The entrepreneurs are more dynamic self-employed people whose enterprises tend to develop into businesses with a relatively steady course of growth.

In a similar study done by Hye and Dolgopolova (2011, pp.311-319) attempts to construct a financial development index for China as well as to analyse the relationship between the financial sector development index and economic growth. The study used Johansen-Juselius cointegration approach to determine long run relationship between variables. To determine the strength of causal relationship variance decomposition is used. The stability of coefficient is evaluated through rolling window regression method. The results of Johansen-Juselius cointegration approach confirm long run relationship between financial development index and economic growth. Normalised cointegrating vector indicates that financial development index, real interest rate, capital and labor force positively determine economic growth in China. The yearly coefficient is provided by the rolling regression and indicates that financial development index negatively link to economic growth in 1991, 1992, 1994, 1995, 1999, 2000, 2003-2005. Interest rate is negatively linked to economic growth in 1991-1996, 2007 and 2008. The variance decomposition method validates that shocks in financial development index and real interest rate are explained by economic growth.

Thomas, Gray and Carrizosa (2008) analyse a relationship between employment creation and earnings growth which are critical to poverty reduction. The World Bank has identified five policy areas that affect employment: macroeconomic conditions, investment climate, labor regulations, education, and social protection. This MILES framework, as it is known, is useful for evaluating employment creation and earnings growth performance. This study uses it to assess the Bank's assistance to three middle-income countries (MICs) Colombia, Tunisia, and Turkey during 1998-2007. Thomas, Gray and Carrizosa (2008) discover the three countries faced major employment challenges during the past decade, received significant overall Bank support, had sufficient data available, and provided cross-regional representation. The assessment considers the impact of the Bank on policies, and the impact of these policies on employment and earnings. The comparative analysis of a set of country programs is an approach to drawing lessons that may be useful in other situations, such as the current global financial crisis, where numerous MICs face similar employment creation and earnings growth challenges. Thomas, Gray and Carrizosa (2008) further expose three countries had very different experiences during the evaluation period. Colombia went through a deep recession during 1998-99 that increased its unemployment rate to unprecedented levels. Its employment to population ratio ceased to grow after many years of increasing female labor participation.

Despite its satisfactory rate of economic growth, Tunisia experienced a high unemployment rate that resisted efforts to reduce it for decades, although the employment ratio increased modestly. Turkey also saw a sharp rise in unemployment as it implemented structural reforms to stabilize its economy after many years of double-digit inflation, and its employment ratio continued its long-term decline. Three sets of findings are worth highlighting.

First, employment-related outcomes in the three countries were mixed, with notable progress in economic growth, earnings, and poverty reduction, but not in the employment-to-population ratio or the unemployment rate. This finding underscores the desirability of focusing on the full set of employment-related variables gross domestic product (GDP), poverty, employment, unemployment, and earnings in an integrative fashion rather than just on employment when setting the objectives of Bank support. A related point is that many countries need to improve the delivery of employment-related statistics to allow timely monitoring and analysis of these variables, an area where the Bank has helped and can be of further assistance.

Second, Bank program objectives in the three countries focused more on MILES components than on employment itself. The focus on MILES components suggests that employment-related issues, which span three Bank Networks (Human Development, Poverty Reduction and Economic Management (PREM) and Private Sector Development (PSD), may fall by the wayside unless the Country Partnership Strategy serves as a vehicle for diagnosis, priority setting, and programming cross-sectoral work.

Employment-related analytic and advisory activities (AAA), for example, is largely cross-sectoral in nature, covering such issues as structural unemployment, labor market rigidities and taxes, gender differences in labor participation, migration and remittances, and the impact of education on the extent of skills mismatch in the job market. From this perspective the Bank could usefully strengthen its role as knowledge provider, broker, and/or facilitator of knowledge creation.

Third, Bank support in the three countries achieved differential progress in the individual MILES components, with the most progress on macroeconomic stabilization, followed in approximate order by progress on the investment climate, education, social protection, and labor taxation and regulations. The experience of the three countries illustrates how AAA can be the main instrument of support in these areas (for example, labor regulations and taxes) where progress in reform is difficult and the need for building engagement and consensus is critical (Thomas, Gray & Carrizosa, 2008).

Aziakpono (2003, p.2) examines the link between financial intermediation (FI) and economic growth. The study established that there is a strong link between the two variables. Several studies have addressed the potential links between financial development and economic growth. Alternative views on the links between financial intermediation and economic growth focus on the key functions of financial systems in the saving-investment-growth nexus. These include firstly, acting as an effective conduit firstly for channeling funds from surplus to deficit units by mobilizing resources and ensuring an efficient transformation of funds into real productive capital.

Secondly, financial intermediation transforms the maturity of the portfolios of savers and investors, while providing sufficient liquidity to the system as the need arises. The third function is risks reduction from the system through diversification and techniques of risk sharing and pooling. By so doing a modern financial system may spur economic growth. However, despite the rapidly growing literature, the debate concerning the role played by the development of financial intermediaries in economic growth is far from settled. The theoretical evidence shows that domestic financial intermediation is still relevant in such financially integrated markets. However, the evidence also indicates that for the smaller countries of the SACU with less developed financial institutions, to derive the optimal gains from financial intermediation, they would need to take steps to strengthen their weak financial system and resolve the institutional and structural problems in their economies. An obvious lesson for countries contemplating forming or entering economic integration, in particular a monetary union, is that the development of their financial system and addressing other institutional and structural problems will be a necessary precondition for deriving optimal gains from such integration.

Bianchi (2010, p.1) analyses utility differences between the self-employed and employees increase with financial development. The effect is not explained by increased profits but by an increased value of nonmonetary benefits, in particular job independence. Their study interpreted findings by building a simple occupational choice model in which financial constraints may impede the creation of firms and depress labor demand, thereby pushing some individuals into self-employment for lack of salaried jobs. In this setting, financial development favors a better matching between individual motivation and occupation, thereby increasing entrepreneurial utility despite increasing competition and so reducing profits.

In addition, a study conducted by Byiers, Krätke, Jayawardena, Takeuchi and Wijesinha (2015, p.8) aims to explain the employment progress achieved in Sri Lanka from 1990 to 2010. This period has seen a drastic reduction in unemployment, and improved working conditions, particularly for women, accompanied by structural transformation away from agriculture towards manufacturing and services. The drivers of employment progress in quality, quantity and access are examined in terms of policies affecting demand for and supply of labour. Byiers, Krätke, Jayawardena, Takeuchi and Wijesinha (2015) learn that while this employment progress has been achieved under unique and challenging conditions, not least a civil war from 1983 to 2009, the study attempts to draw conclusions for policy-makers in other contexts. In particular it points to the long-term adherence to a hybrid industrial policy agenda comprising outward market orientation and policies to promote investment into export processing zones, attention to education and vocational training, and continuing strong government economic activity in the form of state-owned enterprises and public employment.

2.3 Empirical literature

According to Jouanjean, Massa and Velde (2013), Job creation, productivity and structural change are the main development challenges for low income countries at present (Macmillan & Rodrik, 2011). Development Finance Institutions (DFIs) help the process of job creation and structural change by addressing market failures through the provision of loans, grants, equity and guarantees which can lead to better and higher quality investment in poor countries. They further argued that there is a debate on appropriate methods to use in such studies. DFIs affect job creation directly by being additional to domestic investment and they can have a direct effect on productivity through changing the composition, and hence the economic structure of an economy.

This note summarises two UK DFID funded studies in Massa (2013) and in Jouanjean and Velde (2013). The study finds a significant effect of DFIs on labour productivity in several regressions using various measures of DFI activity. Using the OLS equation (on a panel of countries), for each percentage point shift in the ratio of DFIs over GDP, the effect of DFIs on labour productivity is 3.4% and statistically significant. Using the equation that controls for selection bias, the effect is significant at 7.5%. Using the lower estimate, we find that DFIs have increased labour productivity by at least 3% in 21 low- and middle-income countries. In Ghana, Kenya and Zambia the effects are of the order of 2.3%. The treatment effect for e.g., when a country receives support from a DFI) on labour productivity ranges between 0 – 15% and the average treatment effect is around 6% (Jouanjean, Massa & Velde, 2013).

Empirical evidence show data on enterprises that benefited from DBN and employment per annum are highlighted next. DBN approved a N$ 15 million loan to CENORED in August 2005 to operationalise the company as well as N$ 8 million loan to Namibia Stone Processing facilitated actual commencement of the biggest dimension stone processing facility in Africa. The company also approved N$ 30 million loan for Ongopolo Mining and Processing. Ongopolo is the only copper mining and processing company in Namibia. Its existence enables the country to exploit its copper resources with corresponding positive socioeconomic impacts. Aggregate number of employment and loans issued were 2821 jobs and N$ 110.7 million respectively (Development Bank of Namibia, 2005).

According to Development Bank of Namibia (2006), DBN has issued a one year payment guarantee to Wendjizuva pharmacy's creditors to enable it to purchase stock through a revolving credit facility secured by the payment guarantee. The bank further extended a six month guarantee facility of N$ 30.5 million to enable PowerCom's bankers to provide Letters of Credit for the shipment of equipment. DBN's facility was being used to acquire and refurbish a fishing vessel of JCS Seafood Marketing.

In addition, DBN extended N$ 1.9 million bridging loan through its Special Development Fund to African Directory Services (ADS) to help it meet its obligations related to the production of the Botswana Telecommunication Corporation's 2006 telephone directory and another N$ 500 000 loan to JOM Construction to buy equipment and for working capital to service a government contract. Moreover, DBN purchased 475 debentures worth N$ 4.75 million in Edu-Loan to extend loans to close to 230 Namibians and approved N$ 30 million facility to the National Housing Enterprise (NHE) to install bulk infrastructure for a new housing development in Oshakati, which is expected to create 2,000 serviced erven.

DBN approved N$ 10 million facility to the United Africa Group to upgrade the Zambezi River Lodge and also provided a three year, N$ 1 million, bridging finance facility to Enviro-Fill Namibia to fulfil its contractual obligations to the City of Windhoek to extend the lifespan of the Kupferberg land fill site. This study established that total number of employment and loans issued were 910 jobs and N$ 118.6 million respectively (Development Bank of Namibia, 2006).

Facilities approved in 2007 include Duiker One Hundred & Thirty Four, a project involves the establishment of advanced radiological facilities at Ongwediva, reducing the need for medical travel to other towns. Indigenous Construction required funding to purchase machinery and equipment to carry out the contract by the Roads Authority for the construction of a gravel road in the Caprivi region: from Kongola to the Zambian border, with a shorter leg from Kongola to the Quarantine Camp.

Additionally, I-S Air Freight Services has outgrown its business premises in Prosperita and bought a new plot - and a truck, to grow its operations and Kamuku Enterprises secured a six-month contract to build a river crossing structure over the Omaruru River at Okombahe in the Erongo Region, using labour-based construction methods. The loan is for machinery and equipment to carry out the contractual work (Development Bank of Namibia, 2007).

Karukongo Building Contractors has secured a contract for the construction of concrete works and a culvert on the road from Kongola to the Zambian border and the road to the Quarantine Camp in the Caprivi region, using labour-based construction methods. Roama Gates Manufacturers makes and distributes farm, residential and security gates, as well as steel posts, and refuse bins. These goods were manufactured manually but the company set out to mechanise the process to improve the quality of products and to increase production. M. Shikongo Investments secured a contract with the Roads Authority to put up and replace road signs in the Rundu and Katima Mulilo districts. The business required a loan for purchase of two trucks.

DBN extended a loan to NamClay Bricks & Paver's project to acquire equipment including kilns. Kavango River Bridge (Road Fund Administration) secured a loan to upgrade the Kavango River Bridge on the TransCaprivi Highway. DBN provided facility to Omkumo Construction and Bojashwi Construction for construction of a gravel road between Muyako and Ngoma in the Caprivi Region. The facility to the Ongwediva MediPark went towards the establishment of advanced medical facilities in the town, which caters for the regions in the north.

Furthermore in 2007, DBN's assistance took the form of preference share investments in Oshikango Plastics, which, in turn, used the proceeds to purchase 30 per cent ordinary shares in Fatima Plastics. DBN's N$ 3 million loan to Nomad Aviation was used to cover operational lease expenses for a passenger aircraft and the Bank provided further facilities including a N$ 20 million Guarantee, N$ 9 million Bridging Finance and N$ 60 million stand-by facility to PowerCom. DBN issued a facility to L. Goliath Construction & Civil Works to construct a river crossing over the Hoanib River in the Kunene region.

Additionally, a loan was issued to Seafresh Investments to establish an oyster farm in Walvis Bay and another loan to energy utility, Nampower, for the Caprivi Link Interconnector, helps secure electricity supply by diversifying energy imports. DBN financed Namport's acquisition of nine terminal tractors valued at N$ 7 million. Evi Mining, Namibia Dairies, SMES involved in road construction and SMES financed through line of credit extended to Bank Windhoek were also beneficiaries. This study discovered that aggregate number of employment and loans issued in 2007 were 4129 jobs and N$ 314.3 million respectively (Development Bank of Namibia, 2007).

According to Development Bank of Namibia, (2008), a total of 81 projects were approved for financing by DBN. These include SME advances through the DBN, FNB Namibia, and Bank Windhoek partnership of which finance was extended to 47 SMEs. Croxton Investments' facility helped the company execute orders and still retain some inventory (solar energy products).

Other beneficiaries were Gas Probe Namibia, Brukkaros Skins, Sedge Investments, Trustco Education, Proqual Diagnostic Imaging, Seaflower Whitefish Corporation, Ugab Terrace Lodge and TransNamib Holdings amongst others. Aggregate data on employment and loans approved in 2008 were 7015 jobs and N$ 467.8 million respectively.

Total approvals comprised of 65 facilities amounting to N$ 427.10 million in 2009. Amongst the selected projects financed were Afro Installations, Anieb Bird Watching camp, Aluminium and Glass Supplies, City Truck and Car Repairs, The International University of Management, Ohorongo Cement, Ondero Investment Holdings, Pamona Trading Enterprises, Telecom Namibia Limited, Pinehas and Hoadom Contractors and Trans-Atlantic Enterprises. In 2009, this study established that total number of employment and loans issued were 5551 jobs and N$ 427.5 million respectively.

Furthermore DBN facilities in 2010 benefited the following selected projects Agate Park, AJ Swartz Builders, Clarke's Aishe-Mumwe Investments, Dorros Investments 22 (Pty) Ltd, Get 2 Africa Safaris, Lüderitz Abalone Farming, Organic Oil of Africa, San Karros, Shoremillkol, W.E Gearbox and Diff Repairs and Wilco Recycling amongst others. This study established that total number of employment and loans issued during 2010 were 5007 jobs and N$ 365.2 million respectively (Development Bank of Namibia, 2010).

The DBN's annual approval rate recorded a sharp increase between 2010 and 2011, with a 68.9 per cent year-on-year increase to N$ 616.7 million. Some of the selected financed projects include Eastern Glass & Aluminium: Ondangwa & Outapi, Jessovita Investments: Outapi, Exclusive Health & Wellness: Windhoek, Karakulia Weavers: Swakopmund, KSNS Auto Repair: Katima Mulilo, Meat Corporation of Namibia: National. DBN further financed Magnet Bureau de Change: Windhoek, MLN Extreme Safety Wear: Windhoek and Ondangwa and Morne Du Toit t/a Deon's Garage: Otjiwarongo.

In addition DBN extended facilities to Ozohere Lodge and Campsite: Otjikakaneno, Ongwediva Town Council (OTC): Installation of Bulk infrastructure to service Extension 11, Quality Bag Manufacturers: Ondangwa, SP Brick Warehouse: Onhuno, Scooters Pizza Namibia: Windhoek, Typo Print: Windhoek, Walvis Bay Salt Refinery: Walvis Bay, Xwama Cultural Village: Windhoek and Zebra Car Hire and Safari: Ondangwa. This study established that total number of employment and loans issued were 8052 jobs and N$ 616.7 million respectively (Development Bank of Namibia, 2011).

According to Development Bank of Namibia (2012), DBN approved loans valued at N$ 519.1 million, bringing the total approvals to N$ 2.9 billion since its inception. The projects that benefited were M and D Construction and Electrical, Tungeni Africa Investments, Kakumba Island Lodge, Ndhafa Healthcare Services, Urban Legend a trending clothing brands supplier, Kings Building Supplies which distributes building materials in Rundu and its surroundings, Tomao Trading a supplier of frozen fish to SMEs, Armstrong Construction. This study established that aggregate number of employment and loans issued were 7689 jobs and N$ 519.1 million in respect of 2012 financial year respectively.

In 2013, Yellow Drum Manufacturers in Arandis received finance for expansion, Greenlight Pharmacy in Windhoek received finance to open an outlet in Okuryangava, Lüderitz Abalone Farming and Southern Road construction received finance for acquisition of a dolerite crusher. In the same year Oshakati Town Council received finance to install bulk infrastructure, Omuriro Biomass received finance for equipment to clear bush and Carbo Namibia received finance to expand its processing capacity. This study established that total number of employment and loans issued were 7871 jobs and N$ 840.1 million respectively (Development Bank of Namibia, 2013).

According to Development Bank of Namibia (2014), the bank approved loans to the tune of N$ 1,436 billion in 2014, compared to N$840.1 m in 2013, representing growth of approximately 71 per cent. In 2014 DBN provided finance for Omburu Sun Energy, Namibia's first large-scale privately owned solar power generator and provided the finance needed to develop the feedlots. While maintaining its support for SMEs, during 2014 the Bank successfully implemented the Strategic 5-Year Business Plan, which repositions the Bank to focus more on large enterprise as a driver of mass employment. This study established that aggregate number of employment and loans issued were significantly 11115 jobs and N$ 1.4 billion respectively.

2.4 Conclusion

The study shows that different scholarly views supported that there is a relationship between loans approved and jobs creation. Development Finance Institutions (DFIs) help the process of job creation (Massa & Velde, 2013). Similarly, development of the private sector generates private income, but also contributes to general economic and social development in a number of ways such as employment (Rigouzzo, 2010). In addition, various enterprises have benefited from DBN especially the construction industry. Agricultural sector has also benefited significantly. This study established that overall aggregate employment creation and loans approved since 2005 to 2014 were at an overwhelming 60160 and 5.2 billion respectively.

CHAPTER THREE: METHODOLOGY

3.1 Introduction

This chapter discusses the methodology that was selected for collection and analysis of data required for assessing the development finance and employment creation at the Development Bank of Namibia. The chapter is divided into the following sections. Section 3.1 discusses the research design within which the research was based. Section 3.2 details the population to which the study obtained the findings. Section 3.3 provides details of the sampling technique. Section 3.4 contains details of research instruments and measures used to collect data. Section 3.5 has highlights of the procedure undertaken to collect the data.

Research according to the Longmans English Dictionary (1979) simply means an investigation, which was undertaken in order to discover new facts and knowledge or to get additional information. Researchers undertake research to try to establish answers to solve particular problems. Methodology refers to the body of methods, rules and procedures employed by those carrying out an investigation. It actually discloses the way information is found or how something is done. It involves all things crucial to a piece of research being carried out effectively, this includes the philosophical approaches, theoretical models, rules for creating hypotheses and operationalizing concepts, rules about designing and conducting meaningful experiments and how to collect and analyse data and rules for writing up results.

3.2 Research design

A research design refers to the planning of any scientific research from the first to the last step (Bless & Achola, 1988). It is a programme designed to guide the researcher in data collection, data analysis and the interpretation of the collected data. This study used the quantitative approach as this is an empirical type of research. IBM SPSS (Statistical Package for the Social Services) version 23 analytical tool was used to process the data. Excel was also used to analyse the relationship between loans approved and employment creation as the researcher retrieved annual reports since 2004-2014 from the Bank's website to extract primary data which was subjected to analysis and interpretation. Additionally, this study distributed questionnaires to 17 employees at the credit and lending department to obtain some insight regarding loan approvals.

Moreover, according to Lowe (2007), "Evidently, questionnaires promote more honest responses as it lacks personal interaction." Additionally according to Mahindi (2014) "Using a questionnaire in social sciences researches has a number of advantages". Questionnaires are practical, large amounts of information can be collected from a large number of people in a short period of time and in a relatively cost effective way, can be carried out by the researcher or by any number of people with limited affect to its validity and reliability, the results of the questionnaires can usually be quickly and easily quantified by either a researcher or through the use of a software package, can be analysed more scientifically and objectively than other forms of research, when data has been quantified can be used to compare and contrast other research and may be used to measure change and lastly positivists believe that quantitative data can be used to create new theories and / or test existing hypotheses. Survey method was preferred to generalize the findings from a smaller group to a larger group.

3.3 Population

According to Burns and Grove (1993, p.779), a population is defined as all elements (individuals, objects and events) that meet the sample criteria for inclusion in a study. According to Polit and Beck (2006, p.258), a population is “the total number of people or elements that fit the specific set specifications of the study. This is also known as the target population. The criteria for inclusion or exclusion should be clearly stated. Inclusion criteria are “the characteristics that the respondents must have in order to be included in the study” (Burns & Grove 2001, p.367).

The population of the study was all employees of the Development Bank of Namibia in the country. However, the study was able to sample only 17 employees from DBN head office in Windhoek at the lending and credit department. The data collected from a subset (employees at credit and lending department) would represent the opinion of the rest of all employees at Development Bank of Namibia in the country. This was the population that the questionnaires were targeted for. Development Bank only has two offices, one in Windhoek and another one in Walvis Bay. However, the lending and credit department at Walvis Bay only has three employees while the Windhoek based office has 17 employees only. The total employees that could possibly be used for sampling purposes were few by nature and consequently, the researcher was Windhoek based and had no other option but to depend on the available 17 employees. Research findings on the data was scrutinised and the study heavily relied on the annual report data since 2004-2014 for quantitative analysis.

3.4 Sample

The research used a sample research design. According to Bless and Achola (1988), sampling means abandoning certainty in favour of probability. In this case, out of the total number of employees at the Development Bank of Namibia in the country, only 17 employees were sampled for data collection. The data collected from the sampled size represented the opinions of the rest of the DBN employees in the country. Sample is actually a subset of the whole population with properties that makes it a representative of the whole population. This study chose purposive sampling method to random sampling method to draw the sample of 17 employees only from the target population for data collection due to perceived absence of knowledge in other departments.

This method allows the researcher to pick respondents who are conveniently and readily available to complete the questionnaires. The credit and lending department is judged to be well knowledgeable about stock of funded projects and their viability. This method was ideal because gathering data on a sample was less time consuming and less costly. Although the population was not too large, this type of sampling was most practical and effective in terms of obtaining accurate results since the target sample had information required for research purposes. The data of employment creation since 2004 to 2014 and the amounts of loans approved since then was employed in excel and the whole population of data was utilised as data is not too large for sampling purposes.

3.5 Research Instruments

The research used two different types of methods for data collection and these are: data solicited from annual reports and questionnaires. This study defines questionnaire as a research instrument consisting of a series of questions for the purpose of gathering information from respondents. The researcher used quantitative research by gathering information from annual reports available at Development Bank of Namibia website to collect primary data on employment creation per year as well as loans approved per year. This method was most effective as facts were readily available and the researcher simply collected data and employed excel to test the relationship and significance of the relationship between the two variables (employment creation and loans approved). The weakness of this method however, was that data was only available per year and not per quarter to increase the number of observations. Therefore the researcher relied on less observations to employ in excel to draw conclusions.

Supplementary data was collected through self-administered questionnaires which consisted of close-ended questions. Questionnaires ensured a wider coverage of respondents (17 employees). These questions provided alternative answers for the respondents to choose from. Questionnaires were used as research instrument to compliment solicited information from the annual data. Furthermore, questionnaires were easy to distribute and tabulate as close-ended questions provided variety of multiple choice answers. More advantages of this instrument was that it saved time, cost and ensured confidentiality and anonymity of respondents. The use of both annual data and questionnaires for data collection was good because each method’s weaknesses were compensated for by the strength of the other. Therefore the two complemented each other for the benefit of the research.

3.6 Procedure

Data collection took place during the period mid-October to December, 2016. This was a strategic timing before the employees start planning their holiday leaves and right after the research proposal was officially approved. The collection began with the collection of employment creation and loans approval from the Development Bank of Namibia official website and later the researcher distributed and collected questionnaires to respondents. Primary data was obtained through the use of annual reports data published on the official website and was also collected from plotting strategic questionnaires to the lending and credit department. Secondary data was collected from journals and from other previous studies.

3.7 Research ethics

Ethics concerns itself with what is good or right in human interaction and revolves around three central concepts namely "self", "good" and "other" (Rossouw & van Vuuren, 2013, p.4). Therefore research ethics can be referred to as what is considered morally right or wrong in the research process at various stages. In this case, the researcher adhered to the University of Namibia research ethics. The researcher obtained a letter from the Namibia Business School to grant permission to the student to carry out the research which encouraged cooperation and respect between the researcher and the respondents. The questionnaire respondents were assured of absolute anonymity and confidentiality. Information collected was used for research purposes only and no participant name was published. Participants were free to ask the researcher a cover letter on informed and voluntary consent letter. Violation of confidentiality was completely not tolerated and could have been dealt with accordingly.

CHAPTER FOUR: RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the research findings of data collected using quantitative method of data collection. Questionnaires were analysed using SPSS. The research findings are centred around the "The evaluation of development finance and employment creation since 2004 to 2014: a case study of the Development Bank of Namibia (DBN)". A total of seventeen (17) questionnaires were distributed to random respondents and 17 of them were all returned. Data analysis comprises of a collection of methods to deal with data/information obtained through observations, measurements, surveys or experiments about a phenomenon of interest. The aim and purpose of data analysis is to extract as much information as possible, which is pertinent to the subject under consideration. The following figures show analysis of data and interpretation.

4.2 Presentation, Interpretation and Discussion of the Findings

On the first objective which is to investigate the relationship between new jobs created and loans approved, data was analysed using regression model to determine if there is any significant relationship between loans approved and employment creation variables. Additionally, SPSS statistics version 24 was used to analyse answers concerned about new jobs created and loans approved. Furthermore, this study employed excel to test hypothesis on this objective. The study generated a regression model output as well as a series of bar graphs as shown below.

Table 4.0(A): Loans and jobs statistics

Year	Loans(N$ M)	Total jobs
2005	110.7	2821
2006	118.6	910
2007	314.3	4129
2008	467.8	7015
2009	427.5	5551
2010	365.2	5007
2011	616.7	8052
2012	519.1	7689
2013	840.1	7871
2014	1435.9	11115
Total	**5215.9**	**60160**

Table 4.0(A) shows amounts of loans in millions of Namibian dollars (N$) and total jobs created per year since 2005 to 2014. However data for 2004 could not be established from the annual reports of Development Bank of Namibia. This are the regression diagnostics that were used in the regression with 10 observations.

Table 4.0 (B): Loans and jobs statistics

Year	**Loans(N$ M)**	**Total jobs**
2005	27.675	705.25
	27.675	705.25
	27.675	705.25
	27.675	705.25

2006	29.65	227.5
	29.65	227.5
	29.65	227.5
	29.65	227.5
2007	78.575	1032.25
	78.575	1032.25
	78.575	1032.25
	78.575	1032.25
2008	116.95	1753.75
	116.95	1753.75
	116.95	1753.75
	116.95	1753.75
2009	106.875	1387.75
	106.875	1387.75
	106.875	1387.75
	106.875	1387.75
2010	91.3	1251.75
	91.3	1251.75
	91.3	1251.75
	91.3	1251.75
2011	154.175	2013
	154.175	2013
	154.175	2013

	154.175	2013
2012	129.775	1922.25
	129.775	1922.25
	129.775	1922.25
	129.775	1922.25
2013	210.025	1967.75
	210.025	1967.75
	210.025	1967.75
	210.025	1967.75
2014	358.975	2778.75
	358.975	2778.75
	358.975	2778.75
	358.975	2778.75
Total	**5215.9**	**60160**

Table 4.0 (B) shows amounts of loans in millions of Namibian dollars (N$) and total jobs created per year since 2005 to 2014. However data for 2004 could not be established from the annual reports of Development Bank of Namibia. This are the regression diagnostics that were used in the regression with 40 observations. As depicted in the table, the average for a year is presented as quarterly data which brings about 40 observations all together. However this type of regression is not useful because exact data was not used but rather estimates/mean values were used.

Table 4.1: Regression model output with 40 observations

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.906379219
R Square	0.821523288
Adjusted R Square	0.816826532
Standard Error	303.5190171
Observations	40

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	16113642.84	16113642.84	174.9129317	8.50358E-16
Residual	38	3500704.162	92123.79373		
Total	39	19614347			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*
Intercept	605.2740583	83.19175707	7.275649411	1.04517E-08	436.8611508
Loans (N$ M)	6.892202241	0.521131174	13.22546527	8.50358E-16	5.837227334

Upper 95%	*Lower 95.0%*	*Upper 95.0%*
773.6869658	436.8611508	773.6869658
7.947177148	5.837227334	7.947177148

Table 4.2: Regression model output with 10 observations

SUMMARY
OUTPUT

Regression Statistics	
Multiple R	0.906379219
R Square	0.821523288
Adjusted R Square	0.799213699
Standard Error	1323.008723
Observations	10

ANOVA

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	64454571.35	64454571.35	36.82377509	0.000299793
Residual	8	14002816.65	1750352.081		
Total	9	78457388			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	2421.096233	725.248924	3.338296898	0.010257088	748.6692154	4093.523251	748.6692154	4093.523251
Loans(N$ M)	6.892202241	1.135779061	6.068259643	0.000299793	4.273091029	9.511313453	4.273091029	9.511313453

The overall fitness of the model above is discussed as follows. R Square equals 0.82 from both figures one and two, which is a very good fit. 82 % of the variation in jobs is explained by the independent variable loans issued. Furthermore, the study checked whether the results are reliable (statistically significant), by looking at Significance F (0.00). Table 4.2 indicated that since F and P values are less than 0.05, the results are fine and can be concluded that they are statistically significant.

This study however, found that both F and P values are greater than 0.05 in Figure 1 and therefore not statistically significant. The model suggests that there is a positive relationship between jobs and loans. The study successfully does not reject the null hypothesis that there is a relationship between new jobs created and loans approved. Another study by Massa (2013) examined linkages between development finance institutions and employment.

The confidence interval is another fitness test used to test the reliability of the model by using the lower and upper percentages. 2421 co efficient is found between lower (748) and upper (4093) intervals and the same goes for 6.90 co efficient which is found between lower (4) and upper (9) intervals. This result clearly complemented the R Square test that this model is fit.

The regression model of this study is therefore: Employment creation = 2421 + 7 * loan approvals. Interpretation of 2421.10 co efficient means the average expected mean (conditional mean) i.e. employment is expected to be (2421) when the loans are zero. For each unit increase in loans, employment increases 7 times with the number of loan approvals. The study runs two regression models because there was a recommendation from the Namibia Business School committee that the study should employ more than 10 observations. However, since the study has looked at yearly data since 2004 to 2014, it could actually only use 10 observations or alternatively use manipulated quarterly calculations which this study does not recommend and did not use although the regression is shown.

Figure 4.1: Average employment creation per annum

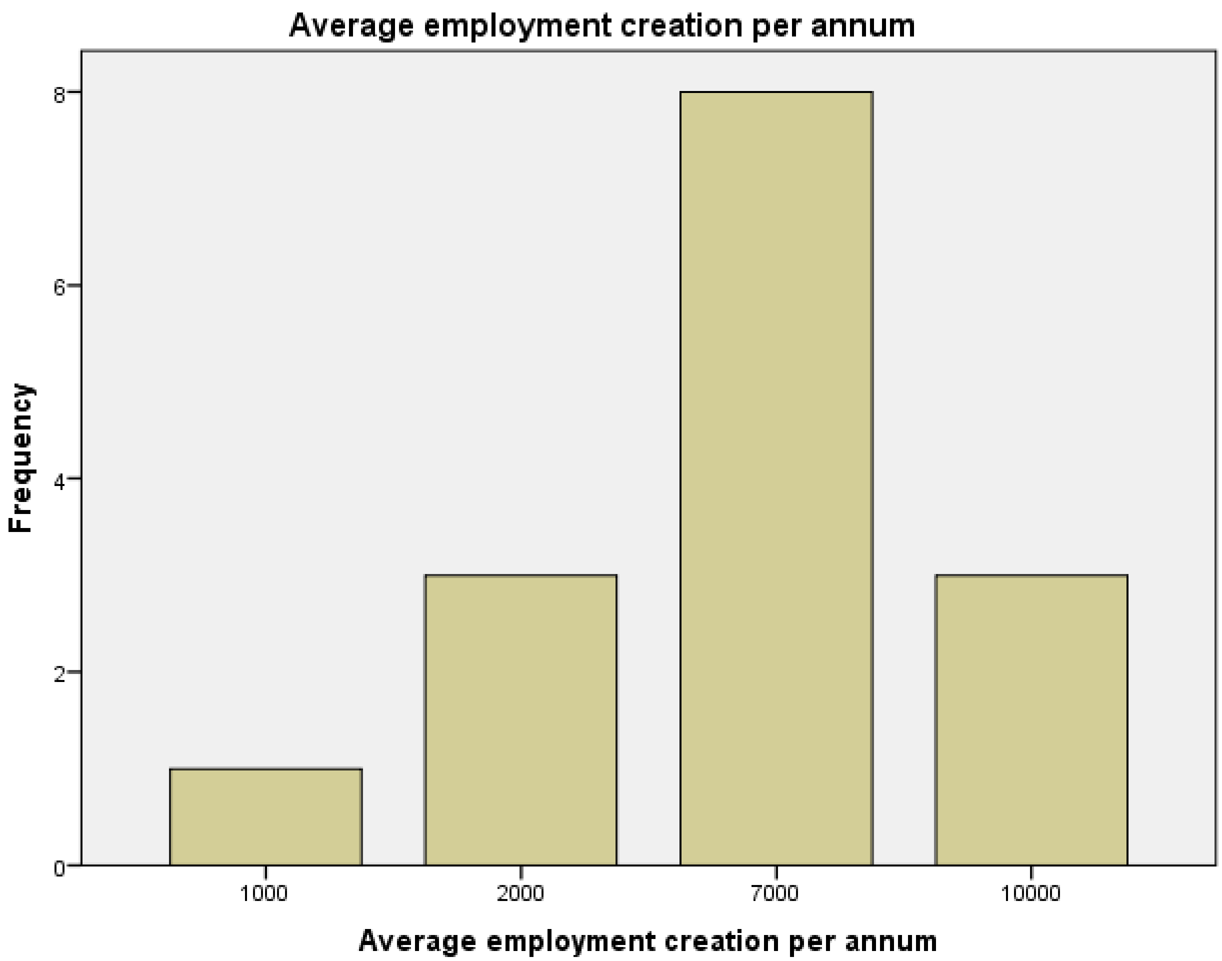


Figure 4.1 shows average employment creation per annum. Although two respondents could not answer this question, it shows that 8 respondents reported that the average employment creation whether temporary or permanent jobs are 7000 per year. Furthermore, 3 other respondents indicated that an average of 10 000 jobs are created on a yearly basis. However, three other respondents indicated that less than 2000 jobs are generated on a yearly basis. The table supports the notion of more employment is created annually.

The impact of youth employment include for every young person, a job offering decent work is an important step in completing the transition to adulthood, a milestone towards independence and self-reliance. For children and young people living in poverty and in other disadvantaged situations, employment is often the main means for attaining a better life, though such employment is often informal with poor or exploitative working conditions. For more fortunate youth, prospective employment influences their choice of education and training, and increasingly, their decisions regarding marriage, kinship and cohabitation.

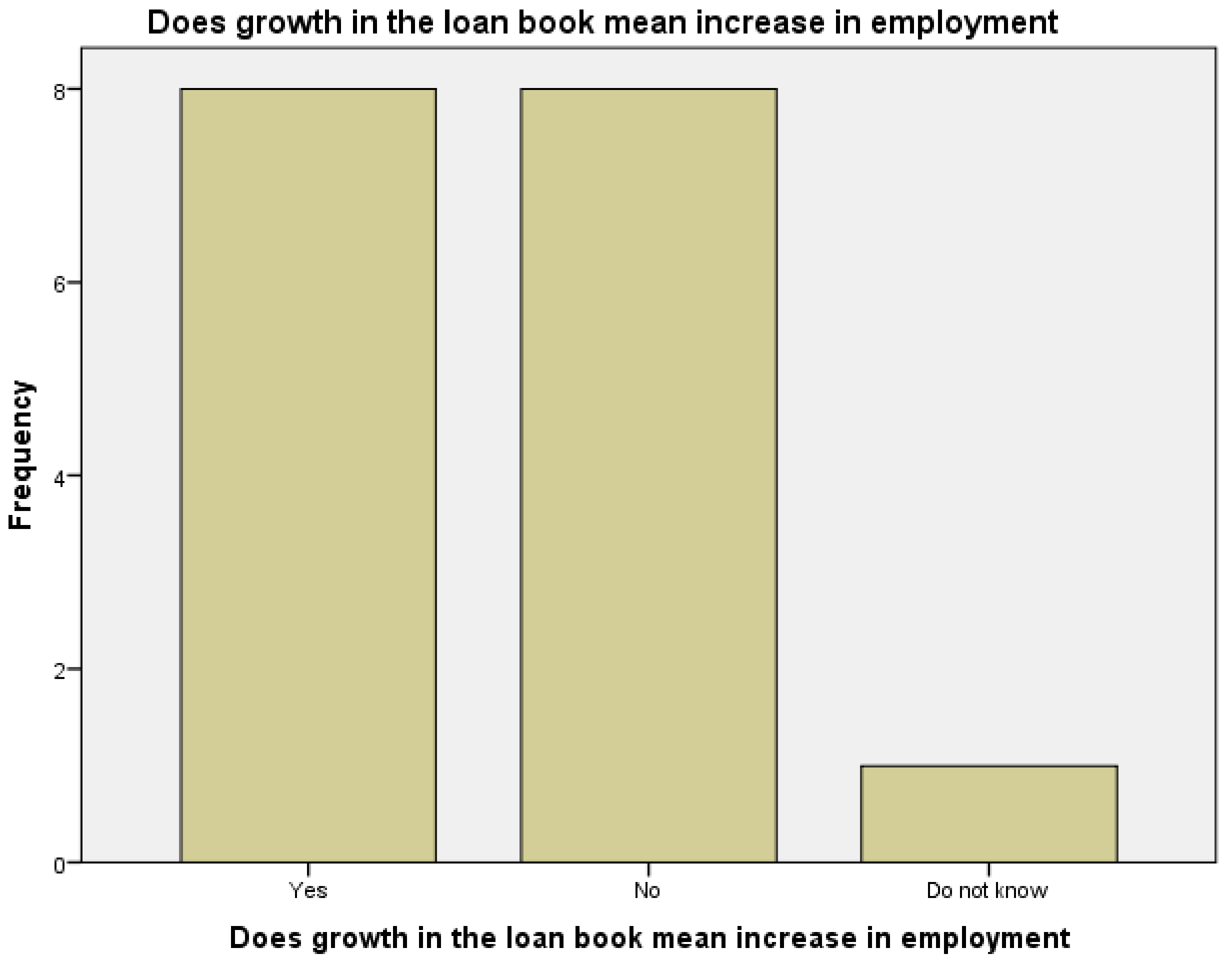
According to Denfeld (2012), for society, youth employment promotes social integration, intergenerational dialogue, citizenship and solidarity. Creating and fulfilling income-generating job opportunities for young people can have direct positive consequences for poverty alleviation. Youth employment thus benefits social development. It also benefits economic development by facilitating the entry of young skilled people into the productive sectors of an economy, and enabling the economy to sustain or increase its productivity and competitiveness in the global market place.

However, growing and persistent youth unemployment has a negative impact on social development. Youth unemployment, in particular long-term youth unemployment, can generate frustration and low self-esteem, and can lead to increased vulnerability among some young people to drugs, disease and crime. Youth unemployment can also lead to the marginalization and exclusion of young people. There is evidence that unemployment can expose youth to greater risks of lower future wages, repeated periods of unemployment, longer unemployment spells as adults, and income poverty. Unemployment rates are typically higher for young women than for men, while youth in rural areas face different challenges from their urban peers.

In addition, young people with disabilities continue to face enormous challenges in the labour market. In some countries, ethnicity, particularly among young migrants, is a factor in their social exclusion and marginalization (Denfeld, 2012).

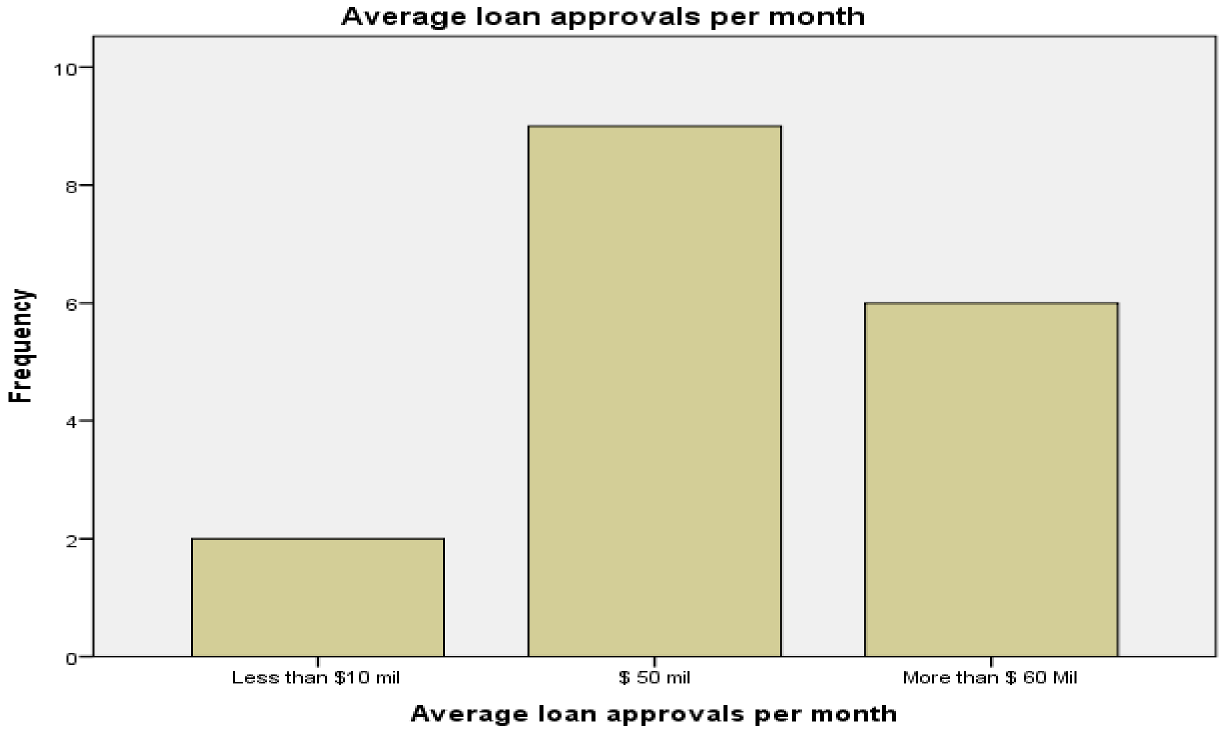
Given the significant impact of youth employment on social development, it is critical for all countries to address the urgent challenges of youth employment that include: undertaking the creation of adequate productive and decent work for all young people, and tackling underemployment and the increasing informalisation of employment, ensuring all young people have access to education and training and are given the opportunity to fully realize their capabilities, dealing with the obstacles young people face in the labour market so they can take full advantage of employment opportunities and successfully navigate the school- to-work transition. Addressing the gender discrimination young women face in the labour force, as well as other forms of discrimination such as those based on disability and ethnicity, harnessing the forces of globalization and exploiting new technologies to create new employment opportunities for young people, mitigating the negative impact of migration, which for many young people may represent the only viable opportunity for employment, and brain drain, addressing the relationship between adolescent reproductive health and youth employment, as well as youth employment in conflict and post-conflict countries (Asantewaa, 2016).

Figure 4.2: Relationship between the loan book and employment



According to the figure above, all respondents have answered this question. Eight respondents answered yes, another 8 respondents indicated that a growth in loan book does not necessarily mean increased employment and the other respondent indicated he/she does not know. This result is neutral and does not really support that there is a positive or negative relationship between the variables under observation. This means the employees at DBN could not rule out that an increase in the loan book is an automatic increase in employment creation in the economy.

Figure 4.3: Average loan approvals per month



Majority of respondents calculated that 50 million is the average loan approvals per month. Whereas, six other respondents reported that the bank approves more than 60 million loans. Only few respondents indicated that less than 10 million are issued in loans approvals per month. This study points out that the data obtained for 2005 to 2014 calculates that 50 million is the average loan approvals per month by the bank. However, data of 2004 could not be established hence the discrepancies in response. The results support that more loans are approved on a monthly basis.

Development finance is very capital intensive to fund a full development from capital reserves and commonly the funding from a commercial lender is required to facilitate the construction. Most commercial lenders have specialised divisions that deal specifically with development finance applications so you can ensure you are getting the correct terms/support and structure. With the return of the property market growth, lenders appetite towards development finance has greatly improved. Costs of finance are generally very good with the current low interest rate environment which improves the rate of return for the project.

On the second objective which discovered the various enterprises that benefited from DBN loans, this research captured data from annual statements and used SPSS to analyse data collected from questionnaires. Therefore outcome of data is already presented in the empirical literature and depicted in pie charts that follow below.

Figure 4.4: Factors to consider in credit evaluation

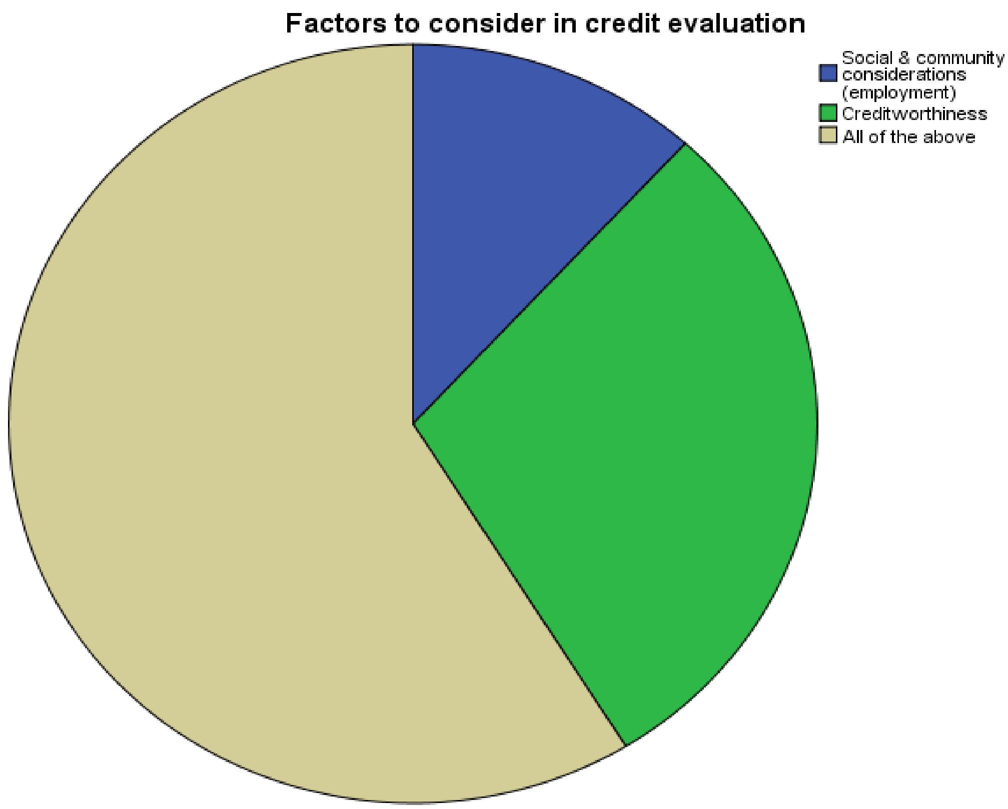


Figure 4.4 indicates that all of the above factors are considered in the credit evaluation process. Social and community considerations in terms of employment, as well as creditworthiness were some factors considered vital by few. Although loan size was also an option in the questionnaire, it was not indicated in isolation as an important factor. When a bank receives a loan request from a small business, it considers a range of factors, some of which might not be apparent to the business owner. There is no single criterion for approval of a loan request.

The bank will probably review its overall relationship with the company, including deposits, investments and other services. Credit analysts will review financial statements and obtain reports from outside credit agencies and other sources. If the resulting information is positive and meets the bank's credit standards, the bank will be inclined to approve the request.

Some criterion could be credit rating: the bank will obtain a commercial credit report on the company from an agency such as Dun & Bradstreet. Agency reports include information on public filings, payment histories and credit scores. If any negative information, such as outstanding tax liens or past-due payments, appear on the reports, the bank officer might ask the company for an explanation. Sometimes these reports are not up to date, but they can still provide useful information to prospective lenders.

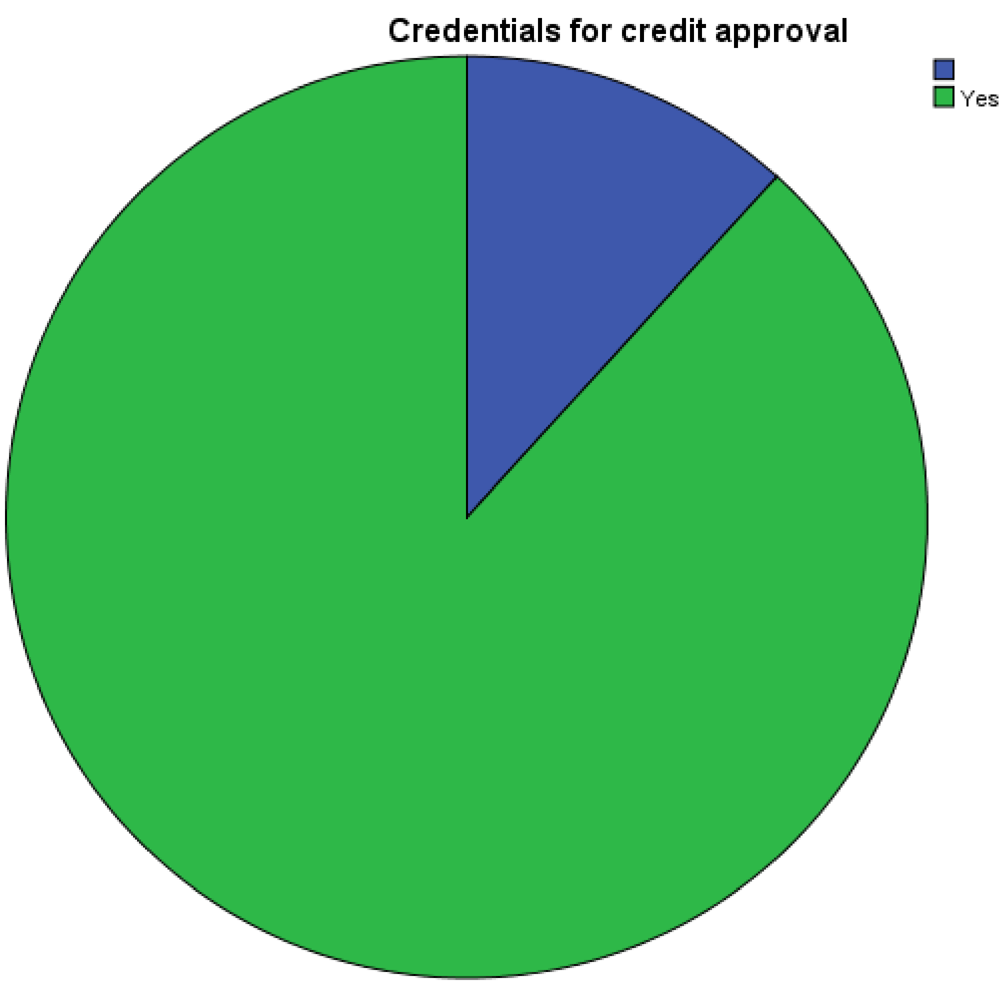
Secondly financial standing: the bank will normally require the company to provide its latest annual statement and, for comparison purposes, the statement for the previous year, plus an interim statement for the most recent month. These include a balance sheet (statement of assets, liabilities and net worth), an income statement (showing financial performance over a specified period) and a cash flow statement (giving cash inflows and outflows). Financial statement analysis can reveal a company's financial strengths and weaknesses and how easily the company can service -- make payments of principal and interest -- the proposed loan. The bank will usually require the annual statements to be prepared by a public accounting firm.

Thirdly: available collateral: in most cases, the bank will require collateral as security for the loan. Simply put, if the borrower defaults on the loan, the secured lender can be repaid by seizing the collateral and selling it. If the company is seeking a loan for the purpose of buying equipment for the business, it might be able to pledge title to the equipment as collateral for the loan. Not all assets are suitable for use as loan collateral. For example, highly specialized equipment might not be readily saleable to another party in case of default on the loan. In such a case, the borrower would have to produce other assets that would be acceptable to the bank.

Fourthly management guarantees: the bank will probably require personal guarantees from each owner of the company, assuming that it is a closely held business with only several owners. Usually, each owner completes a personal financial statement on a form provided by the bank. The standard procedure is for the bank to review the personal statements and then, when the loan is approved, have each owner execute a guarantee. In addition to providing additional security, the personal guarantees assure the bank that the owners will probably remain with the business while the loan is in force.

Lastly bank relationship: when a business customer applies for a loan, the bank normally reviews the company's overall relationship. Loan committees, the final approval authorities in most banks, will be impressed by a business customer that has been a depositor for several years before applying for credit. Also, if a company has been using fee-based services such as investments that would also be a plus. Community bank executives might be pleased to learn about business customers being involved in civic affairs.

Figure 4.5: Credentials for credit approval



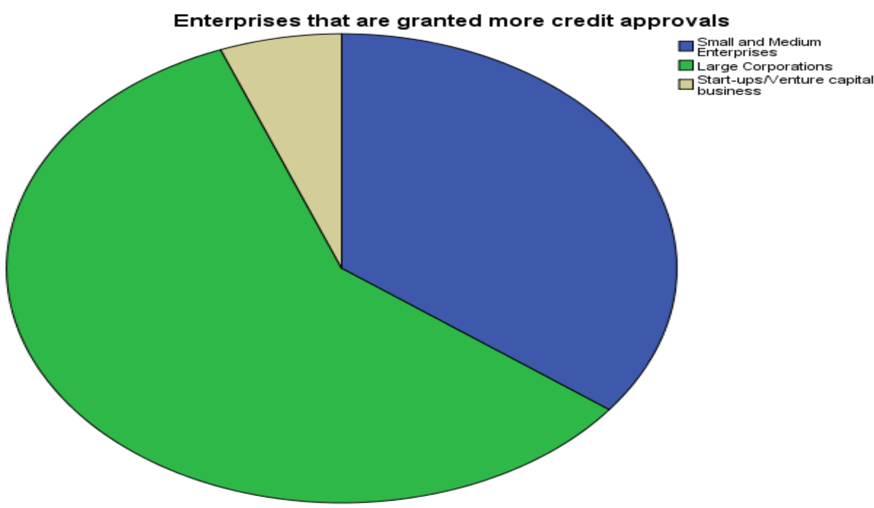
Credit evaluation and approval is the process a business or an individual must go through to become eligible for a loan or to pay for goods and services over an extended period. It also refers to the process businesses or lenders undertake when evaluating a request for credit. Granting credit approval depends on the willingness of the creditor to lend money in the current economy and that same lender's assessment of the ability and willingness of the borrower to return the money or pay for the goods obtained plus interest in a timely fashion. Typically, small businesses must seek credit approval to obtain funds from the Development Bank of Namibia.

Nearly all respondents affirmed that DBN has credentials for credit approval. This shows all beneficiaries have adhered to all requirements and therefore deserved to have their loan applications approved. According to some respondents, they further emphasised that credentials were mostly financially viability, developmental impact and that such business should be in line with the bank's mandate.

Evaluating credit worthiness: in general, the granting of credit depends on the confidence the lender has in the borrower's credit worthiness. Credit worthiness which encompasses the borrower's ability and willingness to pay is one of many factors defining a lender's credit policies. Creditors and lenders utilize a number of financial tools to evaluate the credit worthiness of a potential borrower. When both lender and borrower are businesses, much of the evaluation relies on analysing the borrower's balance sheet, cash flow statements, inventory turnover rates, debt structure, management performance, and market conditions. Creditors favor borrowers who generate net earnings in excess of debt obligations and any contingencies that may arise.

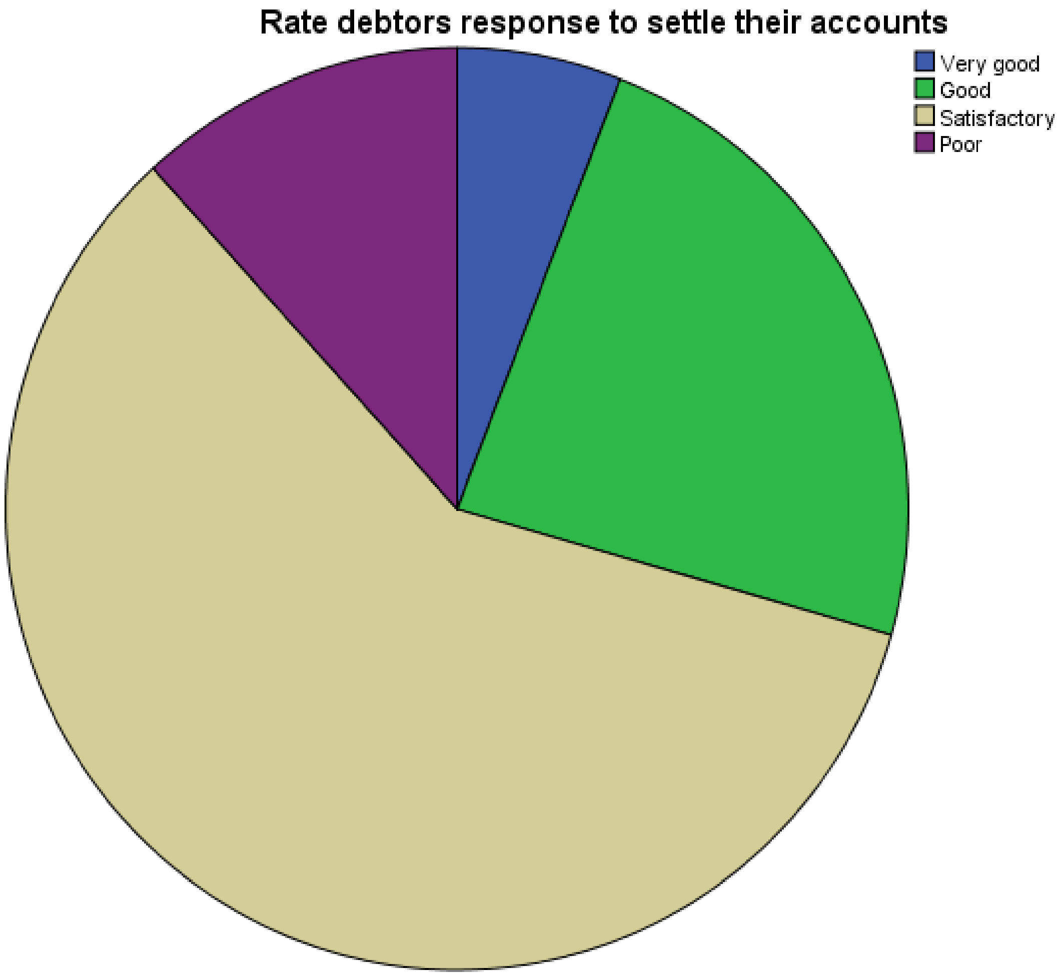
Obtaining credit approval from lenders: many small businesses must rely on loans or other forms of credit to finance day-to-day purchases or long-term investments in facilities and equipment. Credit is one of the foundations of the Namibian economy, and small businesses often must obtain credit in order to compete. To establish credentials for any credit approval process, from short-term loans to equity funding, a small business needs to have a business plan and a good credit history. The company must be able to show that it can repay the loan at the established interest rate. It must also demonstrate that the outlook for its type of business supports planned future projects and the reasons for borrowing.

Figure 4.6: Enterprises that are granted more credit approvals



Clearly more respondents indicated that more large corporations are granted more credit approvals than small and medium enterprises (SMEs) as well as start-ups / venture capital businesses. However, prior to the Bank’s ceasing SME funding more SMEs benefited than the rest until November 2015.

Figure 4.7: how lenders rate debtors in honouring their debts



Debt settlement is a debt repayment strategy where you negotiate with your creditors to accept a partial payment as full satisfaction for the debt. If the creditor agrees, you pay just a percentage of your outstanding balance and the rest of the debt is cancelled for good. More than 50 % of respondents reported that debtor's response in honouring their debts were satisfactory. Some indicated debtor's responses were good and very good and only few indicated that there was poor debt redemption from borrowers. Some respondents indicated that debtors vary. Large and corporate clients are very good managed accounts but the SMEs were problematic.

The last objective is to identify the discrepancies in amounts of loan approvals and employment creation this study used SPSS to analyse data in descriptive statistics and apply measures of central location such as mean, mode, median as well as measures of dispersion such as range, standard deviation and variance. Graphical methods in bar charts and pie charts as well as scatter diagrams are used as shown below.

Figure 4.8: Regional spread (Extracted from 2014 DBN report)

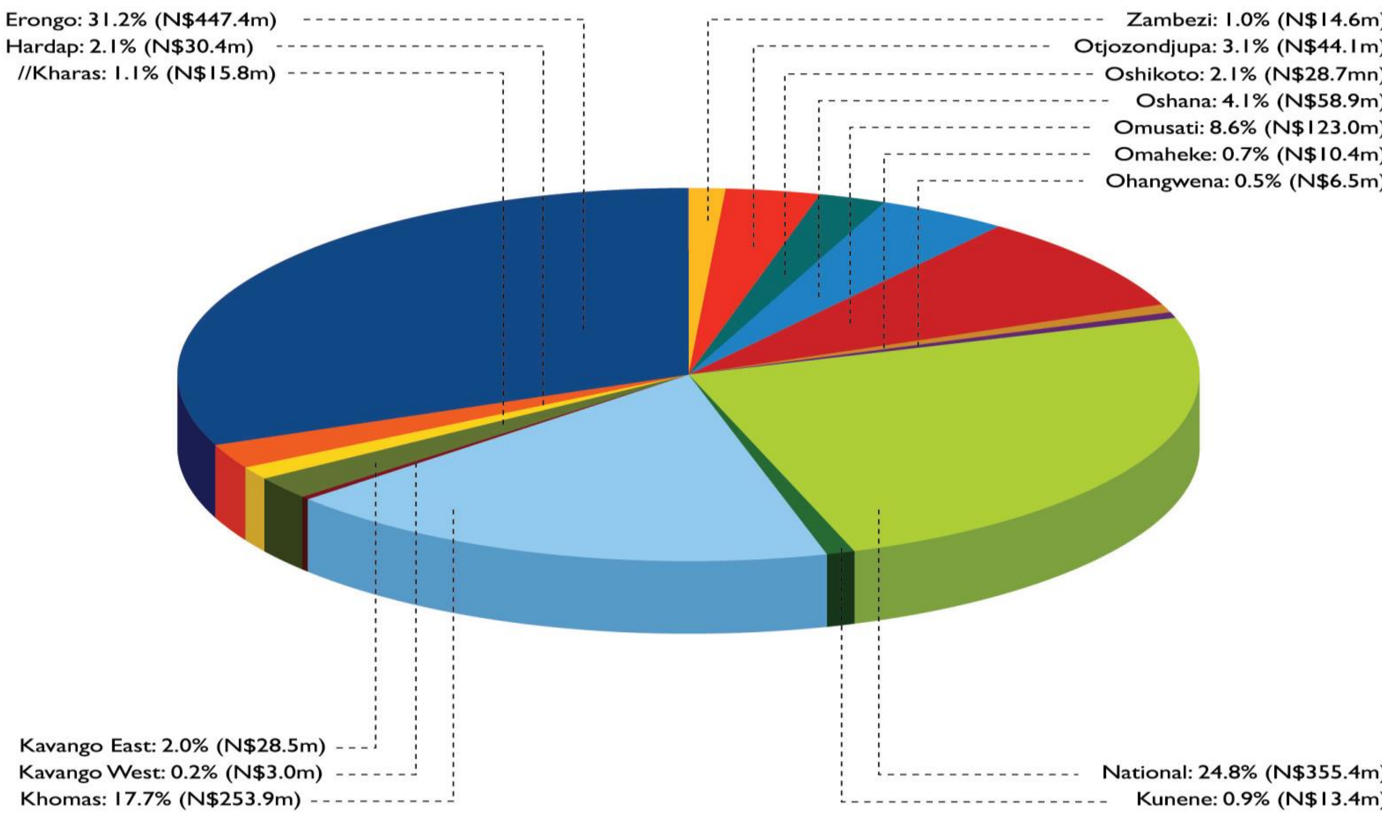
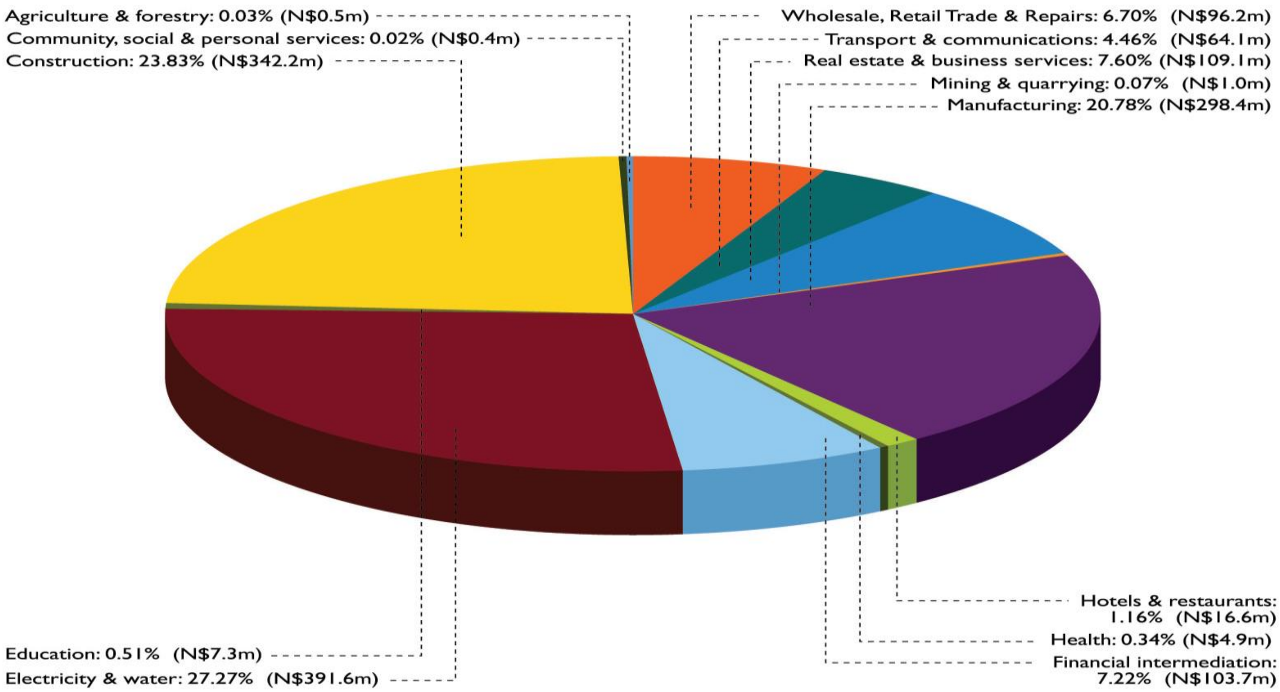


Figure 4.9: Sectoral spread (Extracted from 2014 DBN report)



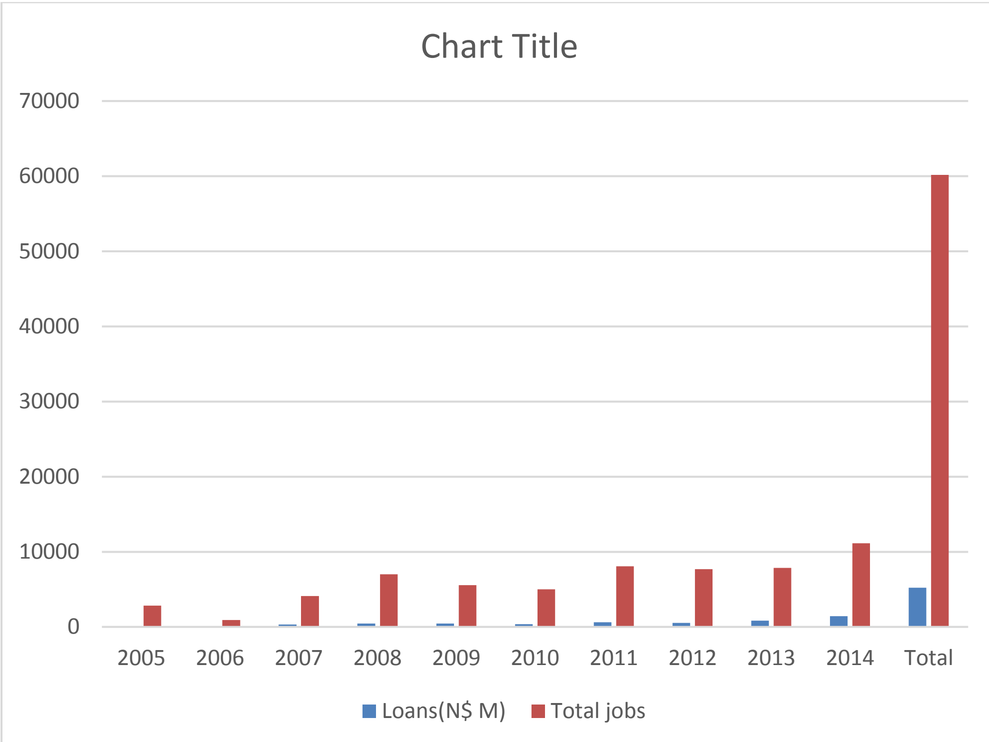
The bulk of loan approvals for 2014 were mainly concentrated around three sectors, namely the construction sector, the electricity and water sector, and the manufacturing sector. Collectively, the three sectors accounted for approximately 72% of loan approvals. The 2014 approvals data indicates a strong focus on infrastructural development. The water and electricity sector accounted for the largest share with N$ 391.6 million or 27.3%, followed by the construction sector with N$ 342.2 million or 23.8%, while the manufacturing sector accounted for N$ 298.4 million or 20.8%. NDP4 focus areas (manufacturing, transport and communication, and tourism) had a collective share of 25.6% of approvals in 2014. Transport and communication accounted for 4.5% or N$ 64.1 million, while tourism had a 0.4% share or N$ 5.6 million.

Table 4.3: Measures of central location and dispersion

	Loans (mil N$)	Jobs
n	10	10
mean	521.59	6016
STDEV	388.2823	2952.539
s.e	122.7856	933.6749

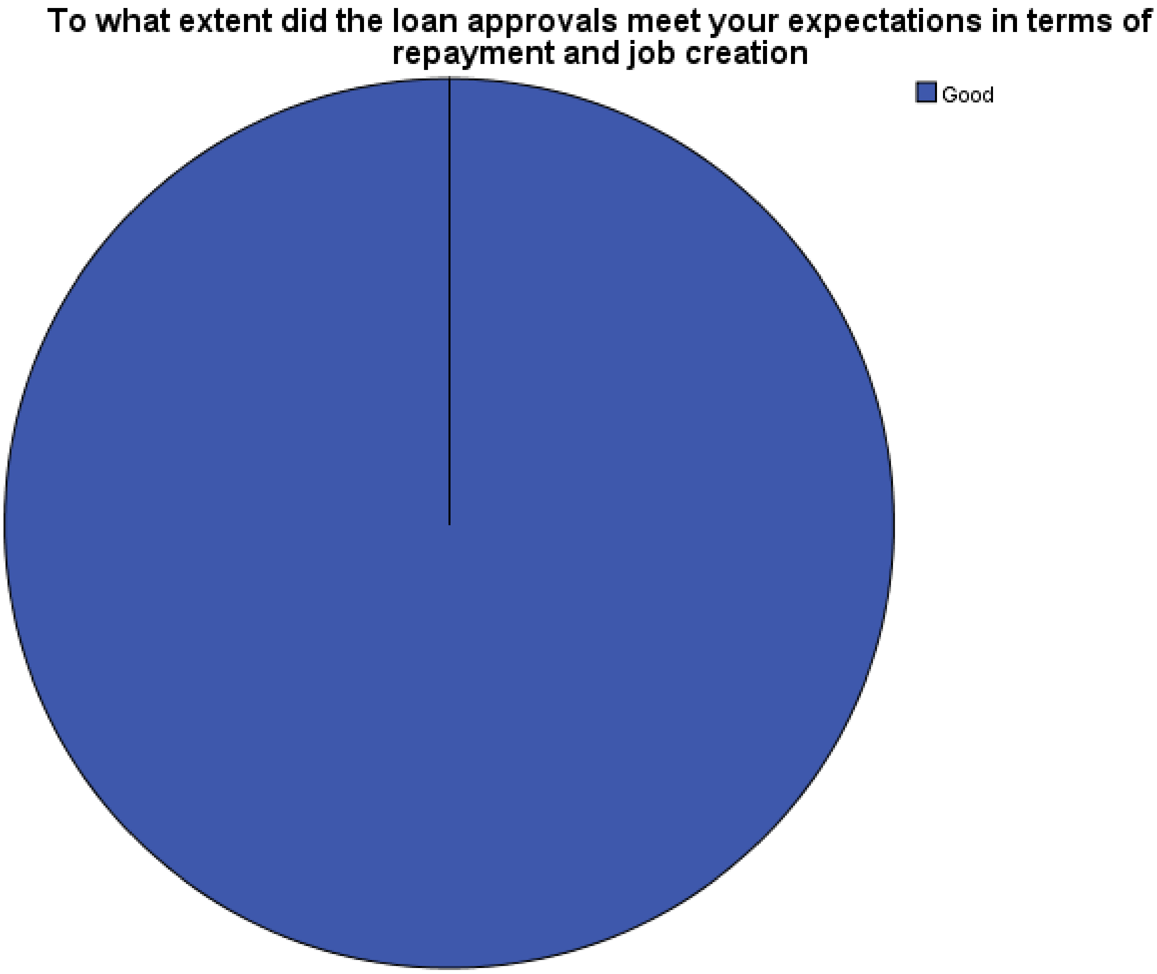
According to table 4.3 above, the average loans approved per annum amounted to N$ 521.59 million. On the other hand, DBN approves an average of N$ 521.59 million per year to various beneficiaries. Furthermore, average jobs generated as a result of these loans are 6016 jobs per year. The figure is supported by the findings from the questionnaire that 7000 employment creation is generated per annum. STDEV is standard deviation which is a figure that explains how far away the error is from the mean. N$ 388.28 is the amount of error in loans approvals while 2952 explains the amount of error in the total employment. s.e refers to standard error which is a squared variance. The figures 122.80 and 933.70 are standard errors of loans approved and jobs creation respectively.

Figure 4.10: Aggregate loans and jobs



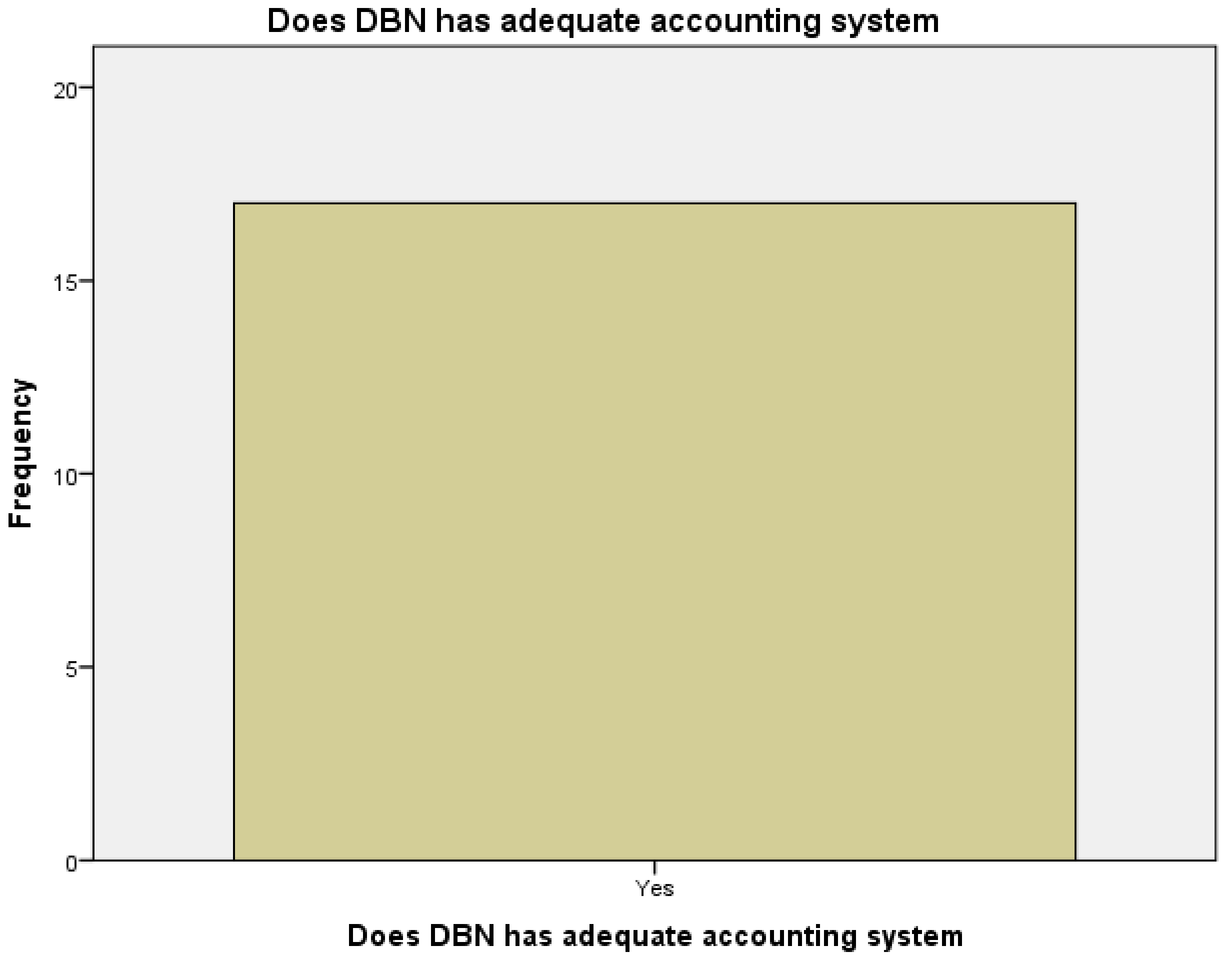
In figure 4.10 above, an amazingly growth of aggregate loans approved by close to 71% was recorded in 2014. Similarly, growth in aggregate employment was more than 41%. This study established a new body of knowledge that not only did loans approved impacted employment but in 2014 alone, loans approved impacted employment significantly at almost two times the average employment creation per annum for the years under study. Clearly DBN has reshaped the Namibian economy by creating wealth across the country.

Figure 4.11: How loan approvals meet lenders expectation



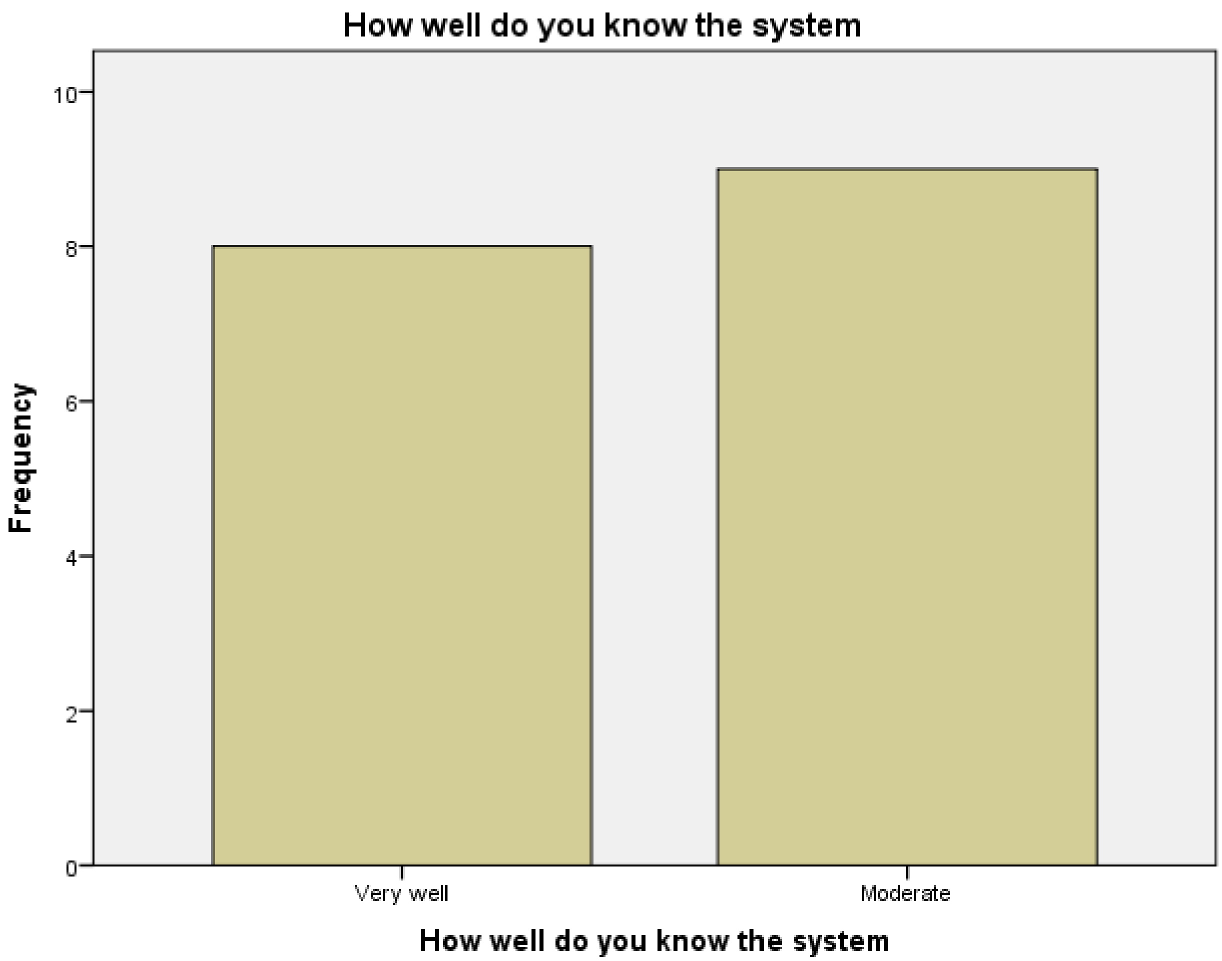
The pie chart shows that loan approvals meet lenders expectations in terms of repayment and employment creation. This study tells us that the borrowers were able to meet lenders expectations in debt redemption as well as create target employment. This findings are in support that there is a link between employment creation and loan approvals by the Development Bank of Namibia. Borrowers do not default and this has enabled the Bank to continue issuing loans to credible borrowers.

Figure 4.12: Adequacy of accounting system



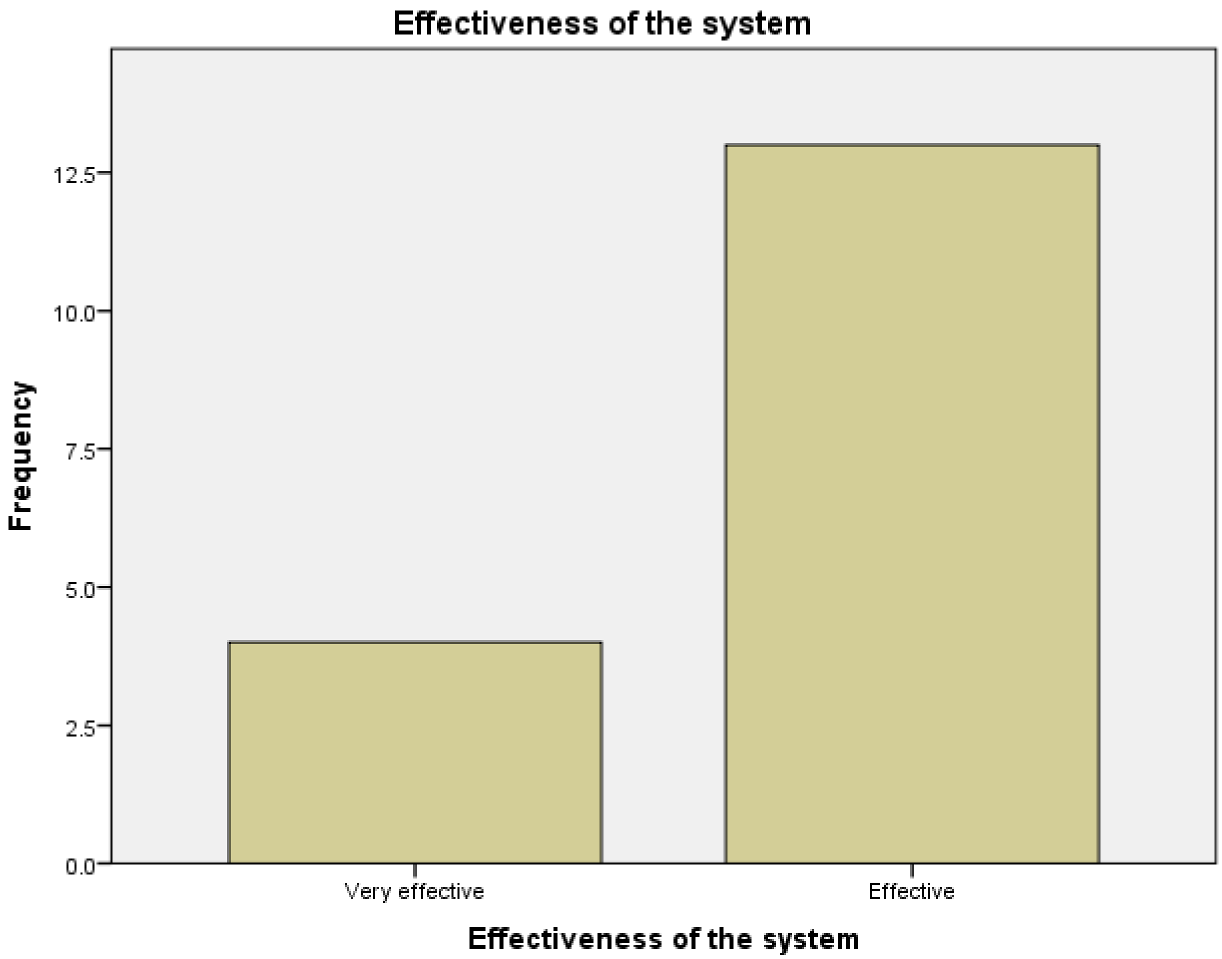
The figure above depicts that DBN has adequate accounting system and therefore the data used is reliable. Proper accounting records are important in providing valid information to interested users and stakeholders to assist in decision making process. As a result of good accounting system, decision makers have more accurate information at their disposal to determine future decisions on granting loans for example. Adequate accounting system is good for the internal managers and other relevant stakeholders. The study relied on annual data which were drawn from adequate accounting system.

Figure 4.13: How well do lenders know the system?



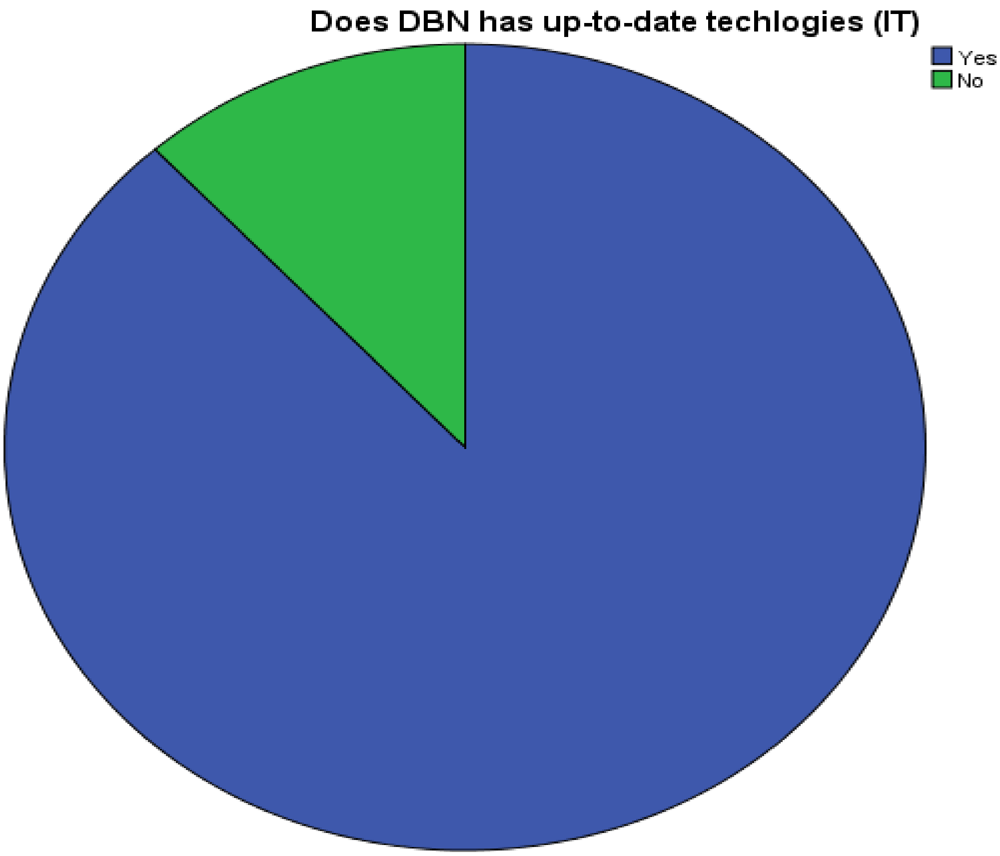
The lenders know the system moderately and very well thus this supports system adequacy. When users of the system know how to deal with data input, the output becomes relevant and reliable. Therefore this study is confident that annual reports contain reliable data that can be used to make conclusions on the underlying variables. This result provides assurance that the users of the SAP (Systems Applications and Products) system are well-trained and thus errors are minimised.

Figure 4.14: Effectiveness of the Systems, Applications and Products (SAP) system



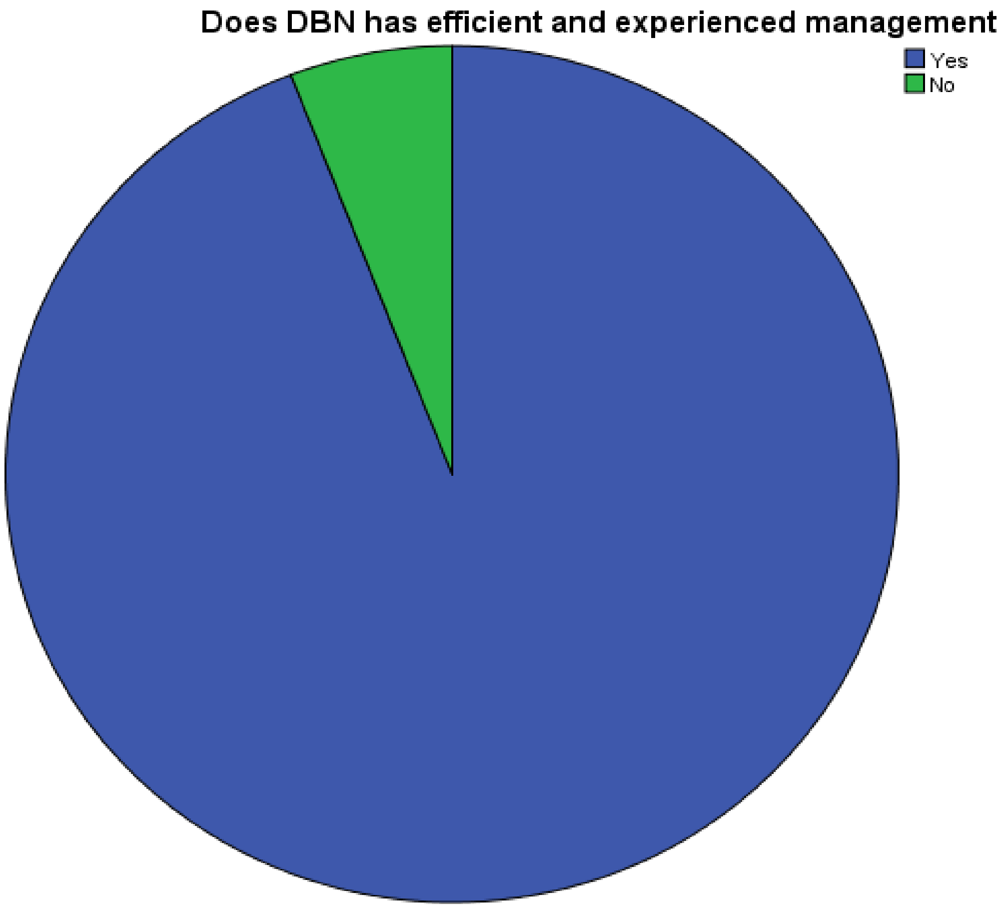
This study aimed to identify the effectiveness of the system (SAP software) to make conclusions on its relationship with the quality of accounting outputs (information) and the internal control. The results are presented in figure 4.14 above. From the results, the system is effective and this point further confirms that data is certainly reliable. According to the graph, only few respondents support that the system is not effective. Conclusions are therefore drawn from these analysis that it is evident the SAP system is effective.

Figure 4.15: Does the bank has up-to-date technologies



The bank has up-to-date technologies in terms of Information Technology. This makes it easier and faster to process information and ensure timely service delivery to clients. Information technology (IT) benefits the business world by allowing organizations to work more efficiently and to maximize productivity. Faster communication, electronic storage and the protection of records are advantages that IT has on DBN.

Figure 4.16: Efficient and experienced management



The study obtained results as shown in figure 4.16 above that the bank has efficient and experienced management to provide ethical leadership. Management manages the men tactfully getting the targets done, achieving the goals, gaining the profits for DBN. Management is the "live asset" of any organization. It provides new ideas, inventions and vision to the work group and integrates its efforts in such a manner as to account for best possible results. The successes, survival, smooth functioning and stability of the business organisation depends upon the management. DBN should continue management training and talent retention to keep the business on going and profitable.

4.3 Conclusion

On the first objective which is to investigate the relationship between new jobs created and loans approved. Regression model and SPSS indicated that there is a significant relationship between loans approval and employment creation. The second objective focused on identifying the various enterprises that benefited from DBN loans, the study has given highlights on the enterprises that benefited from DBN loans since 2004 to 2014. Lastly, the third objective was to assess the discrepancies in amounts of loan approvals and employment creation. On average loans approved per annum amounted to N$ 521.59 million. On the other hand, DBN approved an average of N$ 521.59 million per year to various beneficiaries. Furthermore, average jobs generated as a result of these loans are 6016 jobs per year. This finding is supported by the primary data extracted from the questionnaire that 7000 employment creation is generated per annum.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The analysis shows that aggregate loan approvals have a significant positive influence on employment. Increase in loan book will lead to a significant increase in the level of employment. This finding has a clear implication for the debate on government transfers to State Owned Enterprises (SOEs). John Maynard Keynes argued that rising government expenditure would be key to ensure the sustainable of economic growth in the long run.

This chapter identifies conclusions and recommendations regarding the research aim and objectives. This chapter is presents section 5.2 which focuses on research findings on both literature review and primary research area of further research and section 5.3 which presents the conclusions followed by section 5.4 that contains recommendations and finally section 5.5 to provide the general conclusion of the research.

5.2 Research findings

5.2.1 Findings from the Literature Review

A study done by Massa (2013), observed the linkages between development finance institutions (DFIs), employment, and productivity change and had shown that DFIs may enhance job opportunities. The evidence emerging from the existing literature shows that DFIs have generated a significant amount of direct, indirect and induced jobs, as well as promoted innovation and eventually productivity in several different sectors ranging from health to education, environment, ICT, insurance, and infrastructure. Similarly, Aziakpono (2003) investigated the relationship between Development finance and economic growth and the results are positive that the two variables share appositive relationship. Generally literature supports this study's hypothesis that there is clearly a significant relationship between the underlying variables (loans approved and jobs creation).

5.2.2 Findings from the Primary Research

The study found that the regression model suggests that there is a significant positive relationship between jobs and loans. The study successfully rejects the null hypothesis that there is no relationship between new jobs created and loans approved. Furthermore, results from questionnaires support that the two variables under study share a very strong positive relationships and large corporations continue to enjoy the huge chunk of DBN loans. This study established a new body of knowledge that in 2014 alone, loans approved impacted employment significantly at almost two times the average employment creation per annum for the years under study.

5.3 Conclusions

The results presented in this study are preliminary in nature. Therefore, their implications should be taken with necessary caution. Some of the shortcomings are too high degree of aggregation. There is an extensive literature on the relationship between loans approved or development finance and employment creation, and it is now generally agreed that loans approved is important for employment and wealth creation.

The available evidence provides a convincing linkage between loans approved and employment creation. The level of loans approval stands at N$5 2.1 billion since 2005 to 2014 while employment creation during the same period was 60 160 jobs. Surprisingly, the study found that the two variables (loans and employment) share a positive association which is a similar relationship established in other studies done by other researchers.

However, the study could not establish any gaps in the variables under observation as there was no identified benchmark to interpret the outcome of the model as such. When the study conduct further analyses, including tests conducted using both regression model and questionnaires, the study found that the determinants or factors to consider in evaluating potential borrowers are not too different from the rest of the development banks in the world in a significant way.

5.4 Recommendations

Based on the major findings mentioned in the analysis, a number of policy recommendations have been drawn with the view to improve the role of loan approvals in contribution to employment. The Development Bank of Namibia should continue to channel funds into rightful projects at the right time to meet the country‘s demand rather than spending on enormous projects that will not translate into any meaningful growth of the economy in terms of employment creation should employment be a national priority of the Government. The study strongly supports the hypothesis that there is a significant relationship between loans and jobs and therefore this result could assist management in policy making decisions regarding employment and loan approvals.

In the same vein, this study recommends and adds value to DBN that the bank should advise policy makers to establish an independent body for example Development Finance Fund (DFF) to oversee and invest DBN finance in order to contribute meaningfully to pillar two which focuses on economic advancement of the Harambee prosperity plan (HPP). These should be considered under economic competitiveness on detailed implementation plan to avail modalities for the Financial Sector Strategy and SME Financing Strategy including: Venture Capital Fund and Challenge Fund by December 2016.

Finally, given that the impact of loan approvals on employment creation opportunities is undersized, the Development Bank of Namibia should restructure its strategic expenditure plan where funding less generating job projects should therefore be narrowed in order to enhance employment. The bank should shift up the loan approvals on job generating capital projects and structure them in more contributively way to targeted employment levels. Lastly, the bank should plan well before funding projects to eliminate uneconomical projects, which end up neglected in the long run and make resources wasteful when they default inevitably.

Although this study found that there is up-to-date technologies in terms of Information technology, it suggests that technological advances, such as online applications of loan approvals that enable users of financial services to be located and delivered services in the comfort of their work base far away from their development financial institution (Development Bank of Namibia), could be a promising way to facilitate Namibian enterprises in order to achieve a speedy, convenient and safest financial products or services. The study has discovered various businesses that benefited over the years and has arrived to a conclusion that the bank has been issuing funds to different businesses and not only to distinguished or notable companies.

5.5 Conclusion

This study is the first of this kind to be carried out in Namibia. This study analysed total loan approvals by DBN and total employment creation as a result. It is against this background that this study invites further research where total loans approved and aggregate employment generated is split per sector or per region to measure sectoral or regional efficiency respectively. On the first objective the study has shown that there is a significant positive relationship between new jobs created and loans approved. On the second objective many enterprises benefited from DBN loans over years especially the construction industry. Lastly on the third objective discrepancies in amounts of loan approvals and employment creation were N$ 521.59 million and 6016 jobs per annum respectively.

The study used limited models such as SPSS in data analysis and therefore calls for other possible data analysis tools to be employed to overcome this shortcoming. There is a need to make comparison analysis with methodologies to substantially support findings tested by different models. Additionally, it would be useful for development finance researchers to actually enhance their skills and increase their body of knowledge through use of various models. Due to the time constraint and limited data, further work to be done on the causal relationship between development finance and introduce more variables that measure employment creation. Future research may need also to explore further by using indicators of long and short term employment opportunities and examines whether such indicators perform better in predicting employment creation than the used one (loans).

On the other hand other possible factors that are strongly linked to employment creation such as Government transfers or level of GDP (Gross Domestic Product) could not be used in this study. This study has employed explicitly two variables to measure the nature and magnitude of association linked between employment creation and the loans approved. There is no evidence of other variables in this study.

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Appendix 1

Questionnaire Cover Letter

My name is Saima Abel, a student on the Masters in Business Administration (Finance) at Namibia Business School. The school is academically an integral part of the University of Namibia and is a department within the Faculty of Economics and Management Science.

My mini-thesis is entitled "The evaluation of development finance and employment creation since 2004 to 2014: a case study of the Development Bank of Namibia (DBN)." To enable me to progress the research I require the participation of Development Bank of Namibia staff.

Ideally, the participants will be the top, middle and low level management within departments involved in the credit and lending functions of the bank. The participants will remain anonymous and will only be identified as A, B, C and D. I would very much appreciate your assistance in completing this research and look forward to receive your response. Please do not hesitate to contact me if you require any further information.

Kind regards

Saima Mweshilininga Abel

Contact: 081 302 3088

Appendix 2

Questionnaire

Survey to evaluate development finance and employment creation since 2004 to 2014: a case study of the Development Bank of Namibia (DBN)

Part A: Classification Information

i) Company: **Development Bank of Namibia (DBN)**

ii) Your Position: …………………………………

iii) Length of time in this position: ……………...

Part B: Loan approvals

1.2 What is the most important factor lenders consider when evaluating an individual or business that is seeking credit:

Social & Community considerations (employment) ☐

Creditworthiness ☐

Loan size ☐

All of the above ☐

1.3 Does DBN establish credentials for any credit approval process?

Yes ☐

No ☐

1.4 Out of the following which group is granted more credit approvals?

Small and Medium Enterprises

Large Corporations

Start-ups/Venture capital business

1.4 What is the average employment creation (permanent and temporary) from projects funded per year in all sectors?

1,000

2,000

7,000

10,000

1.5 Does an increment in the loan book necessarily mean more employment opportunities?

Yes

No

Do not know

1.6 **What are the average loan approvals per month by DBN?**

Less than N$ 10 mil

N$ 50 mil

More than N$ 60 mil

1.7 **To what extent did the recipients of loan approvals meet your expectations in terms of repayment and job creation?**

Excellent

Good

Satisfactory

Poor

1.8 Does your institution have adequate accounting system?

Yes

No

1.9 How well do you know the system?

Very well

Moderate

Struggling

Very poor

2.0 How effective is the system within the departments of credit and lending functions?

Very effective

Effective

Not effective

2.1 How do you rate debtors' response to settle their accounts?

Very good
Good
Satisfactory
Poor

2.2 Does your institution have up-to-date technologies (IT)?

Yes ☐

No ☐

2.3 Does your institution have required efficient and experienced management?

Yes ☐

No ☐

THE END…. THANK YOU!!!!!